

Summary

The 3rd Annual Meeting for Financial Policy Dialogue between Gol and JBIC, in Jakarta, Indonesia, on 28th of September 2012

Introduction

1. The 3rd Annual Meeting (the “Meeting”) for the Financial Policy Dialogue (the “Dialogue”) between Government of Indonesia (“Gol”) and Japan Bank for International Cooperation (“JBIC”), (each of Gol and JBIC being a “Party”, and collectively the “Parties”) was held at the Ministry of Finance of Gol in Jakarta, Indonesia on September 28, 2012.
2. Indonesia's Vice Minister of Finance, H.E. Mr. Mahendra Siregar delivered his opening remarks to the Meeting, while Dr. Dedy S. Priatna, Deputy for Infrastructure, Ministry of National Development Planning delivered a keynote address. The meeting was attended by relevant government officials from Ministry of Finance (“MOF”), Coordinating Ministry for Economic Affairs (“MENKO”), State Ministry of National Development Planning (“BAPPENAS”), Ministry of Energy and Mineral Resources (“ESDM”), Ministry of State Enterprises (“BUMN”), Ministry of Transportation (“MOT”), Ministry of Public Works (“PU”), Investment Coordination Board (“BKPM”), Bank Indonesia, other government entities such as PT PLN (“PLN”), PT Pertamina, PT Pertamina Geothermal Energy (“PGE”), PT Sarana Multi Infrastruktur (“SMI”) and Indonesia Infrastructure Guarantee Fund (“IIGF”), Indonesian Chamber of Commerce and Industry (“KADIN”) as well as the Embassy of Japan in Indonesia and JBIC’s delegation led by its CEO, Mr. Hiroshi Watanabe.

Progress of each working team

3. In his Opening Remarks, Vice Minister Mahendra Siregar highlighted Indonesia's recent stable macroeconomic conditions despite the on-going global financial turmoil. Indonesia economy has benefited from cooperation with key strategic partners in the multilateral, regional, and bilateral forums. Especially, he valued the relationship between Gol and the Japanese Government, and its arm-length institutions, such as JBIC. JBIC is one of Gol strategic partners in development, as reflected by its support of programs, projects, and in budget support for Indonesia. Indonesia welcome the support of JBIC in areas that reflect Gol development priorities, including cooperation in respect of macroeconomic stability, the financial sector, infrastructure development, energy security, and also the green economy that places emphasis on environmental sustainability. Particularly on the issue of infrastructure development, he appreciated JBIC’s commitment in supporting Public Private Partnership (or PPP) scheme under the Master Plan “Acceleration and Expansion of Indonesia’s Economic Development 2011-2025” (“MP3EI”). He also touched upon its debt management policies taking into account an increasing proportion of foreign bond holders.
4. In response to the remarks by Vice Minister Mahendra Siregar, Mr. Hiroshi Watanabe, CEO of JBIC, provided an update on JBIC’s recent operations toward Indonesia and appreciated Gol’s achievements in respect of prudent macroeconomic management as well as its continuous efforts for the implementation of the infrastructure

development. He also updated the activities of Working Team (“WT”), WT No.1 on infrastructure developments and WT No. 2 on macro prudence and risk management, which have been implemented under the framework of the Dialogue. He welcomed the report by WT No.2 on the government bond market development, which had been submitted to MOF.

5. With regard to the infrastructure development, Mr. Watanabe welcomed several progresses which had been made under the Dialogue, including:
 - i. the issuance by MOF of its business viability guarantee letters toward several private power projects under the 2nd Fast Track Program,
 - ii. conclusion of the Power Purchase Agreement for Central Java Power project under the PPP program,
 - iii. the Infrastructure Financing Seminar held in April 2012 and the following discussion among Gol’s relevant authorities, contracting agencies and JBIC, exchanging views on the private sector development in key infrastructure sectors, and
 - iv. dialogues on possible PPP promotion measures, such as a credit enhancement mechanism in cooperation with Gol’s governmental financial institutions and consultation services to co-work with Gol’s relevant ministries and agencies for more effective and timely preparation for quality PPP and/or private sector infrastructure projects.

Future Directions

6. In the Meeting, both parties shared the view that the stable macroeconomic conditions and consistent, predictable regulatory framework would be the key basis for sustainable private sector infrastructure development such as PPP.
7. While appreciating recent progresses in the private sector infrastructure development in Indonesia, they noted further efforts remained required for the future economic growth in Indonesia. Mr. Watanabe of JBIC expressed his willingness for further cooperation with Gol with a view to accelerating Indonesia’s infrastructure development particularly in the private sector such as PPP, while continuously supporting Gol’s efforts for its prudent macroeconomic management. In this respect, he emphasized the importance of facilitating quality infrastructure projects (“quick-wins”), and stated JBIC’s readiness to explore in cooperation with Gol additional measures and/or cooperative framework for realizing the quick-wins, which will then lead to the acceleration of private sector infrastructure development in Indonesia. Gol shared the view with JBIC, and both Parties agreed to keep closer dialogue for such measures and/or framework.
8. The Parties have also agreed to continue to have dialogue on macro prudence and risk management, including (i) financing and debt management strategies, and (ii) risk management of public sector investment and financing.
9. Both Parties agreed to explore further the appropriate agenda, in term of issues and urgencies, to be discussed under the framework of the Dialogue at a time convenient for both Parties.

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