<table>
<thead>
<tr>
<th>Year Range</th>
<th>Events</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-1997</td>
<td>Strong GDP growth and stable government averaging 8% p.a. (in real terms). IFC supported export-oriented projects in agribusiness and textiles; and import-substituting projects in chemicals; and general manufacturing.</td>
</tr>
<tr>
<td>2001-2006</td>
<td>Recovery focused on rebuilding the banking sector till 2004 with the support of IMF. IFC continued to focus on supporting existing clients and began to develop new clients; IFC also increased its support to financial intermediaries focused on SMEs.</td>
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</tbody>
</table>
• Indonesia: Stable democracy, commodity export, substantial capital inflows (country rating: BBB- with stable outlook by S&P and BBB with stable outlook by Fitch), and strong demographic dividend.
• IFC: Reduce the impact of climate change, create high quality jobs, increase rural incomes, promote sustainable urbanization, expand access to financial services, establish efficient and globally competitive manufacturing, and increase access to infrastructure.
• In the last 12 years, total IFC’s commitment was US$5.1 bn (US$ 2.8 bn was on OA).
• The total outstanding as of end of June 2018 was US$ 1.45 bn.
FUTURE CHALLENGES

Rapid Urbanization put more pressure on Existing Infrastructure

By 2025, Indonesia can expect to have 68% of its population living in cities.

Impact of Climate Change will become increasingly felt

By the end of this century, climate change could cost Indonesia 2.5% - 7% of GDP annually (WB).

Competitive Pressure due to pace of Globalization and Technological Change

Indonesia will not be able to depend on low-cost labor.

Capitalizing on Demographic Dividends for Savings Mobilization and Productive Investments

Indonesia will need to invest in human development, health services, and women empowerment.
IDENTIFYING KEY FOCUS AREAS

Country Partnership Framework

**Six Engagement Areas (EAs)**

- EA1. Infrastructure Platforms at the National Level
  - Increase access to water Irrigation and dams
  - Increase access to affordable housing
  - Develop Integrated Tourism destination

- EA2. Sustainable Energy and Universal Access
  - Increase supply and access to energy

- EA3. Maritime Economy and Connectivity
  - Improve maritime logistic and connectivity

- EA4. Delivery Of Local Services and Infrastructure
  - Strengthening decentralization framework to improve local service delivery
  - Improving sustainable urbanization
  - Promoting human capital development

- EA5. Sustainable Landscape Management
  - Strengthened capacity in decentralized forest and land management

- EA6. Collecting More and Spending Better
  - Improve revenue collection
  - Improve efficiency and effectiveness of spending

**Two Supporting Beams**

1. Leveraging the Private Sector: Investment, Business Climate, and Functioning of Markets
2. Shared Prosperity, Equality, and Inclusion

CPF Objectives with IFC’s engagement
IFC INDONESIA STRATEGY FY19-21

3 Focus Areas, 12 Priorities

- BETTER JOBS IN MANUFACTURING
- POWER AND ENERGY EFFICIENCY
- PORT AND LOGISTICS/CONNECTIVITY
- WATER AND SANITATION
- DEEPENING CAPITAL MARKETS
- ECONOMIC GROWTH
- INCLUSION
- SUSTAINABILITY

Covers subnational/city level engagement as well

- PALM OIL & FORESTRY
- GREEN BUILDINGS & GREEN FINANCE
- FINANCIAL INCLUSION
- TOURISM
- HEALTH & EDUCATION
- AGRIBUSINESS
- AFFORDABLE HOUSING
IFC INDONESIA – THREE-PILLAR STRATEGY

IFC has a proactive approach to support Indonesia’s development journey through a three—pillar strategy focused on:

1. Economic growth:
   ▪ Leveraging the private sector;
   ▪ Improving access of the poor and vulnerable (B40) to essential services (water, sanitation, energy, transport, urban infrastructure);
   ▪ Supporting better connectivity (fintech, e-commerce, and the digital economy);
   ▪ Deepening capital markets to reduce overreliance to short-term capital flows.

2. Inclusion:
   ▪ Boosting quality of human capital and helping Indonesians to get better education and health;
   ▪ Creating opportunities in tourism and agri-business
   ▪ Ensuring access to financial services (financial and digital inclusion)

3. Sustainability:
   ▪ Supporting sustainable development of natural resources i.e., sustainable palm oil & forestry;
   ▪ Promoting climate adaptation and mitigation through green buildings & green finance.
Depending on reform implementation, we foresee significant boost to our program in Indonesia in the next 3 years.

- Delivery of our program is conditional on reforms.
- The most significant among these are:
  - Moving away from SOE’s domination in infrastructure projects.
  - Improving competition policy framework, including rationalizing import regulations.
  - Relaxing restrictions on foreign investment and foreign workers.
  - Improving regulatory framework conducive for capital market development, green finance and investment.
  - Removing market distortion in the micro segment.
HIGHLIGHTS OF IFC INDONESIA’S SELECTED CLIENTS

- Non-Bank Financial Institution
- Medical supply-chain solutions
- Asahan Hydro Power Plant
- Affordable Housing Finance
- Tanihub Agrifinance e-commerce
- Green Buildings
- E&S Risk Management for Financial Institutions
- Indosurya Finansial
- SME Financing
- Private Equity
- Chemicals
- Energy
- Industrial Gas
- Private Equity
- Property Developer
- Investment Services
- Advisory Services
Q & A

IFC’s Outstanding Portfolio

- CTT - 2%
- FIG - 40%
- INF - 15%
- MAS - 43%

Initial Engagement
- Pre-Crisis 1990-1997
- Crisis 1998-2000
- Post-Crisis 2001-2006

ECONOMIC GROWTH
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