



# Accelerating Indonesia's Infrastructure through Public Private Partnership

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# President's Direction ...facing development challenges...

## Infrastructure equity

- Connect industrial estates, tourism zones, small industrial centers with growth centers for both agricultural and plantation production

## Bureaucratic Reform

- Simplification of licensing to increase investment and reduce the current account deficit and trade deficit → Export-oriented investment and investment in substitution of imported goods
- Non-contributing institutions will be deleted
- Stop old patterns

## Human Resources Development

- 51% labors are elementary school graduates
- Upskilling, Reskilling millions of Workers
- Prevent stunting, malnutrition and maternal-infant death
- Link and match vocational school with industry
- Business Process Outsourcing



President Jokowi in National Development Planning Meeting (Musrenbangnas), May 9<sup>th</sup>, 2019



# Priorities for The Next Five Years



Strengthening Economic Resilience for Quality Growth



Regional Development to Reducing Gaps



Increase Human Resources Quality and Competitiveness



Develop Culture and National Character



Strengthening Infrastructure to Support Economic Development and Basic Services



Develop the Environment, Improving Disaster and Climate Change Resilience



Strengthening the Stability of Politic, Law, Human Rights and Public Services Transformation



# Infrastructure Development Framework 2020-2024

## ...integrating infrastructure with economic sectors...



### Infrastructure for Basic Services

- Safe and Decent Housing Access
- Management for safe and sustainable groundwater, raw water, drinking water
- Decent and Safe Sanitation Access (Wastewater and Domestic Waste)
- Secure and Safe Transportation
- Disaster Resilient Infrastructure

### Infrastructure to Support Economic Sector

#### Connectivity



Rural Areas Accessibility

Multipurpose Dam and Irrigation Modernization

#### Leading Sector

- Manufacturing Industry
- Services and Tourism
- Agriculture-Plantation-Marine Fisheries

### Urban Infrastructure

- Urban Public Transport Development
- Sustainable Energy for Urban Area
- Infrastructure and Urban ICT Ecosystem
- Safe Drinking Water and Sanitation (waste and sewerage) in Cities
- Safe and affordable Housing in Big and Metropolitan Cities



Energy and Electricity Development (Trilema)



ICT for Digital Transformation

### Mainstreaming

- Gender Equality
- Good Governance
- Green Infrastructure

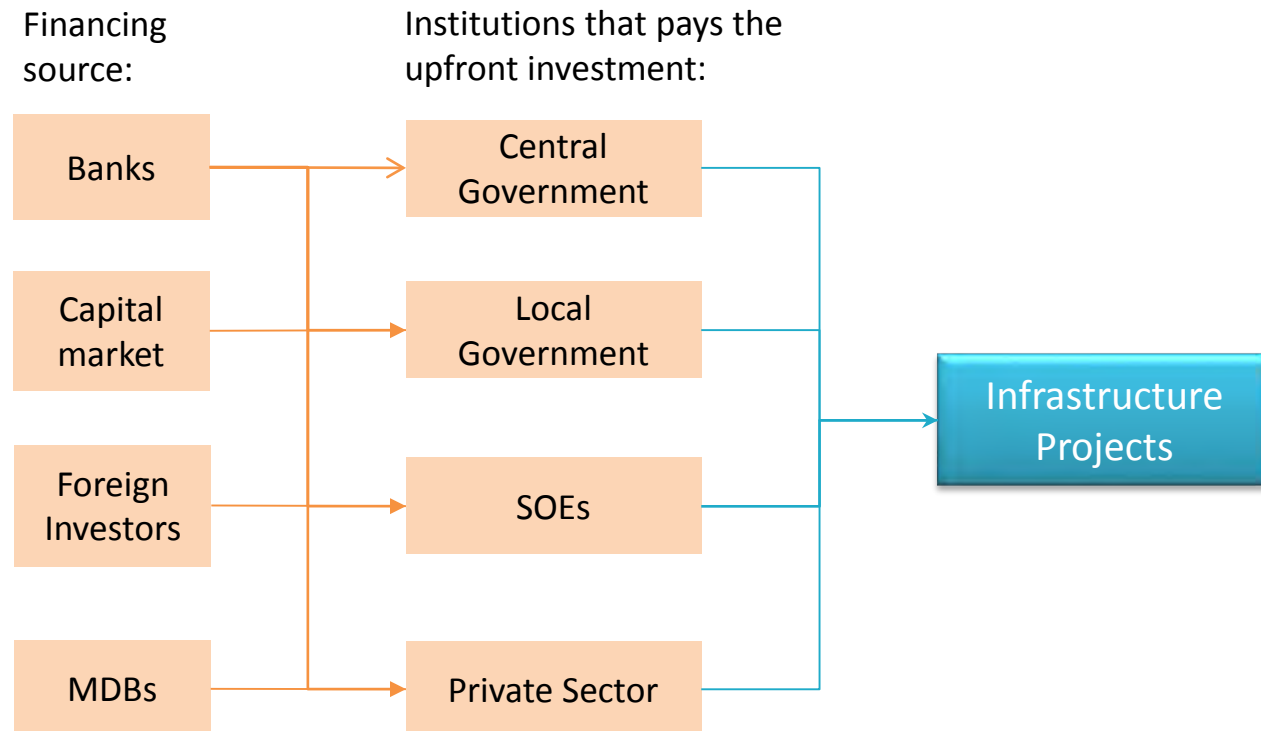
- Capital and Social Culture
- Digital Transformation
- Disaster Resilient



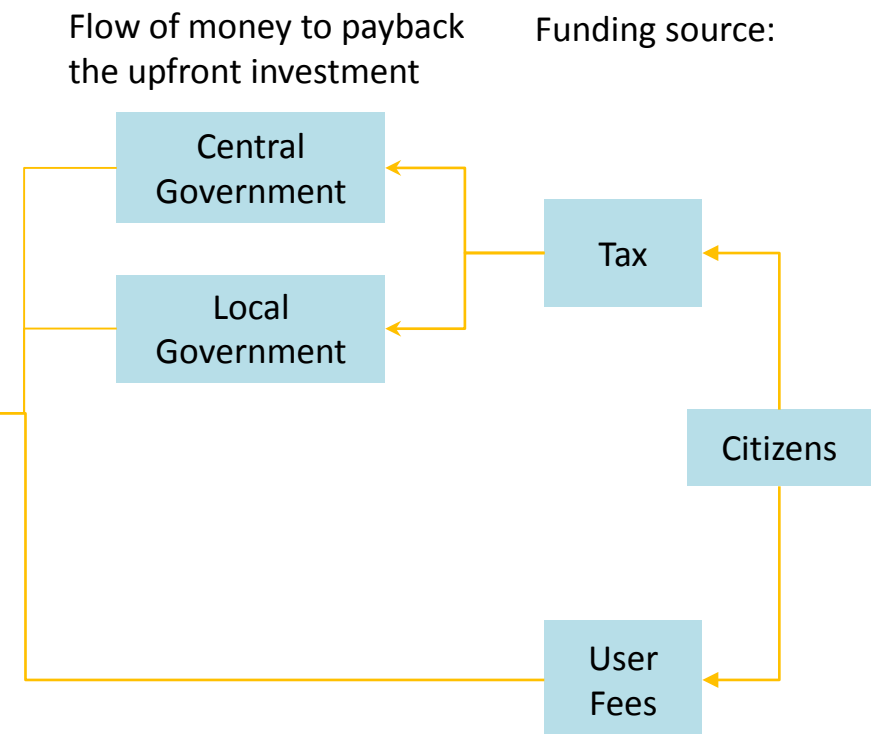
# Funding and Financing for Infrastructure Development

In order to increase infrastructure stock from 43% of GDP (in 2017) to 50% of GDP (in 2024), Indonesia requires infrastructure investment of USD 429.7 Bn or 6.1% of GDP in 2020-2024 mid-term period. This number increases by 20% from USD 359.2 Bn (in 2015-2019).

## Financing – upfront investment



## Funding \* – where the money comes from to payback the financing



\*) A combination of tax and user fees is possible



# New Paradigm in Infrastructure Investment Framework

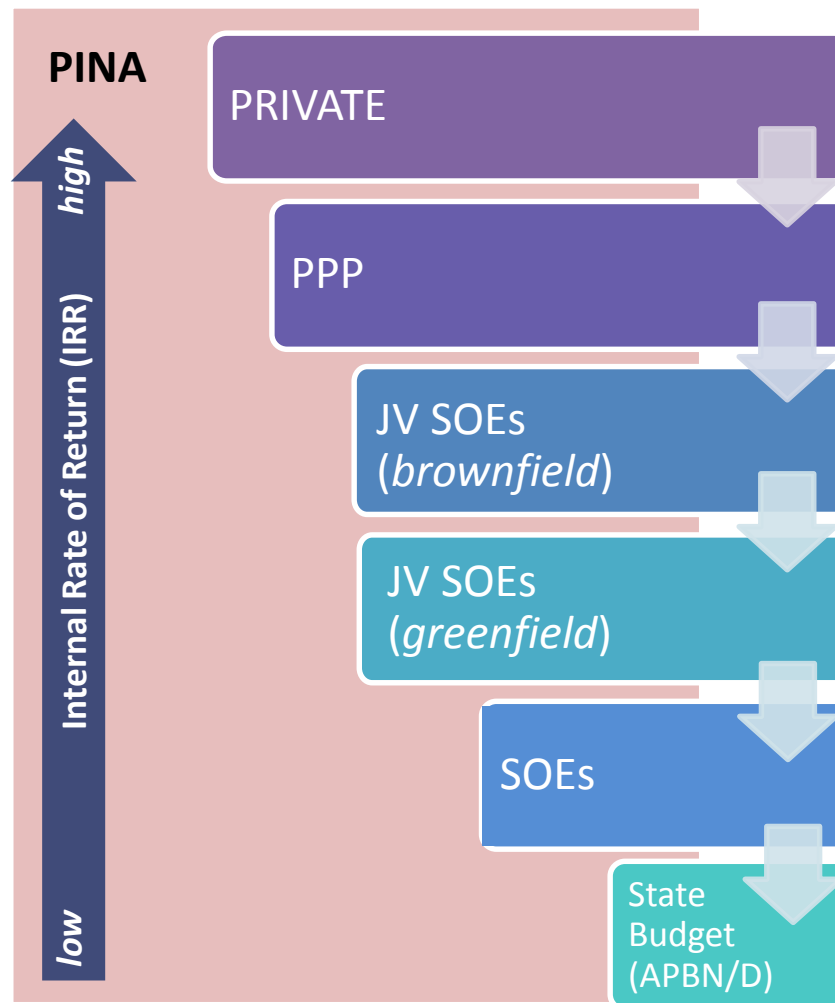
Total Investment Required for Infrastructure in Indonesia

## Average Scenario

(Infrastructure Stock Target 50 %)



## New Paradigm of Investing in Infrastructure



- Licensing
- Incentive

PPP Opportunity by President Regulation 38/2015

Projects that provide value for money for the government so the development will be on-budget, schedule and on-service.

- Special Purpose Company (SPC) was formed for Operational Projects
- Divested SPC Shares
- Enhancing SOE Expansion Capability without State Investment

- SPC was formed for under preparation projects
- Collaboration with Private Sector in the SPC
- Enhancing SOE Expansion Capability without State Investment

## Assignment to State Owned Enterprises

Source: Presidential Decree 79 year 2017

“government encourages the involvement of the private sector in infrastructure development”

\*) source: Bappenas analyst

\*\*) Calculation based on Prospera Analysis for RPJMN 2020 – 2024 that still being finalised

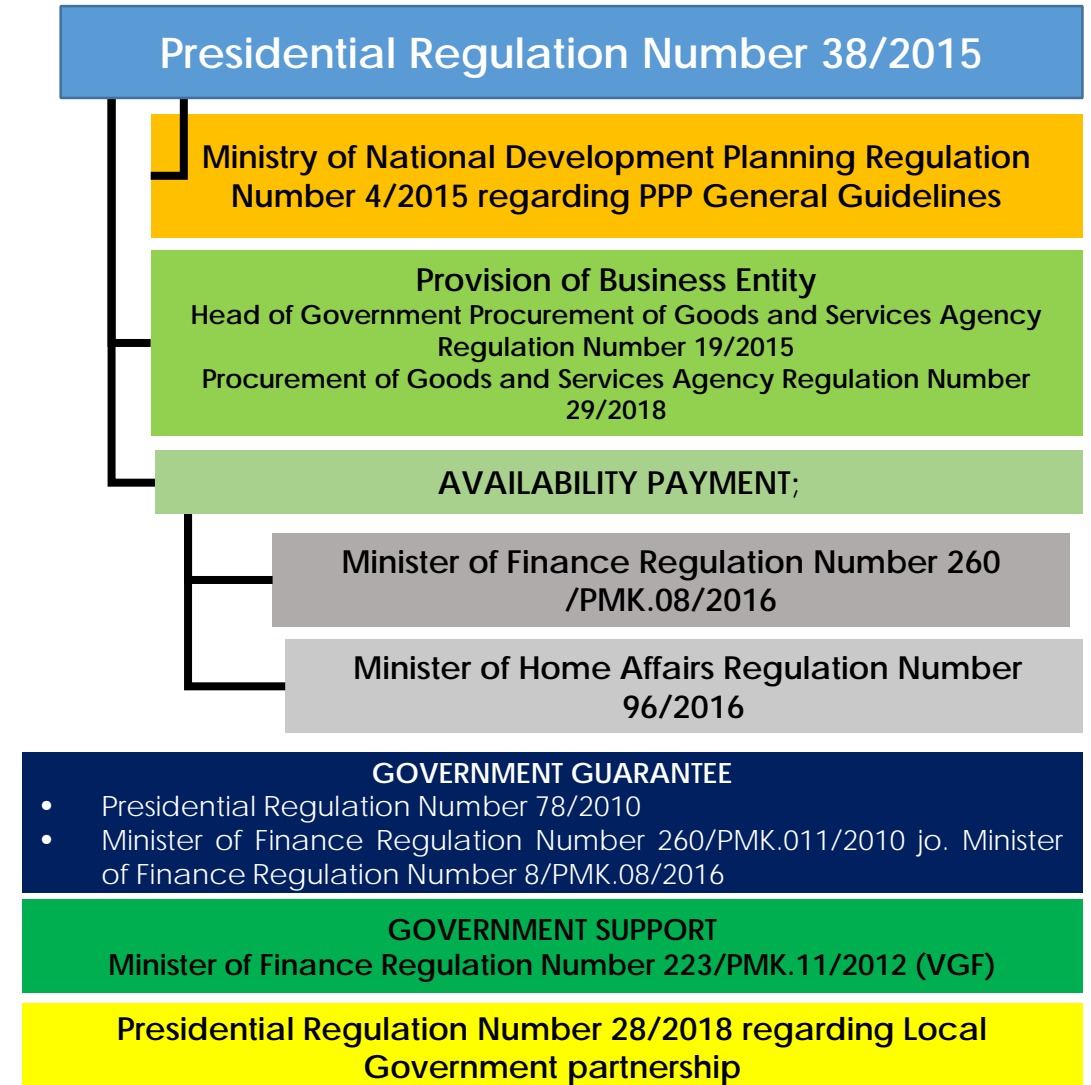


# Public-Private Partnership Regulations in Infrastructure Provision



## Subject matter of Presidential Regulation Number 38/2015

Aspects	Regulation	
Subject of partnership	<u>Government</u> 1. Minister 2. Head of Institution 3. Head of Region 4. SOE/ROE (mandatory by sector regulation)	<u>Business Entity</u> 1. SOE/ROE 2. Foreign Business Entity 3. Limited Liability Company 4. Cooperation
Object of Partnership	Economic and Social Infrastructures (19 sectors of infrastructure)	
Government Contribution	1. Government in kind 2. Government support (i.e. Viability Gap Fund) 3. Government guarantee	
Investment Return for Business Entity	1. User charge (payment by user in the form of tariff) 2. Availability payment (payment of service availability) 3. Other forms as long as it doesn't contravene with the law	
Phases	1. Planning phase 2. Preparation phase 3. Transaction phase	





# PPP Joint Office in Indonesia



**KANTOR BERSAMA KPBU  
REPUBLIK INDONESIA**

*PPP Office Government of Indonesia*



**Coordination**



**Facilitation**



**Capacity Building**



**Accelerating PPP  
Implementation  
in Indonesia**



**PPP Joint Office Republic of Indonesia**

PT Penjaminan Infrastruktur Indonesia (Persero)

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Jakarta 12710 - Indonesia

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## Coordination and Facilitation According to Authority:

- Ministry of National Development and Planning / Bappenas: Project selection and identification
- Ministry of Finance / Kementerian Keuangan: Fiscal facilitation
- National Public Procurement Agency / LKPP: Procurement – transaction probity
- Indonesia’s Investment Coordinating Board / BKPM: Market sounding and market value
- Ministry of Home Affairs / Kementerian Dalam Negeri: Advisory in Regional Availability Payment
- Coordinating Ministry for Economic Affairs / Kemenko Perekonomian: Debottlenecking
- Indonesia Infrastructure Guarantee Fund / PT.PII: Government Guarantee

## Capacity Building





# 19 Sectors Covered for PPP in Indonesia

## CONNECTIVITY



### Road

- Toll Roads
- Toll Bridges
- Roads



### Transportation

- Seaports
- Airports
- Railways
- Road transportation



### Electricity

- Power plants
- Transmission



### Energy conservation

- Street lighting



### Oil, Gas, and Renewable energy



### Telecommunication & Informatics

- Fiber optics
- E-government
- Satellite

## URBAN

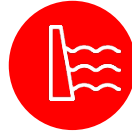
### INFRASTRUCTURE



### Water supply



### Waste management system



### Water resources & irrigation



### Localized waste water management



### Centralized waste water management



### Public housing



### Urban facility

- Traditional market

## SOCIAL

### INFRASTRUCTURE



### Tourism



### Education facilities



### Sports, art & culture facilities



### Health



### Zone/ Estates



### Penitentiary

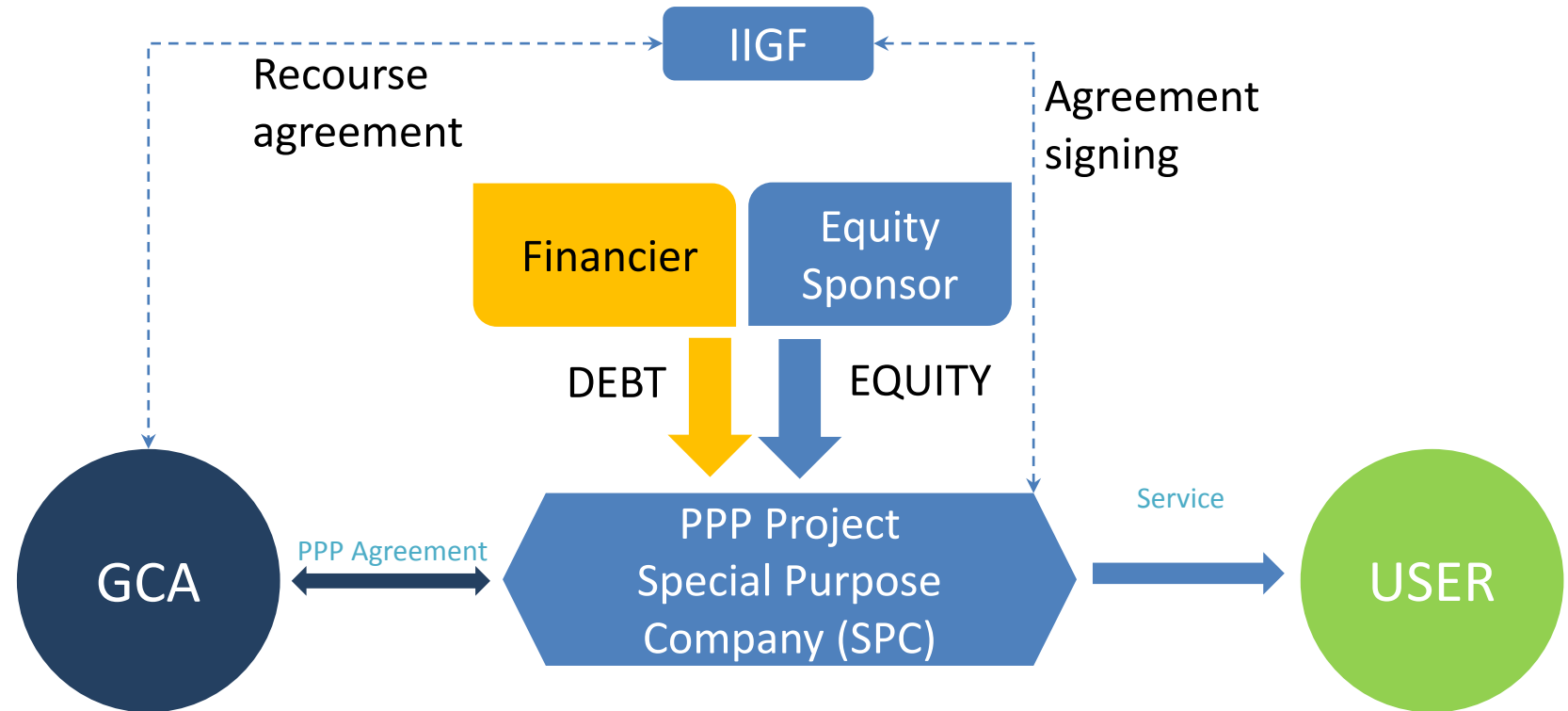


# Indonesian Government Facilities in PPP Scheme



- ### Govt Facilities
- Viability Gap Fund
  - Government Guarantee
  - Government In-kind Support

- ### Investment Return Scheme
- Tariff (User Fee)
  - Availability Payment
  - Legitimate form of payment

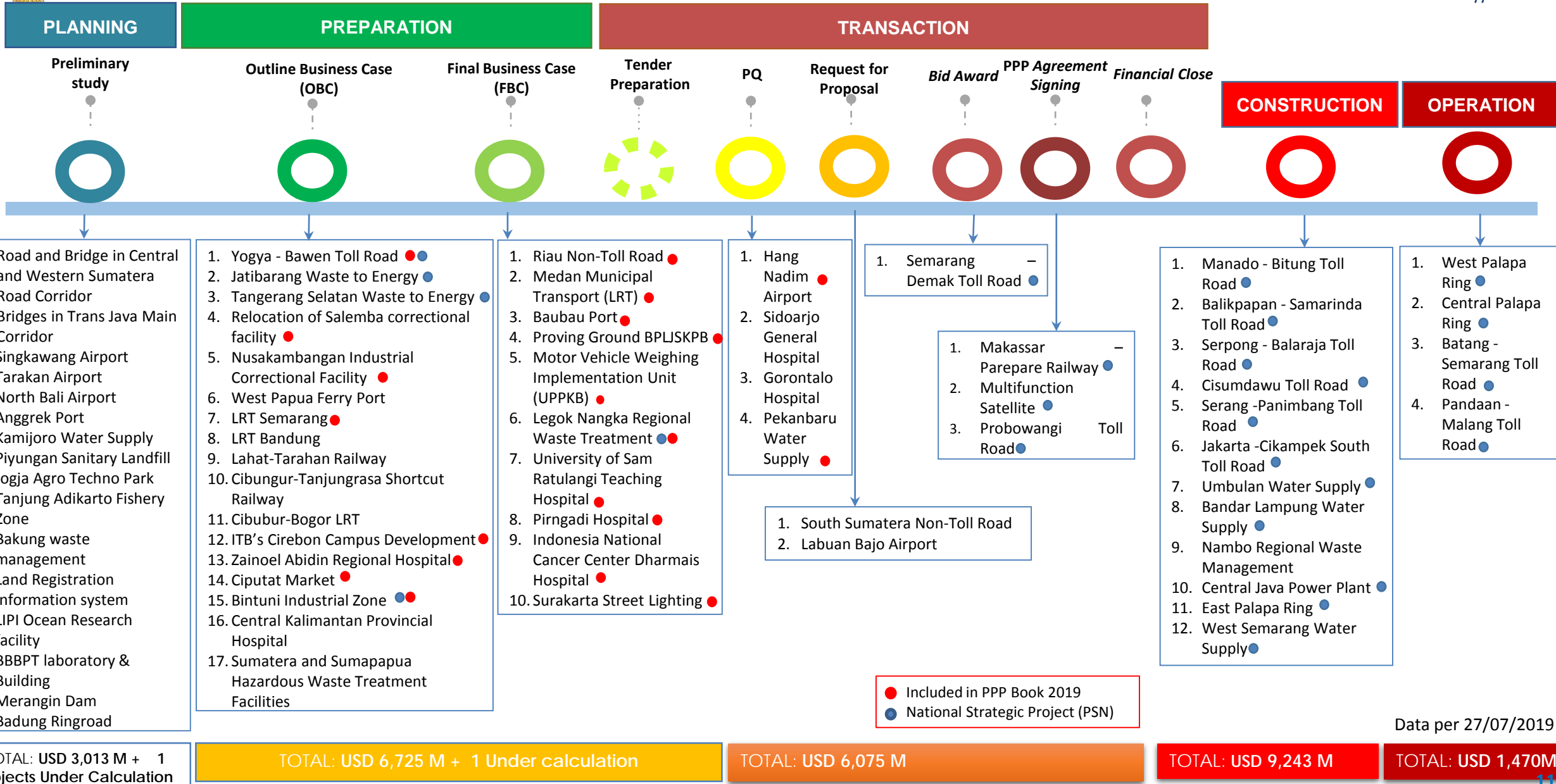




# Solicited PPP Project Pipeline



4 under operation project, 12 under construction projects, and 51 on progress projects



Data per 27/07/2019



# Unsolicited\* PPP Project Pipeline

2 under construction projects and 14 on progress projects



Project proponent submits a proposal and pre-FS document to GCA



1. Tanjung Jabung Bridge (US\$ 11.9 million)
2. Karian Water Supply (under calculation)
3. Patimban Subang Regional Water Supply (US\$ 27.8 million)

Pre-FS document evaluation to get pre-FS approval

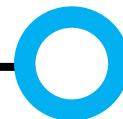


Business Entity submits FS



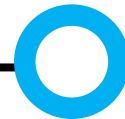
1. Karimun Bridge (US\$ 11.9 million)
2. TOD Poris Plawad (US\$ 115.6 million)

FS evaluation



1. Marine Observation and Modeling (US\$ 95.9 million)

Issuing approval letter



1. Semanan – Balaraja Toll Road
2. Kamal – Teluknaga – Rajeg Toll Road
3. Patimban Port Access Toll Road
4. Gedebage – Tasikmalaya – Cilacap Toll Road
5. Solo – Yogyakarta – NYIA Kulon Progo Toll Road

Total: US\$ 8,084 million

Procurement



1. Jatiluhur I Water Supply (US\$ 133.1 million) ●
2. Balikpapan – Penajam Paser Utara Toll Bridge (US\$ 1,099 million)

PPP Agreement Signing



1. Dumai Water Supply (US\$ 36.22 million)

Financial Close



Construction

2,658 Million USD  
2 Toll Road Projects

1. Krian-Legundi-Bunder-Manyar (US\$ 940.0 million) ●
2. Jakarta – Cikampek Elevated II (US\$ 1,718 million) ●

Construction

## Evaluation Criteria:



Technically **integrated** with the sector's **master plan**



Economically and financially viable



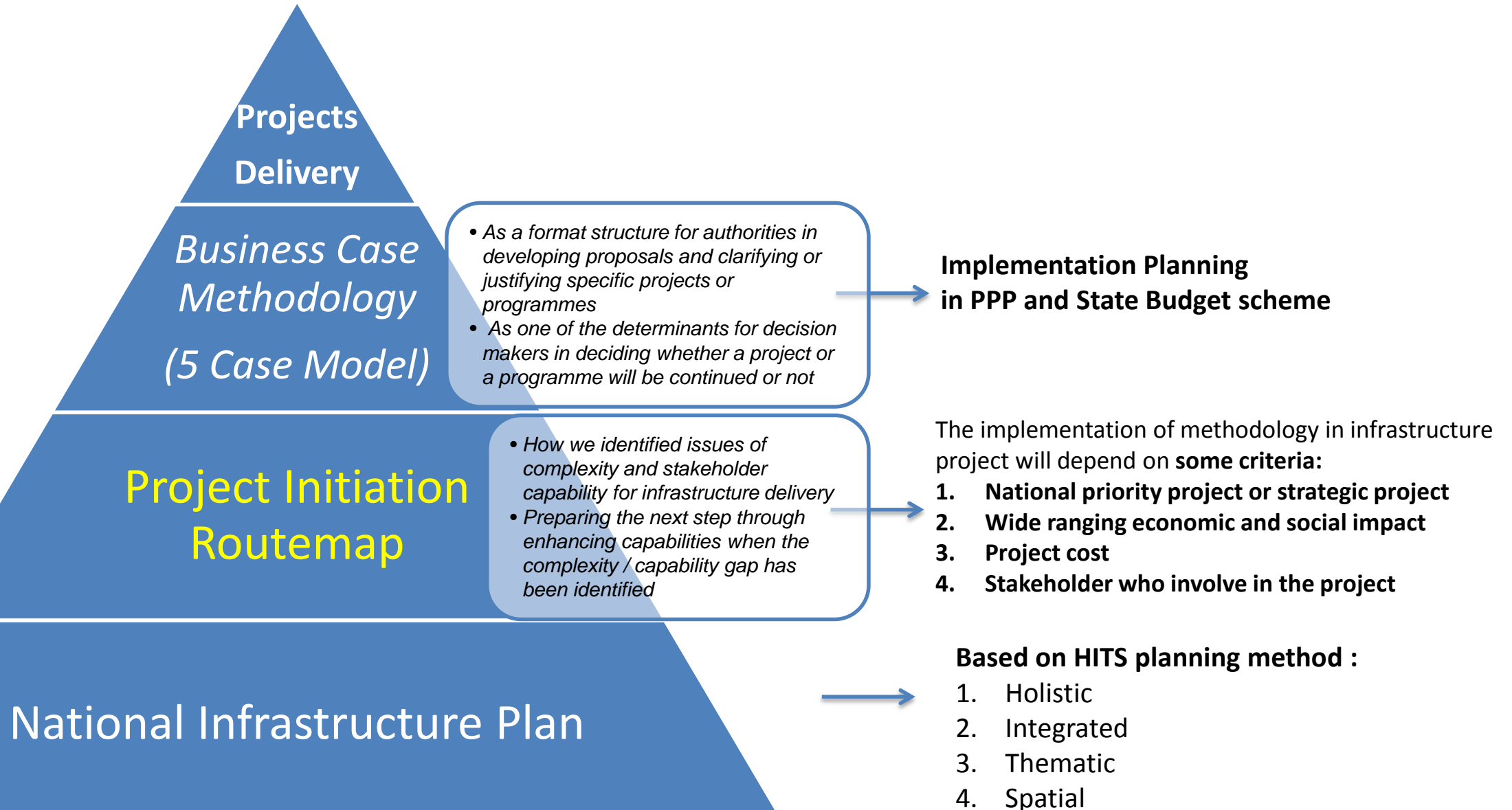
The business entity that proposes the initiative has **adequate financial capability** to finance the project.

- Include in PPP Book 2018
- National Strategic Project (PSN)

\*The unsolicited project is when the project is initiated by the private sector



# Infrastructure Development Methodology



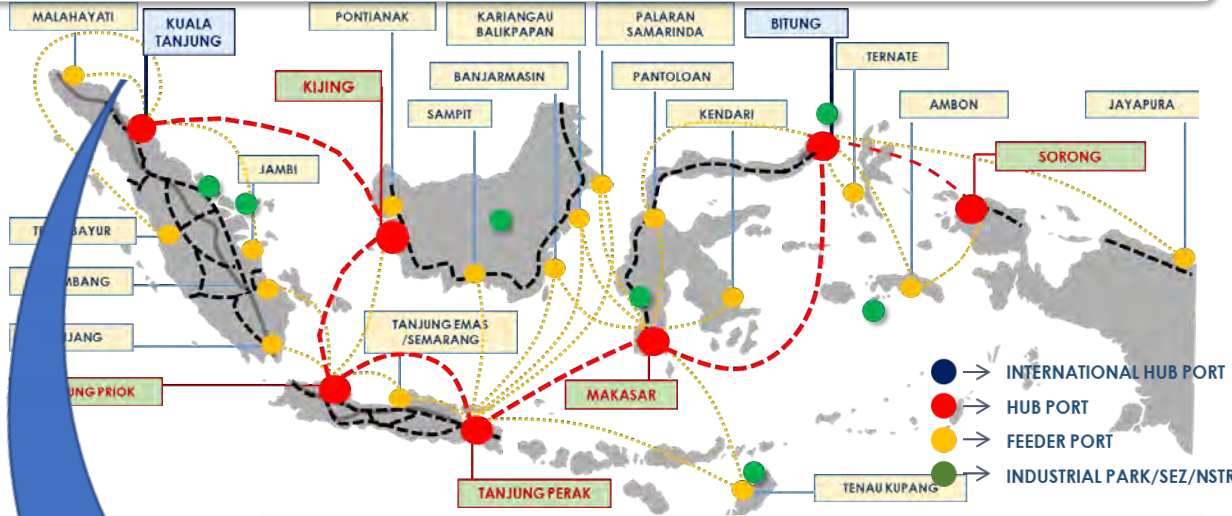


THANK YOU

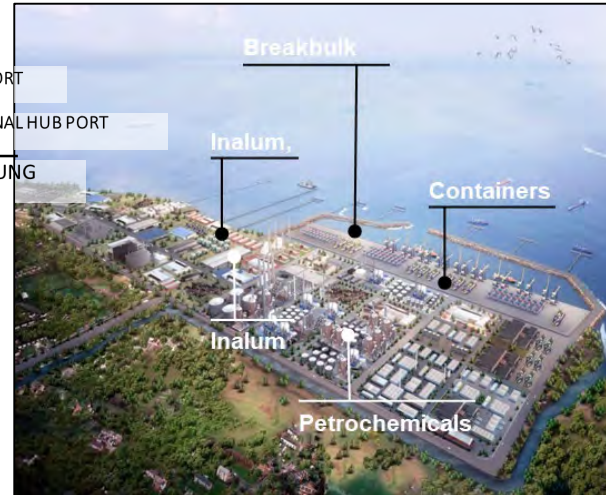
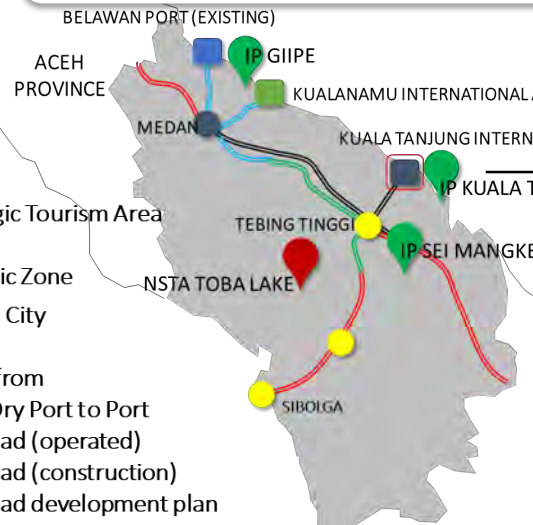


# Integration of Regional and Infrastructure Development

## SEA CONNECTIVITY AS A "BACK BONE" OF TRANSPORTATION SYSTEM



## PORT AND INDUSTRIAL AREA INTEGRATION (CASE SEI MANGKEI - KUALA TANJUNG)

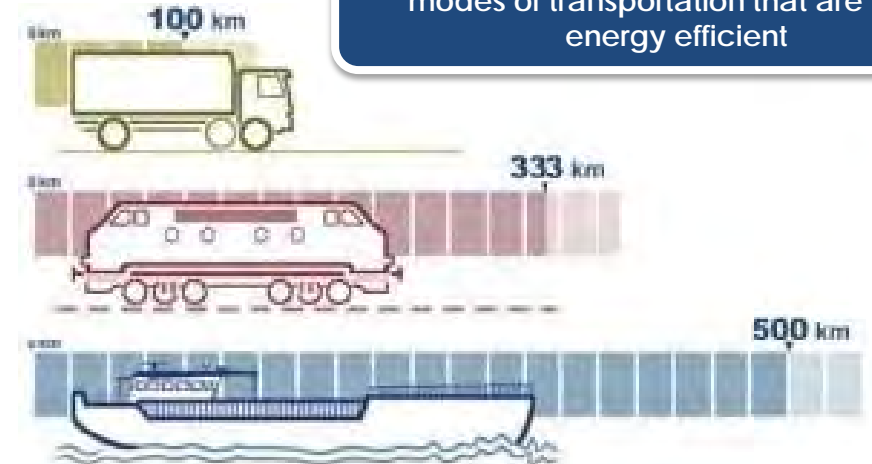


Makassar – Pare-Pare Railway Development

## RAILWAY DEVELOPMENT

- Double Track Railway in South Java
- Trans Sumatra Railway
- Trans Sulawesi Railway (Makassar - Pare-Pare)
- High Speed Train (Jakarta - Bandung)

"Waterways" and sea transportation as modes of transportation that are more energy efficient



Source: Proceedings of the 6th SoNorA University Think Tank Conference, October 2010



# Maximize Infrastructure Development for Regional Development

## ... Increasing Added Value from Infrastructure Utilization ...



### STRATEGY

Accelerating regional development that has received infrastructure support

Example:

SEZ Sei Mangkei, Mandalika Tourism Area, SEZ Maloy, SEZ Bitung, SEZ Sorong, etc.

Development of new areas integrated with the infrastructure that has been built

Contoh:

- Along the Toll Road Corridor
- Port Hinterland
- Along Railway
- Airport Hinterland

### Related stakeholders

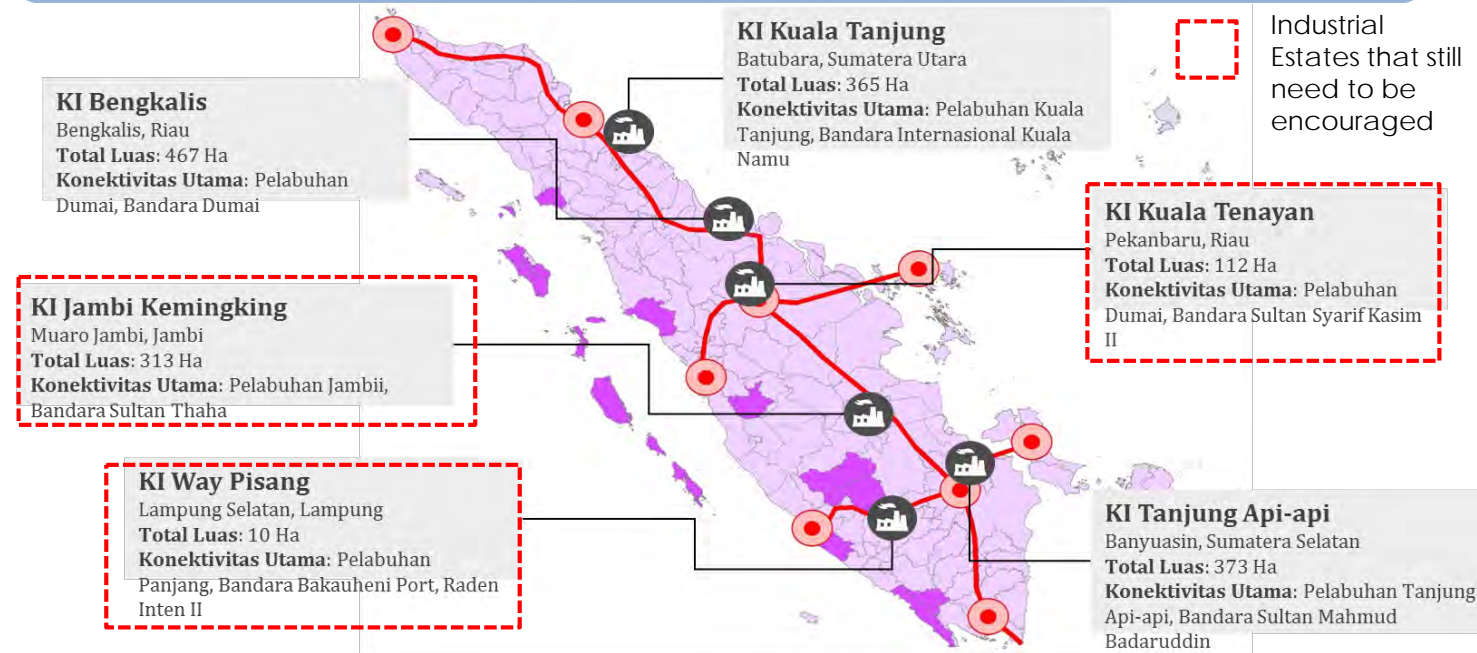
#### Infrastructure Development

- Ministry of Public Works
- Ministry of Transportation

#### Economic Zone Dev.

- Ministry of Industry
- Ministry of Trade
- Ministry of Tourism
- Ministry of SOE
- Investment Board

### Examples of Potential New Industrial Estates Utilizing Trans Sumatra Toll Connectivity



### Potential Development of New Areas in the Trans Java Toll Corridor

Decreasing Travel Time of Passenger Vehicles

Jakarta-Surabaya

12-24 Hours



Before Jakarta-Surabaya Toll Road

8-12 Hours

After Jakarta-Surabaya Toll Road

Decreasing Travel Time for Goods Vehicles

Jakarta-Surabaya

24-36 Hours



Before Jakarta-Surabaya Toll Road

12-24 Hours




After Jakarta-Surabaya Toll Road





# Investment in Indonesia

## Investment Realization in January – December 2018 (US\$ Million)

# 1		9,193.18
# 2		4,952.77
# 3		2,376.54



# Policies and Regulations to Improve Investment Climate in Indonesia



## ...Government Incentives for Investment...

### TAX HOLIDAY

MoF Regulation No.35/2018

#### 5-15 years tax exemption

With potential 20 years exemption for Projects that are considered as strategic projects for Indonesia economy.

#### Up to 100% reduction on tax

17 eligible industries :

1. upstream basic metal industry;
2. purification and / or refining of oil and gas industry;
3. petrochemical industry based on petroleum, natural gas, or coal;
4. basic inorganic chemical industry;
5. basic organic chemical industries sourced from agricultural, plantation, or forestry products;
6. pharmaceutical raw materials industry;
7. semi conductor manufacturing industry and other major computer components;
8. main components of communication equipment industry;
9. main components of medical devices industry;
10. major components of industrial machinery industry such as electric motors or internal combustion motors integrated with the machine-making industry;
11. the main component of machinery industry such as piston, cylinder head, or cylinder block integrated with the manufacture of four-wheeled or more motorized vehicles;
12. robotic components industry;
13. shipbuilding main component industry;
14. the main aircraft component industry;
15. railway component making industry;
16. electric machinery industry ; or
17. economic infrastructure.

**IDR 500 billion to 30 trillion minimum investment plan**

### TAX ALLOWANCE

Government Regulation No.9/2016

#### 30 % of investment value

**Reducton** of corporate net income tax for 6 years, 5% each year.

**145 business segments eligible** for tax allowance, expanded from 129 segments in the previous regulation.

#### Under **certain requirements**

Among others investment value or export orientation, manpower absorption, local content, and project location, particularly outside java island.

### COORDINATION TO ACCELERATE THE FINANCIAL MARKETS DEEPENING

Coordination with **Bank Indonesia, Coordinating Ministry of Economy, Ministry of Finance and Financial Services Authority (OJK)** in accelerating the efforts for financial markets deepening to **drive infrastructure financing from private investors.**

### IMPORT DUTY FACILITY

MoF Regulation No. 176/PMK.011/2009

#### Machines, goods, materials for production

**2 years** import duty exemption or **4 years** for companies using locally-produced machines (min 30%)

#### Industries

Which produces goods and/or services, including :

1. Tourism and culture
2. Public transportation
3. Public health services
4. Mining
5. Construction
6. Telecommunication
7. Port