Accelerating Indonesia’s Infrastructure through Public Private Partnership

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Ministry of National Development Planning/
National Development Planning Agency (BAPPENAS)
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

Source: President Jokowi in National Development Planning Meeting (Musrenbangnas), May 9th, 2019

https://www.youtube.com/watch?v=SmQu0vijUogo
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
- Sea Toll + Intermodal
- Regional Development/Growth Center
- Overseas Highway
- Rural Areas

Leading Sector
- Manufacturing Industry
- Services and Tourism
- Agriculture-Plantation-Marine Fisheries
- Developed Areas
- Seaport
- Rural Areas

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
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

- Banks
- Capital market
- Foreign Investors
- MDBs
- Central Government
- Local Government
- SOEs
- Private Sector

Institutions that pays the upfront investment:

Flow of money to payback the upfront investment:

Funding *— where the money comes from to payback the financing

- Central Government
- Local Government

Funding source:

- Tax
- Citizens
- User Fees

*) A combination of tax and user fees is possible
New Paradigm in Infrastructure Investment Framework

Average Scenario
(Infrastructure Stock Target 50%)

Infrastructure Investment Required*
2020-2024:
*USD 429.7Bn

* source: Bappenas analysis
** Calculation based on Prospera Analysis for RPJMN 2020 – 2024 that still being finalised

New Paradigm of Investing in Infrastructure

PRIVATE
PPP
JV SOEs (brownfield)
JV SOEs (greenfield)
SOEs
State Budget (APBN/D)

PPP Opportunity by President Regulation 38/2015

- Licensing
- Incentive

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”
## Public-Private Partnership Regulations in Infrastructure Provision

### Subject matter of Presidential Regulation Number 38/2015

<table>
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<th>Aspects</th>
<th>Regulation</th>
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<td>Object of Partnership</td>
<td>Economic and Social Infrastructures (19 sectors of infrastructure)</td>
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<tr>
<td>Investment Return for Business Entity</td>
<td>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</td>
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### Diagram:

- **Ministry of National Development Planning Regulation**
  - Provision of Business Entity
    - Head of Government Procurement of Goods and Services Agency Regulation Number 19/2015
    - Procurement of Goods and Services Agency Regulation Number 29/2018

- **Minister of Finance Regulation Number 260/PMK.08/2016**

- **Minister of Home Affairs Regulation Number 96/2016**

- **Presidential Regulation Number 38/2015**
  - Government Guarantee
    - Presidential Regulation Number 78/2010
    - Minister of Finance Regulation Number 260/PMK.011/2010 jo. Minister of Finance Regulation Number 8/PMK.08/2016

- **Government Support**
  - Minister of Finance Regulation Number 223/PMK.11/2012 (VGF)
  - Provision of Local Government partnership
  - Presidential Regulation Number 28/2018 regarding Local Government partnership
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
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
- Penintentiary
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

PPP Agreement
- Recourse agreement
- Agreement signing

IIGF
- Recourse agreement
- Agreement signing

Financier
- DEBT

Equity Sponsor
- EQUITY

PPP Project Special Purpose Company (SPC)
- PPP Agreement
- Service

GCA
- USER
Solicited PPP Project Pipeline

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

1. Road and Bridge in Central and Western Sumatera Road Corridor
2. Bridges in Trans Java Main Corridor
3. Singkawang Airport
4. Tarakan Airport
5. North Bali Airport
6. Angrek Port
7. Kamijoro Water Supply
8. Piyungan Sanitary Landfill
9. Jogja Agro Techno Park
10. Tanjung Adikarto Fishery Zone
11. Bakung waste management
12. Land Registration Information system
13. LIPI Ocean Research facility
14. BBBBBD laboratory & Building
15. Merangin Dam
16. Badung Ringroad

1. Yogya - Bawen Toll Road
2. Jatibarang Waste to Energy
3. Tangerang Selatan Waste to Energy
4. Relocation of Salemba correctional facility
5. Nusakambangan Industrial Correctional Facility
6. West Papua Ferry Port
7. LRT Semarang
8. LRT Bandung
9. Lahat-Tarahan Railway
10. Cibungur-Tanjunggras Shortcut Railway
11. Cibubur-Bogor LRT
12. ITB’s Cirebon Campus Development
13. Zainoel Abidin Regional Hospital
14. Ciputat Market
15. Bintuni Industrial Zone
16. Central Kalimantan Provincial Hospital
17. Sumatera and Sumapapua Hazardous Waste Treatment Facilities

1. Riau Non-Toll Road
2. Medan Municipal Transport (LRT)
3. Baubau Port
4. Proving Ground BPLJSKPB
5. Motor Vehicle Weighing Implementation Unit (UPPKB)
6. Legok Nangka Regional Waste Treatment
7. University of Sam Ratulangi Teaching Hospital
8. Pirngadi Hospital
9. Indonesia National Cancer Center Dharmais Hospital
10. Surakarta Street Lighting

1. South Sumatera Non-Toll Road
2. Labuan Bajo Airport

1. Yogyakarta - Bawen Toll Road
2. Jatibarang Waste to Energy
3. Tangerang Selatan Waste to Energy
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1. Hang Nadim Airport
2. Sidoarjo General Hospital
3. Gorontalo Hospital
4. Pekanbaru Water Supply

1. Semarang – Demak Toll Road

1. Makassar Parepare Railway
2. Multifunction Satellite
3. Probowangi Toll Road

1. South Sumatera Non-Toll Road
2. Labuan Bajo Airport

1. Manado - Bitung Toll Road
2. Balikpapan - Samarinda Toll Road
3. Serpong - Balaraja Toll Road
4. Cisumdawu Toll Road
5. Serang -Panimbang Toll Road
6. Jakarta -Cikampek South Toll Road
7. Umbulan Water Supply
8. Bandar Lampung Water Supply
9. Nambo Regional Waste Management
10. Central Java Power Plant
11. East Palapa Ring
12. West Semarang Water Supply

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1. Makassar - Parepare Railway
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Data per 27/07/2019

TOTAL: USD 3,013 M + 1 Under calculation
TOTAL: USD 1,470 M
Unsolicited* PPP Project Pipeline

2 under construction projects and 14 on progress projects

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

Business Entity submits FS

FS evaluation

Issuing approval letter

Procurement

PPP Agreement Signing

Financial Close

Construction

2,658 Million USD

1. Krian-Legundi-Bunder-Manyar
   (US$ 940.0 million)

2. Jakarta – Cikampek Elevated II
   (US$ 1,718 million)

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.

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

Data per 27/07/2019

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

1. Jatiluhur I Water Supply
   (US$ 133.1 million)

2. Balikpapan – Penajam Paser Utara Toll Bridge
   (US$ 1,099 million)

1. Dumai Water Supply
   (US$ 36.22 million)

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

1. Karimun Bridge
   (US$ 11.9 million)

2. TOD Poris Plawad
   (US$ 115.6 million)

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

1. Marine Observation
   and Modeling

2 Toll Road Projects

1. Semanan – Balarastra 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
The implementation of methodology in infrastructure project will depend on some criteria:
1. National priority project or strategic project
2. Wide ranging economic and social impact
3. Project cost
4. Stakeholder who involve in the project

Based on HITS planning method:
1. Holistic
2. Integrated
3. Thematic
4. Spatial

Implementation Planning in PPP and State Budget scheme

The implementation of methodology in infrastructure project will depend on some criteria:

- Holistic
- Integrated
- Thematic
- Spatial
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)

SEA CONNECTIVITY AS A "BACK BONE" OF TRANSPORTATION SYSTEM

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

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

Makassar – Pare-Pare Railway Development

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

- KI Bengkalis
  - Bengkalis, Riau
  - Total Luas: 467 Ha
  - Koneksi Utama: Pelabuhan Dumai, Bandara Dumai

- KI Jambi Kemeringking
  - Muaro Jambi, Jambi
  - Total Luas: 313 Ha
  - Koneksi Utama: Pelabuhan Jambis, Bandara Sultan Thaha

Potential Development of New Areas in the Trans Java Toll Corridor

- KI Kuala Tanjung
  - Batuhar, Sumatera Utara
  - Total Luas: 365 Ha
  - Koneksi Utama: Pelabuhan Kuala Tanjung, Bandara Internasional Kuala Namu

- KI Kuala Tenayan
  - Pekanbaru, Riau
  - Total Luas: 112 Ha
  - Koneksi Utama: Pelabuhan Dumai, Bandara Sultan Syarif Kasim II

- KI Jambi Kemeringking
  - Muaro Jambi, Jambi
  - Total Luas: 313 Ha
  - Koneksi Utama: Pelabuhan Jambis, Bandara Sultan Thaha

- KI Way Pisang
  - Lampung Selatan, Lampung
  - Total Luas: 10 Ha
  - Koneksi Utama: Pelabuhan Panjang, Bandara Bakup Depart, Port, Raden Inten II

- KI Tanjung Api-api
  - Banjiraping, Sumatera Selatan
  - Total Luas: 373 Ha
  - Koneksi Utama: Pelabuhan Tanjung Api-api, Bandara Sultan Mahmud Badaruddin

Decreasing Travel Time of Passenger Vehicles
- Jakarta-Surabaya
  - Before Jakarta-Surabaya Toll Road: 12-24 Hours
  - After Jakarta-Surabaya Toll Road: 8-12 Hours

Decreasing Travel Time for Goods Vehicles
- Jakarta-Surabaya
  - Before Jakarta-Surabaya Toll Road: 24-36 Hours
  - After Jakarta-Surabaya Toll Road: 12-24 Hours

Industrial Estates that still need to be encouraged
Investment in Indonesia

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

# 1  Singapore  9,193.18
# 2  Japan  4,952.77
# 3  China  2,376.54

Source: The Investment Coordinating Board Republic of Indonesia (BKPM)
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:
    - upstream basic metal industry;
    - purification and / or refining of oil and gas industry;
    - petrochemical industry based on petroleum, natural gas, or coal;
    - basic inorganic chemical industry;
    - basic organic chemical industries sourced from agricultural, plantation, or forestry products;
    - pharmaceutical raw materials industry;
    - semiconductor manufacturing industry and other major computer components;
    - main components of communication equipment industry;
    - main components of medical devices industry;
    - major components of industrial machinery industry such as electric motors or internal combustion motors integrated with the machine-making industry;
    - 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;
    - robotic components industry;
    - shipbuilding main component industry;
    - the main aircraft component industry;
    - railway component making industry;
    - electric machinery industry ; or
    - economic infrastructure.

**TAX ALLOWANCE**

Government Regulation No.9/2016

- **30 % of investment value**
  - Reduction 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, menpower absorption, local content, and project location, particularly outside java island.

**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

**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.

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