



Indonesia Infrastructure Development: Sectoral Policy Update

Indonesia Infrastructure Investment Forum

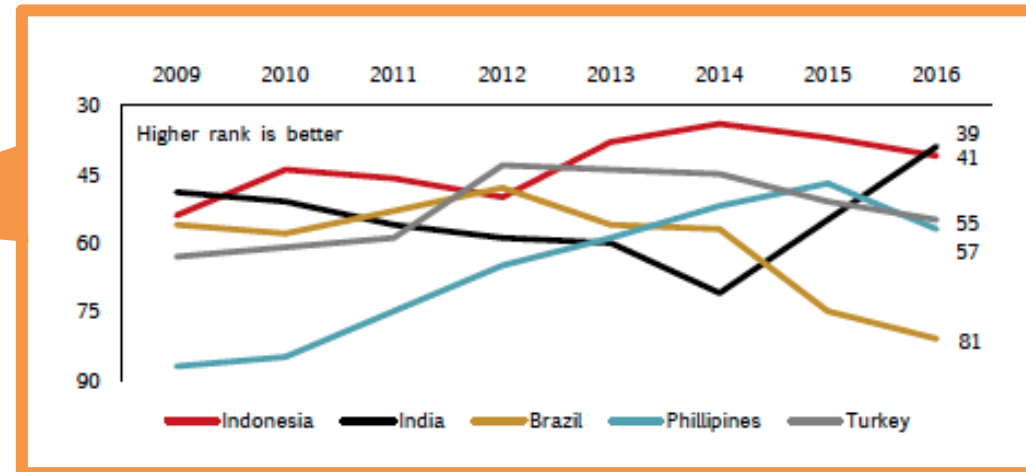
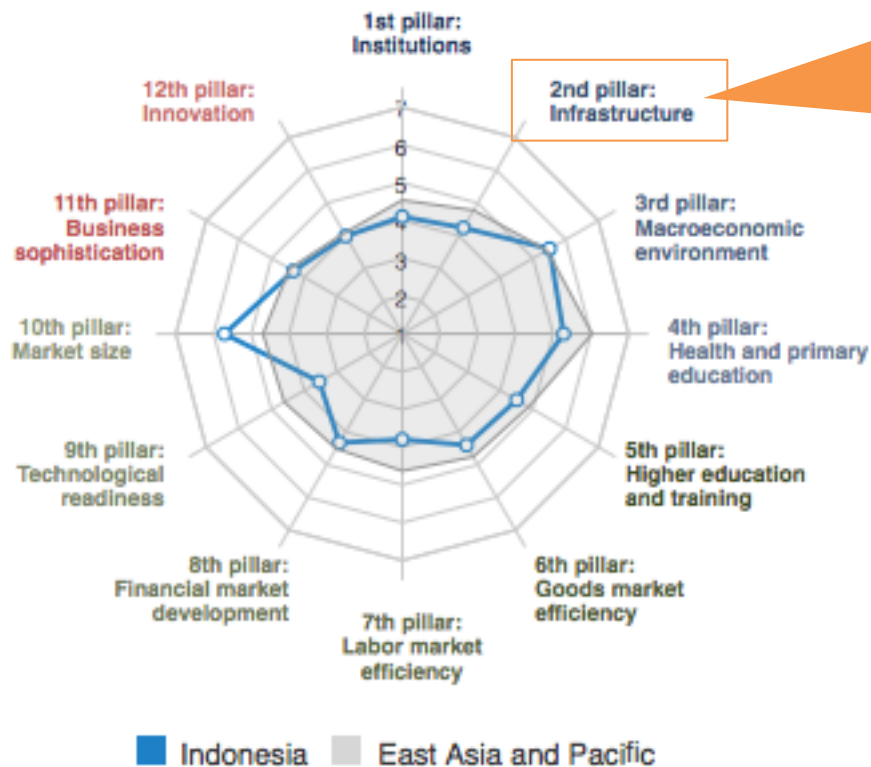
*Dwianto Eko Winarno
Project Director of Transportation Sector*

Seoul, 21 September 2017

Infrastructure is the 2nd Pillar of the Global Competitiveness Index assessment and considered as one of the critical factors to ensure the effective functioning of the economy

Indonesia's Global Competitiveness Index

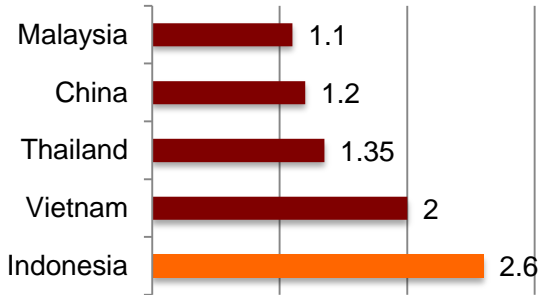
Edition	2012-13	2013-14	2014-15	2015-16	2016-17
Rank	50 / 144	38 / 148	34 / 144	37 / 140	41 / 138
Score	4.4	4.5	4.6	4.5	4.5



“The quality and extensiveness of infrastructure networks significantly impact economic growth and reduce income inequalities and poverty in a variety of ways” (WEF, 2016)

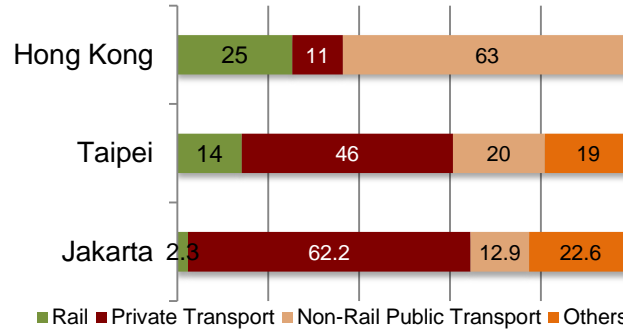
Infrastructure Overview – Indonesia is behind in almost every indices and sectors – Thus became a priority issue for RPJMN 2015-2019

Travel Time (hrs/100km)



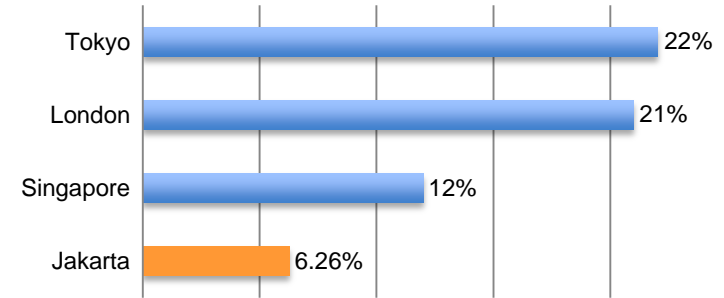
Poor quality of roads and high levels of congestion have made **the travel time in Indonesia the highest in the region**, causing logistics costs to be the highest in the region.

Modal Share (%)



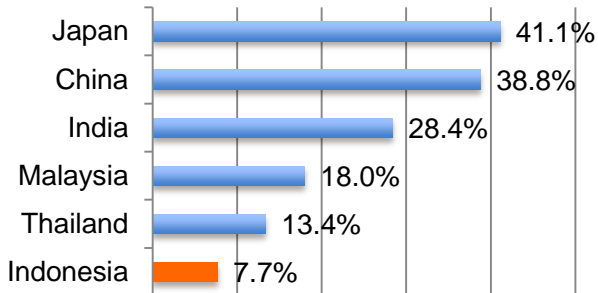
Lack of government investments in public transport over the years has resulted in **excessive use of private transport for commuting**, thus causing major congestion in most cities.

Road Ratio (%)



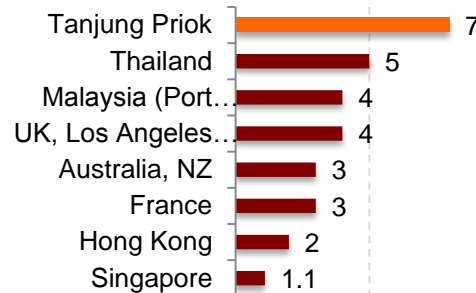
Despite the general perception that Jakarta has sufficient roads, the reality is the opposite. General land acquisition problems combined with severe underinvestment in roads have caused this bottleneck.

Ratio of Double Track (%)



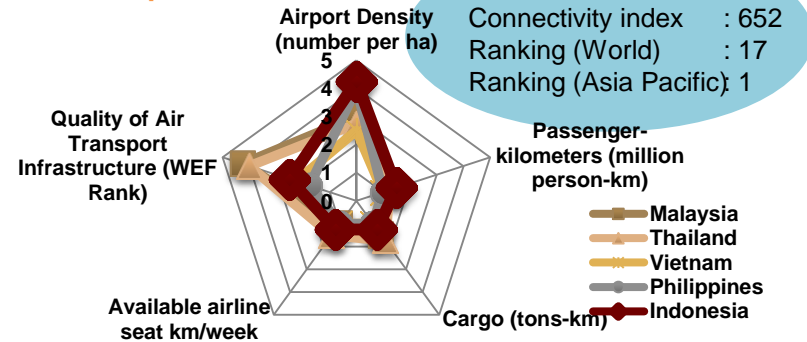
Lack of Double tracking reduces efficiency of the rail system in the country – both for freight and passenger rail services.

Dwelling Time (days)



A major issue in the seaport sector is **the high dwelling time that currently takes up to 7 days in Tanjung Priok**, far longer than Thailand (5 days), and Singapore (1.2 days).

Air Transport Indicators

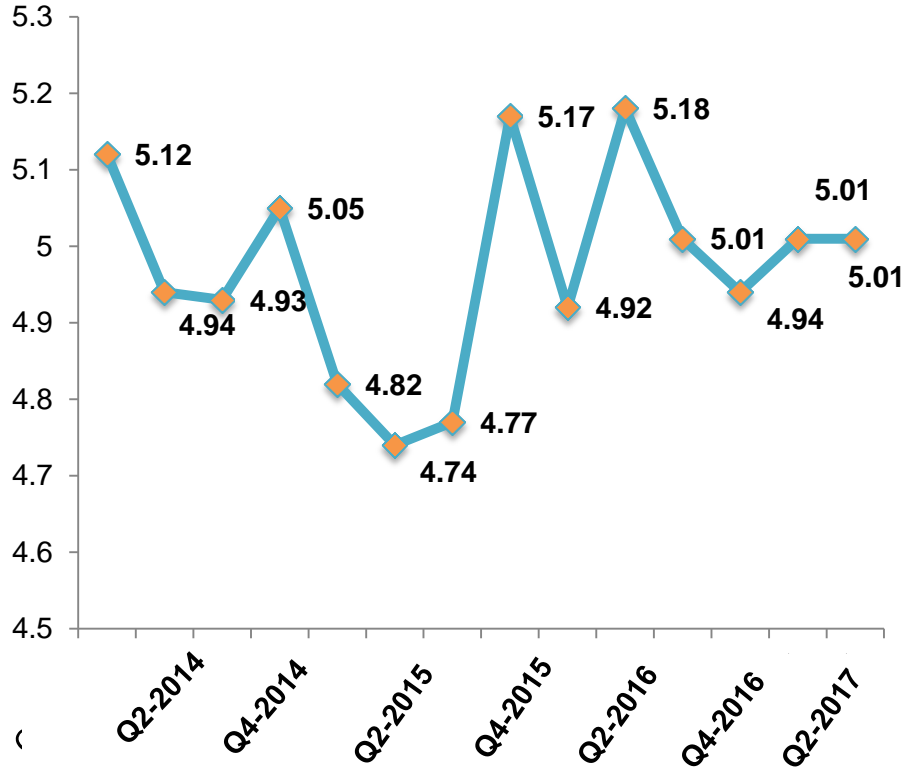


Since the deregulation in 2004, growth in air travel has gone up double digit per year, but **new airport development or expansion of existing airports has not caught up.** For example, SHIA is designed for 22 mil passengers but currently handles 55 million passengers per year (9th highest in the world). It is also the most connected airport in Asia Pacific.



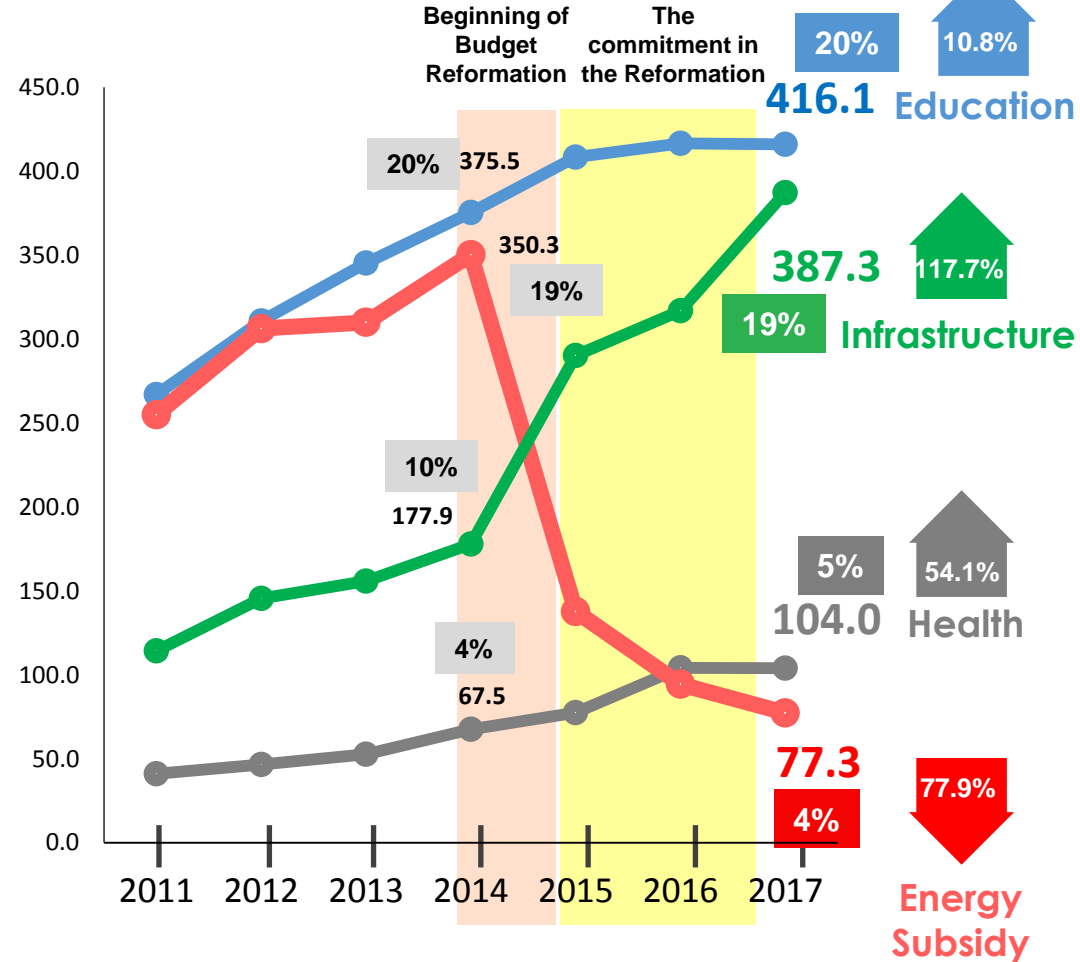
Since 2015, Indonesia's economy grows stronger compared to the previous years. This stronger growth is aligned with the increasing of Infrastructure Budget Allocation in recent years

Indonesia's GDP Growth (YOY %)



The Indonesian economy has grown by 5.01 % year-on-year in the second quarter of 2017. This growth was driven by a rebound in government spending and increase in investment.

National Budget Allocation (APBN)



Graphic: Budget allocation (in IDR Trillion)
Number in box: percentage to total APBN

To achieve higher economic growth, Indonesia has determined its infrastructure targets for the period of 2016 – 2019 which were stipulated in the National Medium Term Plan (RPJMN)

Logistic Related



Sea toll concept as a means to support Indonesia in becoming the world maritime axis.

- develop **24 new seaports**
- increase number of substantial vessels (pioneer cargo, transport vessels, pioneer crossing vessels)
- develop 60 crossing ports



Strengthen connectivity through air transport infrastructure development

- develop **15 new airports**
- develop air cargo facilities in 6 locations
- increase number of pioneer airplanes



Develop urban transport

- develop Bus Rapid Transit (BRT) in **29 cities**
- develop Mass Rapid Transit (MRT) in **6 metropolis and 17 large cities.**



Improve transport efficiency by road development and maintenance

- develop **2,650 km** of new roads
- develop **1,000 km** of new toll roads
- rehabilitate **46,770 km** of existing road



Reduce logistic cost by improving railway infrastructure

- develop new tracks in Java, Sumatra, Sulawesi, and Kalimantan:
- **2,159 km** inter-urban railways
 - **1,099 km** urban railways



Ensure efficiency of fuel production by optimizing domestic refineries

- build **new oil refineries of 2x300,000 barrels**
- Expand existing refineries in Cilacap and Balongan

Energy Related



Achieve electrification ratio of 96.6% by 2019 through generating capacity improvement

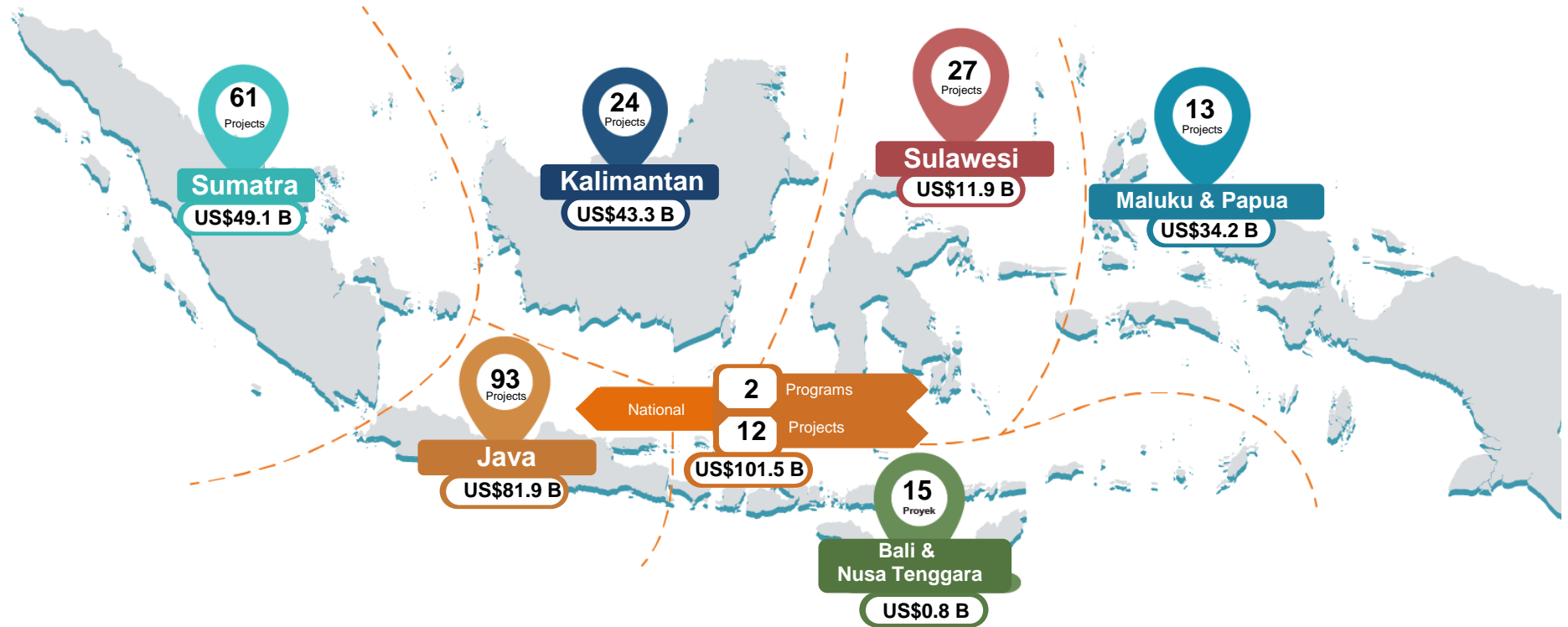
- develop **power plants with total capacity of 35,000 MW**



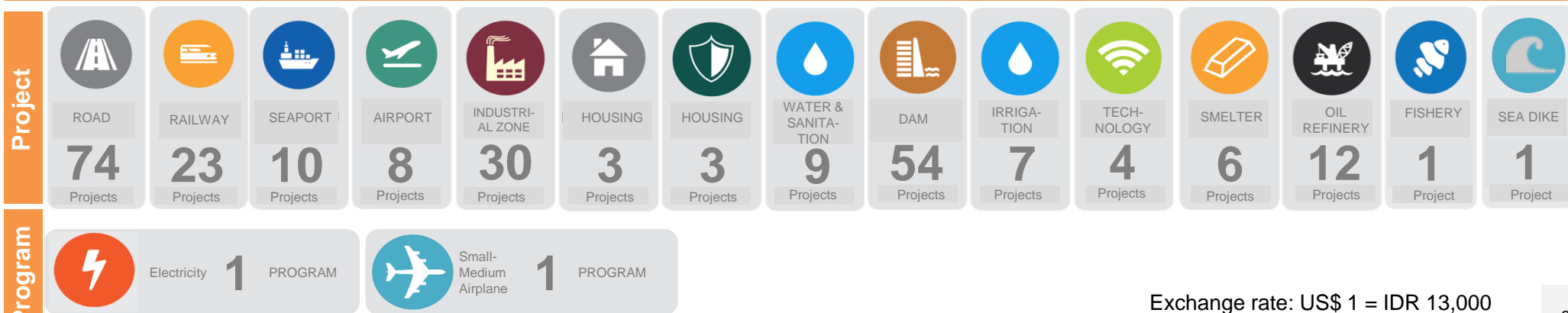
Achieving food sovereignty through irrigation system improvement

- develop **33 new dams and 30 hydropower plants**
- expand 1 million ha irrigation system
- rehabilitate existing irrigation system

Government of Indonesia introduced 245 projects and 2 programs as National Strategic Projects (PSN) with estimated total investment of US\$322.8 Billion



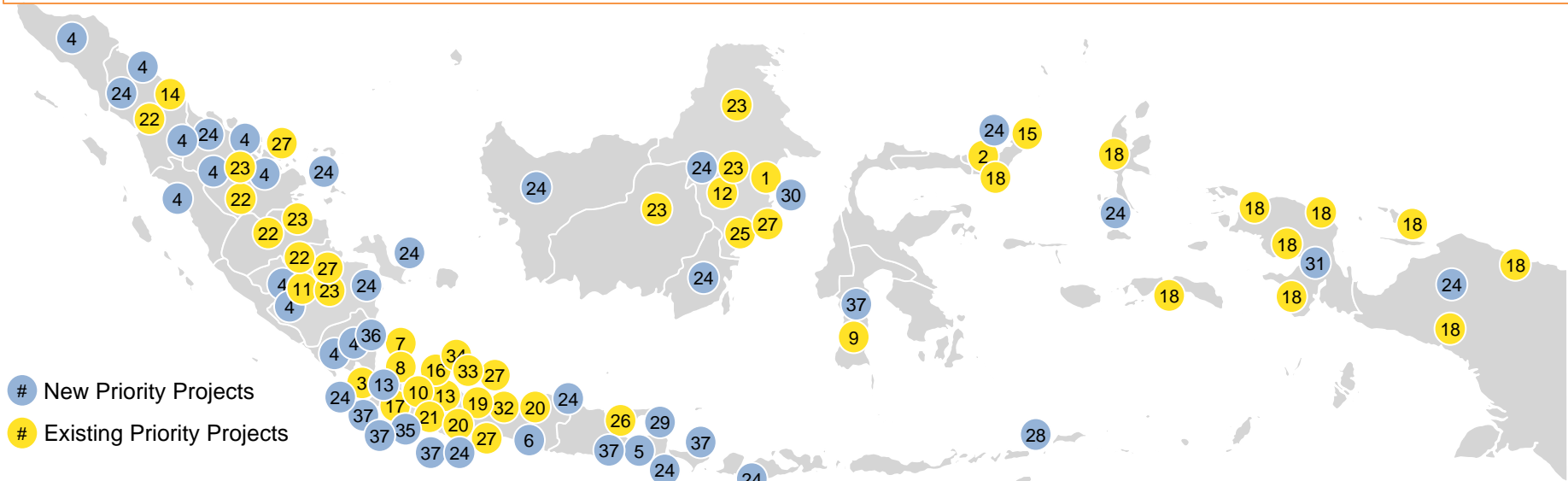
PSN includes 15 sectors at project level and 2 sectors at program level



Exchange rate: US\$ 1 = IDR 13,000

In addition, KPPIP has selected 30 Priority Projects out of the PSN, that will be revised to be 37 priority projects

The Government of Indonesia has also issued the Coordinating Ministry of Economic Affairs Regulation No. 12/2015 to stipulate 30 priority projects which will potentially be revised to 37 priority projects



1. Balikpapan-Samarinda Toll Road
2. Manado-Bitung Toll Road
3. Panimbang-Serang Toll Road
4. 15 Segments of Trans Sumatera Toll Road
5. Probolinggo-Banyuwangi Toll Road
6. Yogyakarta-Bawen Toll Road
7. SHIA Express Railway
8. MRT Jakarta North – South Line
9. Makassar – Parepare Railway
10. Light Rail Transit (LRT) of Jakarta, Bogor, Depok and Bekasi
11. Light Rail Transit (LRT) of South Sumatera
12. East Kalimantan Railway

13. Light Rail Transit (LRT) of DKI Jakarta
14. Kuala Tanjung International Hub Seaport
15. Bitung International Hub Seaport
16. Patimban Port
17. Inland Waterways/Cikarang – Bekasi – Laut (CBL)
18. Palapa Ring Broadband
19. Central Java Power Plant (CJPP)
20. Central – West Java Transmission Line 500 kV
21. Indramayu Coal-fired Power Plant
22. Sumatera 500 kV Transmission (4 Provinces)
23. Mulut Tambang Coal-fired Power Plant (6 Provinces)
24. PLTGU (16 Provinces)
25. Bontang Oil Refinery

26. Tuban Oil Refinery
27. RDMP/Revitalization of Existing Oil Refineries (Balikpapan, Cilacap, Balongan, Dumai, Plaju)
28. Abadi WK Masela Field
29. Unitization Field Has Jambaran-Tiung Biru
30. Indonesian Deepwater Development (IDD)
31. Tangguh LNG Train 3 Development
32. West Semarang Drinking Water Supply
33. Jakarta Sewerage System
34. National Capital Integrated Coastal Development (NCICD) Phase A
35. Jatiluhur Drinking Water Supply
36. Lampung Drinking Water Supply
37. Waste to Energy Program in 8 Cities

To achieve such target, Government of Indonesia has underwent reforms in fiscal, institutional and regulatory



1. Fiscal Reforms

1) Viability Gap Funding (VGF)

Increase project financial feasibility by contributing up to 49% of the construction cost. (MoF Reg. No. 223/2012).

2) Availability Payment

Issuance of regulatory framework to allow annuity payment by the Gov't during concession period to concessionaire since project operation based on infrastructure service availability. (MoF Reg. No. 190/2015 j.o. MoF Reg. No. 260/2016 for Central Gov't and MoHA Reg. No. 96/2016 for Regional Gov't).

3) Risk-sharing Guidelines

IIGF has issued risk allocation and mitigation guidelines for PPP project.



2. Institutional Reforms

1) KPPIP

KPPIP is actively involved in accelerating delivery of priority infrastructure projects.

2) PT Sarana Multi Infrastruktur

A merger between PT SMI and Gov't Investment Center (PIP) to become an infrastructure funding company.

3) PT Indonesia Infrastructure Finance (IIF)

PT Indonesia Infrastructure (IIF) provides capital for infrastructure development and support the GCA in the preparation and transaction stages for PPP projects).

4) PPP Unit

Provide facilities to help GCA on preparing PPP project (PDF/TA).

5) BLU LMAN

The State Asset Management Agency (BLU LMAN) is mandated to provide land fund for National Strategic Projects to ensure timely land acquisition process.

6) Indonesia Infrastructure Guarantee Fund (IIGF)

IIGF has the potential to provide project guarantee for non-PPP projects.



3. Regulatory Reforms

1) Direct Lending

Allow guarantee for direct lending to SOE to accelerate financial close process for infrastructure projects. (Presidential Reg. No. 82/2015.).

2) Land Acquisition

Stipulate land acquisition acceleration based on Law No. 2/2012. (Presidential Reg. No. 148/2015).

3) 16 Economic Policy Packages

Conduct deregulation for issues hindering infrastructure delivery and develop a task force under CMEA to ensure the implementation's effectiveness of Economic Policy Packages.



Other Government's new initiatives provided in 2017

1

Government Reg. No. 13/2017 on National Spatial Plan (RTRWN)

The issuance of RTRWN can encourage the settlement of obstacles that are caused by spatial mismatch in the implementation of infrastructure projects listed in the annex of Government Reg. No. 13/2017. A number of breakthroughs are arranged, and one of them is that the Minister of Agrarian and Spatial can issue a recommendation of spatial utilization; so that the process of obtaining project permission can be done.

2

MoF No. 60/2017 on Procedures for the Provision of Central Government Guarantee for the Acceleration of the National Strategic Projects Implementation

The implemented regulation of Presidential Reg. No. 3/2016 on the Acceleration of the National Strategic Projects Implementation. This regulation regulated the scope and general requirements and procedures to propose guarantees, to grant guarantees, to allocate state budget obligation on government guarantees to all PSN. The guarantee provision is expected to increase the feasibility and trust of investors to participate in the implementation of PSN.

3

Presidential Reg. No. 56/2017 on Social Impact Handling in Land Acquisition Process for PSN

This Presidential Reg. allows the Executing Agency who needs the land to pay for land acquisition fees to impacted community who does not have the rights over the land required for PSN. This regulation can help to solve the land acquisition problem due to community objection over the land use.

4

MoF No. 21/2017 on Procedures for Land Acquisition for National Strategic Projects and Asset Management of Land Acquisition by State Asset Management Agency

The implemented regulation of Presidential Reg. No.102/2016 on Financing of Land Acquisition for the Development of Public Interest in the Framework of the National Strategic Implementation. This regulation becomes the legal basis for the financing of the procurement of National Strategic and Priority Projects by BLU LMAN, either through the mechanism of the use of corporate funds first (bailout funds) as well as direct payment mechanism by BLU LMAN.

Sectoral policy update (non-project specific) in 2016-2017 to boost infrastructure investment (1/3)

RAILWAY SECTOR (non-project specific)



Government Regulation No. 6/2017 on Railway Implementation

This regulation enables the establishment of a Railway Business Entity to be involved in an unsolicited railway project without bidding process after the Railway Business Entity receives proposal approvals from the Minister, Governor or Regent / Mayor in accordance with its respective authority. **This can be done if there's no State/Regional Budget involvement in the project investment.**

Previous Regulation: Government Reg. No. 56/2009



Presidential Regulation No. 44/2016 on List of Business Fields Closed and Open with Conditions to Investment

The railway sector is not included in the investment negative list. This gives broad opportunities for foreign investment to involve in the railway sector, both in the railway infrastructure and its means.

Previous Regulation: Presidential Reg. No. 39/2014

PORT SECTOR (non-project specific)



Ministry of Transportation (MoT) Regulation No. 24/2017 on Elimination of Capital Requirement in Shipping and Navigation Related Activities

This regulation eliminates the required minimum capital and paid-up capital by the shipping and navigation related Business Entities. By issuing this regulation, the Government of Indonesia expects to boost more investment in shipping and navigation sector.

Previous Regulation: MoT Reg. 152/2016, MoT Reg. 146/2016, MoT Reg. No. 11/2016, MoT Reg. No. 45/2015, MoT Reg. 51/2015 and MoT Reg. No. 93/2013

Sectoral policy update (non-project specific) in 2016-2017 to boost infrastructure investment (2/3)

ENERGY SECTOR (non-project specific)



Presidential Regulation No. 14/2017 on Acceleration of Electricity Infrastructure Development

This regulation allows PLN to direct appointment its subsidiaries. The increase local content requirement can be fulfilled through commitment. Therefore, PLN, through its subsidiaries, can partner with foreign entities who have shown their commitments in providing electricity tools and components, utilizing local human resources and ensuring technology transfer while conducting electricity infrastructure development. This regulation aims to accelerate the procurement process of Government of Indonesia's 35,000 MW Electricity Program.

Previous Regulation: Presidential Reg. No. 4/2016

WATER SECTOR (non-project specific)



Ministry of Public Works and Public Housing Reg. No. 19/2016 on Government Support for PPP in Drinking Water Supply

This regulation enables PPP scheme to be implemented for drinking water supply projects that are not financially feasible. Moreover, it stipulates clear definition of who is the **Government Contracting Agency (GCA)** and clear scope of work. The Regional Water Supply Company (PDAM) will become the GCA and act as private investor counterpart. The scope of cooperation is also clearly defined, ranging from bulk water to main distribution. This clear definition sets a firm ground for private investor involvement in advancing drinking water supply system infrastructure.

Previous Regulation: Government Reg. No. 56/2009

Sectoral policy update (non-project specific) in 2016-2017 to boost infrastructure investment (3/3)

TOLL ROAD SECTOR (non-project specific)



Government Regulation No. 30/2017 on Toll Road

This regulation allows assignment to State-Owned Enterprises to deliver toll road concessions or continue existing concessions for toll road projects that have not been completed by the Government, including toll road operation and maintenance.

This regulation also stipulated that Government revenue portion of the total revenues from a toll road project during the concession period and/or additional concession period can be used by the Government to develop non bankable toll road projects. **Such scheme increases the Government of Indonesia's capacity to provide fiscal support to a toll road project like availability payment scheme.**

Previous Regulation: Government Reg. No. 15/2005



Ministry of Public Works and Public Housing Regulation No. 1/2017 on Toll Road Project Concessionaire Procurement

This regulation was issued to provide guidance and detailed procedure for stakeholders on procurement process of toll road concessionaires (both solicited or unsolicited project) and **to ensure the processes are transparent, competitive, effective, and efficient.**



THANK YOU

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SELECTED PROJECT PROFILES OF PRIORITY PROJECTS

Selected Project Updates

Central Java Power Plant (CJPP)



Location	Central Java
Investment Value	US\$ 4.2 Billion ¹
Funding Scheme	PPP
Contact Person/Project Owner	fani.vebriliona@ptbpi.co.id/ Ministry of Energy and Mineral Resources/PT PLN
Estimated Concession Period	25 Years
Construction	2016
Target Operation	2018

Description

The development of coal-fired power plant in Batang Regency, Central Java with capacity of 2x1,000 MW. This project is considered as the largest PPP electricity project by capacity in Asia.

Latest Status

- The project has reached financial close on 6 June 2016 with PT Bhimasena Power Indonesia as the investor.
- Construction progress has reached 25% by September 2017.

Selected Project Updates

Soekarno - Hatta International Airport (SHIA) Express Railways



Location	DKI Jakarta - Banten
Investment Value	US\$ 1.84 Billion ¹
Funding Scheme	Potentially PPP (to be determined)
Contact Person/Project Owner	bagrenka@gmail.com/ Ministry of Transportation
Estimated Concession Period	Not yet determined
Target Construction	2018
Target Operation	2022

Description

- The development of an express railway from the center of DKI Jakarta to the Soekarno-Hatta International Airport (SHIA).
- Based on the Pre-Feasibility Study (Pre-FS) conducted in 2013, the travelling time from Central Jakarta to the SHIA will only take 17 minutes using the SHIA Express Railways.

Latest Status

- PT Sarana Multi Infrastruktur has developed the Pre-FS in 2013. However, the Pre-FS needs to be revised by taking into account the current transportation development in DKI Jakarta.
- Awaiting the Ministry of Transportation to determine the funding scheme of the project.

Selected Project Updates

Makassar – Parepare Railways



Location	South Sulawesi
Investment Value	US\$ 620.16 Million ¹ (Phase I)
Funding Scheme	State/Regional Budget
Contact Person/Project Owner	bagrenka@gmail.com/ Ministry of Transportation
Estimated Concession Period	Not yet determined
Construction	2015
Target Operation	2018

Description

- The development of 144 Km railways from Makassar to Parepare in South Sulawesi, as part of Trans Sulawesi project.
- The railway is used as public transportation that will connect to the ports in South Sulawesi.
- The project is funded by State Budget, allocated by Ministry of Transportation.

Latest Status

- The bidding process of contractor for the construction of 44 Km railway in Barru region had been done.
- Ministry of Transportation had allocated IDR 219 Billion (US\$ 16.22 Million²) for the land acquisition in 2017.
- Land acquisition fund from LMAN had been allocated for IDR 1.15 Trillion (US\$ 85.19 Million²).
- There is a possibility to use PPP scheme for Phase III.

Selected Project Updates

Bitung International Hub Port



Location	North Sulawesi
Investment Value	Estimated US\$ 2.55 billion ¹
Funding Scheme	Potentially PPP (to be determined)
Contact Person/Project Owner	rip.sd1pelpeng@gmail.com/ Ministry of Transportation
Estimated Concession Period	Not yet determined
Target Construction	Estimated in 2020
Target Operation	Estimated in 2022

Description

- The development of an International Hub Seaport in Bitung, North Sulawesi, to support the development of Bitung SEZ. The International Hub Seaport will also support the industrial activities in East Indonesia, including Ambon and Ternate (Agriculture, Manufacturing, and Mining), and Samarinda, Balikpapan, Tarakan, and Nunukan (Coal, Oil, and Plywood).
- In 2034, the capacity is planned to be up to 2.25 Million TEUs.

Latest Status

- Currently in the tender process for OBC consultant, facilitated by KPPIP. The OBC will analyze the integration of the existing port, Bitung SEZ, and Lembeh Island.
- Land acquisition will be started after the completion of the OBC.
- Private sector has the potential to participate as developer and operator of the port and terminal. The private role will be defined based on the OBC.
- PT Pelindo IV is currently developing the existing port in Bitung.

¹) USD: IDR 13,000

Selected Project Updates

Kuala Tanjung International Hub Port



Location	North Sumatra
Investment Value	Estimated US\$ 2.25 billion ¹ (Phase II)
Funding Scheme	<i>Landlord</i> model via assignment to Pelindo I (to be determined)
Contact Person/Project Owner	rip.sd1pelpeng@gmail.com/ Ministry of Transportation
Estimated Concession Period	Not yet determined
Target Construction	Estimated in mid 2019
Target Operation	Estimated in 2021

Description

- The development of an international hub seaport as the gateway to Western Indonesia. The port is expected to serve transshipment cargo by 2.3 million TEUs in 2030.
- The International Hub Port is expected to accommodate captive and transshipment cargos from international and domestic, especially from and to Sei Mangkei SEZ and Kuala Tanjung Industrial Zone.

Latest Status

- The Outline Business Case (OBC) has been completed and distributed to stakeholders. The OBC's objective is to ensure the planning and preparation of the project meets the criteria and depth of study that is accepted by the market, and also provide recommendation on port area and regional infrastructure development.
- Private sector can participate as developer and operator of the port, terminal and industrial zone. The land including industrial zone is currently being acquired by the Pelindo I through its subsidiary.

Selected potential projects for private investment

Yogyakarta – Bawen Toll Road



1) USD: IDR 13,000

Location	Yogyakarta – Central Java
Investment Value	Estimated USD 911.4 Million
Funding Scheme	Potential for PPP
Contact Person/Project Owner	investasi2.bpjt@gmail.com/Ministry of Public Works and Public Housing
Estimated Concession Period	Not yet determined
Target Construction	Estimated in 2018
Target Operation	Estimated in 2020

Description

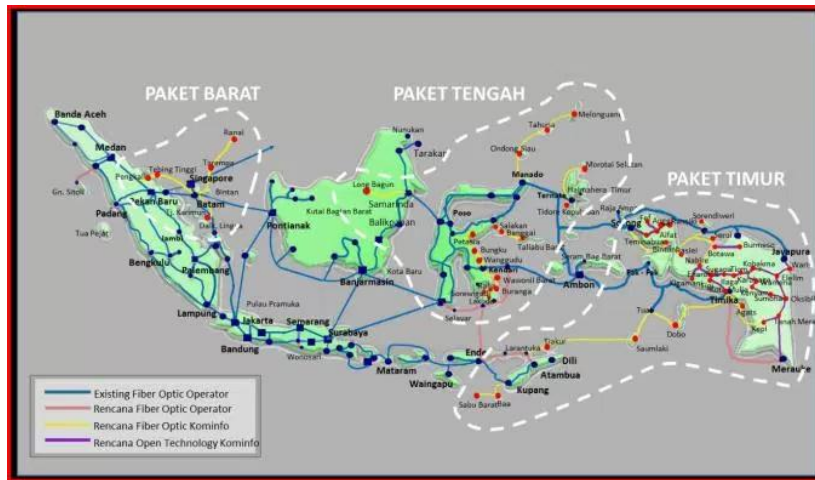
- The Yogyakarta - Bawen Toll Road is expected to support tourism around Yogyakarta, Semarang, and Solo, especially The Borobudur Temple. This toll road will connect the existing toll road, Semarang – Solo Toll Road with the Special Region of Yogyakarta.
- Based on the study, the toll road will be 71,56 km with the expected average daily traffic amounted to 16,322 car/day.

Latest Status

- The feasibility study of Yogyakarta – Bawen Toll Road has been completed in 2008. But, it needs to be redeveloped to accommodate the updated information. Thus, KPPIP is currently preparing the *Outline Business Case* (OBC) which will be completed in December 2017.
- The funding scheme for the construction of Yogyakarta – Bawen is potential for PPP. However, the funding scheme determination will be based on the OBC result.

Selected Project Updates

Palapa Ring Broadband



Location	National
Investment Value	Estimated US\$ 1.52 billion ¹
Funding Scheme	Private with Bank Loan
Contact Person/ Project Owner	adlan0311@gmail.com/Ministry of Communication and Informatics
Concession Period	15 Years
Target Construction	2016-2017
Target Operation	2018

Description

- Palapa Ring Broadband is a fiber optic network construction project (divided into three packages, West, Central and East) as the backbone of the national telecommunication system that reaches all cities / districts in Indonesia.
- The provision of fiber optic network aims to meet the target RPJMN 2015-2019 by providing quality broadband access equally throughout Indonesia.
- Implementing Agency: East Package, PT Palapa Ring Barat; Central Package, PT Len Komunikasi Indonesia; East Package, PT Palapa Timur Telematika.

Latest Status

- East Package: Physical construction has reached 17%. Land and sea optical cable is soon to be installed. Of the total 51 Network Operation Center (NOC) lands, 17 cities have completed land acquisition. Currently conducting a Line of Sight survey of Microwave Repeaters.
- Central Package: Physical construction has reached 26%. The Sea Cable Factory Acceptance Test has been undertaken at the German's NSW plant on August 1-5, 2017. Marine cable is targeted to be installed in October 2017.
- West Package: Physical construction has reached 74% and is targeted to operate on February 11, 2018. Civil works are soon to completion and are currently installing NOC.



APPENDICES

1. Fiscal: MoF provides Viability Gap Fund (VGF) facility to attract investor's interest to invest in infrastructure projects that are not financially feasible

VGF is a government support to improve financial feasibility of infrastructure project.

1

Legal Basis

Presidential Reg. No. 38/2015:

This Presidential Reg. stipulates that GCA can provide VGF to the implementing Business Entity in order to obtain the expected investment return (capital, operational cost, and profit for a certain period). VGF can only be provided to PPP project which has social interests and benefits.

MoF Reg. No. 143/2013:

This MoF Reg. regulates the VGF granting mechanism for partial construction of PPP project in infrastructure provision

2

Implementation To Date

Principle approval has been given to the following projects:

2.1 Manado – Bitung Toll Road

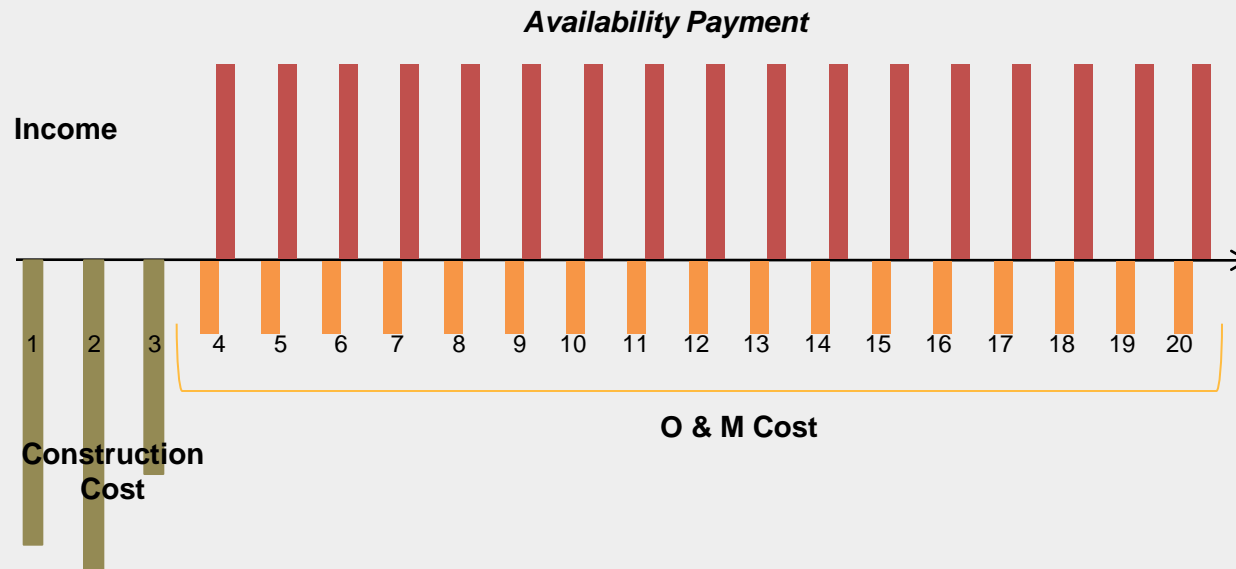
- Investment value: Rp5.12 triliun
- VGF: Rp2.37 (46% from the total construction cost)*
- Location: North Sulawesi

2.2 Umbulan's Water Supply

- Investment value : Rp4.5 triliun
- VGF: Rp2.05 triliun (49% from the total construction cost)
- Location: East Java

*In the form of partial construction (Section 1)

1. Fiscal: MoF has also issued a regulation on Availability Payment to increase the attractiveness of a project to investor



Availability Payment allows private participation in an infrastructure project that is not commercially viable and has demand risk.

Gov't adopted this scheme to achieve the following objectives:

- Ensuring the service quality for users
- Increasing the value for money for the government
- Providing an attractive return on investment for private sector

Legal Basis

Presidential Reg. No. 38/2015

Stipulate Availability Payment as one of the PPP return on investment payment schemes to Business Entity for infrastructure delivery

**MoF Reg. No. 190/2015 j.o.
PMK No. 260/2016**

Stipulate the requirement for a project that can be financed by Availability Payment, where the fund comes from state budget

**Ministry of Home Affairs Reg.
No. 96/2016**

Stipulate the budgeting system for Availability Payment implementation where the fund source comes from regional budget

1. Fiscal: Project Development Facility is given to boost private sector participation in various stages of infrastructure preparation phase

Private Sector Roles

Improved Support for Private Sector

Planning

- Propose unsolicited project
- Prepare OBC (Outline Business Case) and other planning documents

- **The Public Private Partnership Presidential Regulation no 38/2015** provides incentives for unsolicited projects
- **New procurement regulation and OBC facilities from KPPIP and Bappenas**
- debottlenecking support

Preparation

- **Prepare FBC (Final Business Case)**
- **Provide Transaction Advisory**
- Land Acquisition

- **New procurement regulation and PDF/TA facilities from PPP unit under MoF**
- Direct appointment allowed for investors that propose power projects, which have acquired the land
- Land acquisition regulations provide certainty and acceleration
- Land Bank and LMAN facilities
- debottlenecking support

Implementation

- Design and construct infrastructure
- O&M

- **Fiscal support and guarantee from MoF and IIGF** to improve project bankability
- **Availability payment from state and regional budgets** for construction, operations and maintenance
- **Long-term financing by PT SMI and PT IIF**

1. Fiscal: The Government has expanded the scope of government guarantee, thus increasing the scope of projects that may be covered

Government Guarantee for PPP

Regulatory Basis

Presidential Reg. No. 78/2010 on Infrastructure Guarantee for Public Private Partnership Provided by The Entity for Infrastructure Guarantee

Implementation to Date

- Approved guarantee for Central Java Power Plant, Palapa Ring Broadband and Batang-Semarang Toll Road
- Letter of Intent has been issued for Lampung Water Supply Project, Umbulan Water Supply Project
- Potential guarantee for Sumsel 9 and 10 Mine Mouth Power Plants

Government Guarantee for Direct Lending

Presidential Reg. No. 82/2015 on Central Government Guarantee for Infrastructure Financing with Direct Lending from International Finance Institution to State Owned Enterprises

- Potential guarantee for PT PLN (National Electricity Company) is expecting to obtain Direct Lending for IPP projects for power plants and transmission projects (e.g. Sumatera 500 kV Transmission).
- Potential guarantee to construction SOEs which have been assigned by Presidential Regulation to implement infrastructure projects

2. Institution: PT Sarana Multi Infrastructure is one of the non-bank institution with the capacity to provide funding for infrastructure projects

PT SMI is a State-Owned Enterprise that acts as a Catalyst in Accelerating Infrastructure Development. Its duty is to support the Government's infrastructure agenda for Indonesia through partnerships with private and/or multilateral financial institutions in PPP projects.

Funding Sources

State Additional Equity Injection

Loans and Grants from Domestic and Foreign

Capital Market (Bonds, Securities)

Securitization

FINANCING

- **Infrastructure Financing**
 - Senior Loan
 - Banking Complementary:
 - Take Out Financing
 - Promoter Financing
 - Subordinated Loan
 - Arranger & Underwriter
 - PPP Standby Lender
 - Geothermal Financing
- **Municipal Financing / Regional Infrastructure Development Fund (RIDF)**
 - Mezzanine Financing
 - Equity Investment

ADVISORY SERVICES

- **Public Sector Advisory**
 - Municipal Training & Capacity Building
 - Municipal Technical Assistance
 - Donor Fund Management for Municipalities
- **Private Sector Advisory**
 - Investment Advisory
 - Financial Advisory
 - Training & Capacity Building (Commercial)

PROJECT DEVELOPMENT

- **Project Development Facilities (PDF)**
 - PPP Project Development
 - PPP Showcase Projects
 - PPP Priority Projects
- **PDF & Donor Fund Management**
- **Technical Assistance for municipal project**

Sector Focus

Electricity & Energy Efficiency



Telecommunication



Transportation



Waste Water & Waste Management



Road & Bridges



Oil & Gas



Water Supply



Irrigation & Waterway



Train Rolling Stock



Renewable Energy



Hospital



Regional Infrastructure



Prison



Market



School



Tourism Infrastructure



Social Infrastructure

2. Institution: PT Indonesia Infrastructure (IIF) provides capital for infrastructure development and support the GCA in the preparation and transaction stages for PPP projects

IIF **PT Indonesia Infrastructure (IIF) is a private non-bank financial institution formed by and under the Ministry of Finance of the Republic of Indonesia.** Licensed under the Minister of Finance Regulation (PMK) No. 100/2009, IIF is professionally managed and focused on supporting and investing in commercially feasible infrastructure projects. The establishment of IIF is a key element of strategic development by Government of Indonesia and development partners among international financial institutions to address the constraints on the flow of private investment in Infrastructure.

Current Shareholding Composition



Target Investment Sector



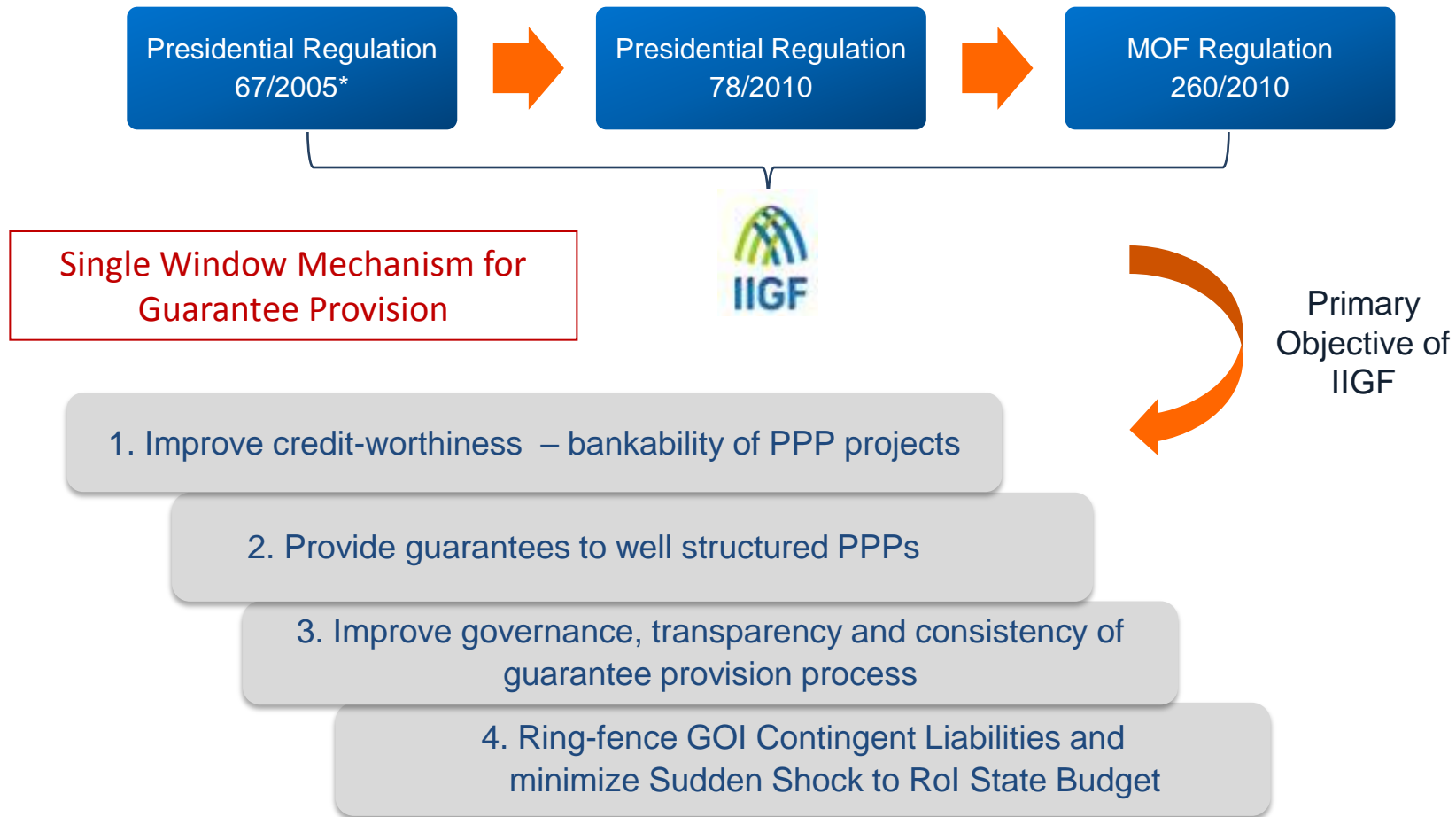
IIF's Vision and Mission

To provide capital for infrastructure in Indonesia and to work closely with Infrastructure sponsors, the financial sector, and the Government of Indonesia to accelerate the construction of well-conceived, commercially viable infrastructure projects.

- To ensure investors' needs are reflected in contractual structures and concessions.
- To lead in offering a mix of long term financing instruments appropriate for infrastructure.
- To work with Indonesia's financial institutions and other institutional investors to channel the nation's saving into the long term development of Indonesia's Infrastructure.

2. Institution: Indonesian Infrastructure Guarantee Fund (IIGF)/PT PII is the institution mandated to provide Government Guarantee

IIGF/PT PII established on 30 December 2009 to be a Single Window Process for Government Guarantee. It has a mandate to provide guarantees for Government Contracting Agencies' (Ministries, Regional Governments, SOEs) contractual obligations under Cooperation Agreement of PPP infrastructure projects.



*as has been amended by Presidential Regulation No. 13/2010; No. 56/2011; No.38/2016

3. Regulation: The latest policy reforms (non-sectoral) in 2017 are aiming to create a more conducive investment climate for infrastructure delivery



Government Reg. No. 13/2017 on National Spatial Plan (RTRWN)

The issuance of RTRWN can encourage the settlement of obstacles that are caused by spatial mismatch in the implementation of infrastructure projects listed in the annex of Government Reg. No. 13/20



Presidential Reg. No. 56/2017 Mitigation of Social Impact in the Land Acquisition for National Strategic Projects

This Presidential Regulations is the Government's effort to minimize the social impact of land acquisition for National Strategic Projects delivery, especially in state-owned land but illegally occupied by local community.



MoF No. 21/2017 on Procedures for Land Acquisition for National Strategic Projects and Asset Management of Land Acquisition by State Asset Management Agency

The implementing regulation of Presidential Reg. No.102/2016 on Financing of Land Acquisition for the Development of Public Interest in the Framework of the National Strategic Implementation. This regulation becomes the legal basis for the financing of the procurement of National Strategic and Priority Projects by BLU LMAN



MoF No. 60/2017 on Procedures for the Provision of Central Government Guarantee for the Acceleration of the National Strategic Projects Implementation

The implemented regulation of Presidential Reg. No. 3/2016 on the Acceleration of the National Strategic Projects Implementation. This regulation regulated the scope and general requirements and procedures to propose guarantees, to grant guarantees, to allocate state budget obligation on government guarantees to all PSN.

3. Regulation: Economic Policy Package I-XVI to ease infrastructure provision

Economic Policy Package (PKE)



PKE 1: National industrial competitiveness, PSN, property investment

PKE 2: Investment permit, tax holiday

PKE 3: Electricity tariff

PKE 4: Worker welfare

PKE 5: Revaluation of assets, double taxation and Sharia Bank

PKE 6: Special Economic Zone

PKE 7: Labor-intensive industries

PKE 8: One Map, Oil Refinery, Aircraft parts inventory

PKE 9: Electricity infrastructure, stabilization of meat price

PKE 10: Micro Small Medium Enterprises

PKE 11: Business credit, pharmaceutical


PKE 12: Ease of doing business in Indonesia

PKE 13: Cheap houses

PKE 14: E-commerce

PKE 15: Logistic

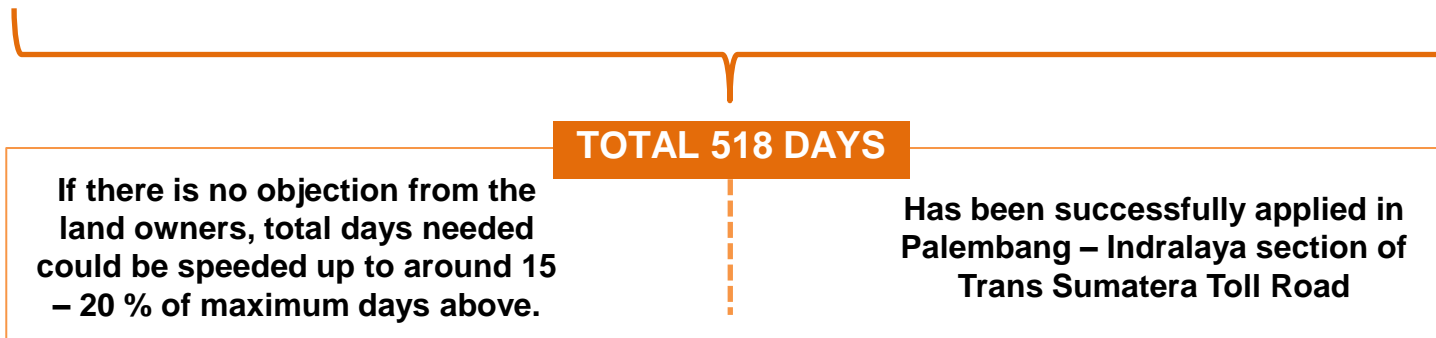
PKE 16: Acceleration of business permits issuance

 Policy package that is directly related to the provision of infrastructure activities

3. Regulation: One of the example of a regulatory reform that has been implemented successfully is the Land Acquisition Policy - Law No. 2/2012



Time span in working days (Assuming there will be objections from land owners):



Implementation of Law No. 2/2012:

Law No 2 / 2012

- BPN as central agency in implementation of land acquisition
- More detailed regulation on implementation of land acquisition
- Neutral decision making regarding community rejection
- Better Land Appraisal Team Appointment
- Less bureaucratic land right revocation process

Successful case of the implementation of the New Law



- The best example of a successful implementation of the law is the city of Bojonegoro, where the civil society was socialized early to the law and where the land appraisal and compensation amount were attractive.
- **Outcome: the overall land acquisition process for the Java North Line Double Track Rail project took less than 2 years.**

The reforms also impacted in a number of PPP projects that have reached financial close and desirable milestones

Accelerating
Project
Delivery

The Government has shown its commitment in developing a robust project pipeline to boost infrastructure delivery

Taking an active stance towards creating a desirable PPP environment and introducing policies that will ease infrastructure investment

Policy
Reform

Selected PPP projects delivery milestones

Supported by
Viability Gap
Funding



Umbulan Drinking Water Supply (US\$ 333 Mio) reached Financial Close in December 2016

Supported by
Availability
Payment



Palapa Ring Broadband (Rp 8,1 Triliun) Financial close for West, Central and East Packages in August 2016, September 2016, and March 2017 respectively

Accelerated by
Land Acquisition
Regulatory Reform



Financial close for **Central Java Power Plant (US\$ 2,962 Mio)** in June 2016



PPP contract signing of **Balikpapan – Samarinda (US\$ 739 Mio), Manado – Bitung (US\$ 379 Mio), and Pandaan – Malang Toll Road (US\$ 220 Mio)** in June 2016



The issuance of Location Determination for **Serang – Panimbang Toll Road (US\$ 843 Mio)** in June 2016