Indonesia Infrastructure Development: Sectoral Policy Update

Indonesia Infrastructure Investment Forum

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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

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rank</td>
<td>50 / 144</td>
<td>38 / 148</td>
<td>34 / 144</td>
<td>37 / 140</td>
<td>41 / 138</td>
</tr>
<tr>
<td>Score</td>
<td>4.4</td>
<td>4.5</td>
<td>4.6</td>
<td>4.5</td>
<td>4.5</td>
</tr>
</tbody>
</table>

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

Travel Time (hrs/100km)

<table>
<thead>
<tr>
<th>Country</th>
<th>Travel Time (hrs/100km)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysia</td>
<td>1.1</td>
</tr>
<tr>
<td>China</td>
<td>1.2</td>
</tr>
<tr>
<td>Thailand</td>
<td>1.35</td>
</tr>
<tr>
<td>Vietnam</td>
<td>2.6</td>
</tr>
<tr>
<td>Indonesia</td>
<td>2.6</td>
</tr>
</tbody>
</table>

Modal Share (%)

<table>
<thead>
<tr>
<th>City</th>
<th>Rail</th>
<th>Private Transport</th>
<th>Non-Rail Public Transport</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Kong</td>
<td>25</td>
<td>11</td>
<td>63</td>
<td>0</td>
</tr>
<tr>
<td>Taipei</td>
<td>14</td>
<td>46</td>
<td>20</td>
<td>19</td>
</tr>
<tr>
<td>Jakarta</td>
<td>23</td>
<td>62.2</td>
<td>12.9</td>
<td>22.6</td>
</tr>
</tbody>
</table>

Road Ratio (%)

<table>
<thead>
<tr>
<th>City</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tokyo</td>
<td>22%</td>
</tr>
<tr>
<td>London</td>
<td>21%</td>
</tr>
<tr>
<td>Singapore</td>
<td>12%</td>
</tr>
<tr>
<td>Jakarta</td>
<td>6.26%</td>
</tr>
</tbody>
</table>

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 (%)

<table>
<thead>
<tr>
<th>Country</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>41.1%</td>
</tr>
<tr>
<td>China</td>
<td>38.8%</td>
</tr>
<tr>
<td>India</td>
<td>28.4%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>18.0%</td>
</tr>
<tr>
<td>Thailand</td>
<td>13.4%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>7.7%</td>
</tr>
</tbody>
</table>

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

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.

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.

Dwelling Time (days)

<table>
<thead>
<tr>
<th>Port</th>
<th>Dwelling Time (days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tanjung Priok</td>
<td>7</td>
</tr>
<tr>
<td>Thailand</td>
<td>5</td>
</tr>
<tr>
<td>Malaysia (Port.)</td>
<td>4</td>
</tr>
<tr>
<td>UK, Los Angeles</td>
<td>4</td>
</tr>
<tr>
<td>Australia, NZ</td>
<td>3</td>
</tr>
<tr>
<td>France</td>
<td>3</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>2</td>
</tr>
<tr>
<td>Singapore</td>
<td>1.1</td>
</tr>
</tbody>
</table>

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).

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.

Source: Tusk Advisory Analysis – For RPJMN 2015-2019
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.

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.

Source: Ministry of Finance, Republic of Indonesia
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.**

**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**

*Ensure efficiency of fuel production by optimizing domestic refineries*

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

Text in blue are New 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 environment.

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. 82/2012.).

2) Land Acquisition

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

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**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.

<table>
<thead>
<tr>
<th>ENERGY SECTOR (non-project specific)</th>
<th>WATER SECTOR (non-project specific)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Presidential Regulation No. 14/2017 on Acceleration of Electricity Infrastructure Development</strong></td>
<td><strong>Ministry of Public Works and Public Housing Reg. No. 19/2016 on Government Support for PPP in Drinking Water Supply</strong></td>
</tr>
</tbody>
</table>

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

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
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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Jl Budi Kemuliaan I No 2, Jakarta 10110
E-mail: sekretariat@kppip.go.id
Landline: +62 21 2957 3771
SELECTED PROJECT PROFILES OF PRIORITY PROJECTS
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.

### 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 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.

\(^1\) USD: IDR 13,000
Selected Project Updates
Soekarno - Hatta International Airport (SHIA) Express Railways

<table>
<thead>
<tr>
<th>Description</th>
<th>Latest Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>The development of an express railway from the center of DKI Jakarta to the Soekarno-Hatta International Airport (SHIA).</td>
<td>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.</td>
</tr>
<tr>
<td>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.</td>
<td>Awaiting the Ministry of Transportation to determine the funding scheme of the project.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Location</th>
<th>DKI Jakarta - Banten</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Value</td>
<td>US$ 1.84 Billion¹</td>
</tr>
<tr>
<td>Funding Scheme</td>
<td>Potentially PPP (to be determined)</td>
</tr>
<tr>
<td>Contact Person/Project Owner</td>
<td><a href="mailto:bagrenka@gmail.com">bagrenka@gmail.com</a>/Ministry of Transportation</td>
</tr>
<tr>
<td>Estimated Concession Period</td>
<td>Not yet determined</td>
</tr>
<tr>
<td>Target Construction</td>
<td>2018</td>
</tr>
<tr>
<td>Target Operation</td>
<td>2022</td>
</tr>
</tbody>
</table>

¹) USD: IDR 13,000
## Selected Project Updates

**Makassar – Parepare Railways**

### Description

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

### Latest Status

1. The bidding process of contractor for the construction of 44 Km railway in Barru region had been done.
3. Land acquisition fund from LMAN had been allocated for IDR 1.15 Trillion (US$ 85.19 Million).
4. There is a possibility to use PPP scheme for Phase III.

### Details

<table>
<thead>
<tr>
<th>Location</th>
<th>South Sulawesi</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Value</td>
<td>US$ 620.16 Million¹ (Phase I)</td>
</tr>
<tr>
<td>Funding Scheme</td>
<td>State/Regional Budget</td>
</tr>
<tr>
<td>Contact Person/Project Owner</td>
<td><a href="mailto:bagrenka@gmail.com">bagrenka@gmail.com</a>/ Ministry of Transportation</td>
</tr>
<tr>
<td>Estimated Concession Period</td>
<td>Not yet determined</td>
</tr>
<tr>
<td>Construction</td>
<td>2015</td>
</tr>
<tr>
<td>Target Operation</td>
<td>2018</td>
</tr>
</tbody>
</table>

¹ USD: IDR 13,000

² IDR: USD 13,500
**Selected Project Updates**

**Bitung International Hub Port**

- 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.

<table>
<thead>
<tr>
<th>Description</th>
<th>Latest Status</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Location</strong> North Sulawesi</td>
<td>• 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.</td>
</tr>
<tr>
<td><strong>Investment Value</strong> Estimated US$ 2.55 billion</td>
<td>• Land acquisition will be started after the completion of the OBC.</td>
</tr>
<tr>
<td><strong>Funding Scheme</strong> Potentially PPP (to be determined)</td>
<td>• 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.</td>
</tr>
<tr>
<td><strong>Contact Person/Project Owner</strong> <a href="mailto:rip.sd1pelpeng@gmail.com">rip.sd1pelpeng@gmail.com</a>/Ministry of Transportation</td>
<td>• PT Pelindo IV is currently developing the existing port in Bitung.</td>
</tr>
<tr>
<td><strong>Estimated Concession Period</strong> Not yet determined</td>
<td></td>
</tr>
<tr>
<td><strong>Target Construction</strong> Estimated in 2020</td>
<td></td>
</tr>
<tr>
<td><strong>Target Operation</strong> Estimated in 2022</td>
<td></td>
</tr>
</tbody>
</table>

1) USD: IDR 13,000
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.

Location | North Sumatra
---|---
Investment Value | Estimated US$ 2.25 billion\(^1\) (Phase II)
Funding Scheme | *Landlord* 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

\(^1\) USD: IDR 13,000

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

**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.

**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

**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.

1) USD: IDR 13,000
## Palapa Ring Broadband

### 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.

### Table

<table>
<thead>
<tr>
<th>Location</th>
<th>National</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Value</td>
<td>Estimated US$ 1.52 billion&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>Funding Scheme</td>
<td>Private with Bank Loan</td>
</tr>
<tr>
<td>Contact Person/Project Owner</td>
<td><a href="mailto:adlan0311@gmail.com">adlan0311@gmail.com</a>/Ministry of Communication and Informatics</td>
</tr>
<tr>
<td>Concession Period</td>
<td>15 Years</td>
</tr>
<tr>
<td>Target Construction</td>
<td>2016-2017</td>
</tr>
<tr>
<td>Target Operation</td>
<td>2018</td>
</tr>
</tbody>
</table>

<sup>1</sup> USD: IDR 13,162
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.

**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

**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

<table>
<thead>
<tr>
<th>Planning</th>
<th>Preparation</th>
<th>Implementation</th>
</tr>
</thead>
</table>
| • Propose unsolicited project  
• Prepare OBC (Outline Business Case) and other planning documents | • Prepare FBC (Final Business Case)  
• Provide Transaction Advisory  
• Land Acquisition | • Design and construct infrastructure  
• O&M |

### Improved Support for Private Sector

| • 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 | • 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 | • 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 |
### 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

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### Government Guarantee for Direct Lending

**Regulatory Basis**

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

**Implementation to Date**

- 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**
- **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**
- **Road & Bridges**
- **Water Supply**
- **Train Rolling Stock**
- **Oil & Gas**
- **Irrigation & Waterway**
- **Renewable Energy**
- **Regional Infrastructure**
- **Hospital**
- **Prison**
- **School**
- **Market**
- **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.

**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

<table>
<thead>
<tr>
<th>Institution</th>
<th>Shareholding</th>
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</thead>
<tbody>
<tr>
<td>Asian Development Bank</td>
<td>30.00%</td>
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<tr>
<td>ADB</td>
<td>19.99%</td>
</tr>
<tr>
<td>IFC</td>
<td>19.99%</td>
</tr>
<tr>
<td>DEG</td>
<td>15.12%</td>
</tr>
<tr>
<td>SMBC</td>
<td>14.90%</td>
</tr>
</tbody>
</table>

### Target Investment Sector

- **Transportation infrastructure**
- **Waste / waste-water infrastructure**
- **Road infrastructure**
- **Telecommunication and information infrastructure**
- **Irrigation infrastructure**
- **Electricity infrastructure**
- **Drinking water infrastructure**
- **Oil and gas infrastructure**

### 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.
II GF/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.

1. Improve credit-worthiness – bankability of PPP projects
2. Provide guarantees to well structured PPPs
3. Improve governance, transparency and consistency of guarantee provision process
4. Ring-fence GOI Contingent Liabilities and minimize Sudden Shock to Rol State Budget

*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.
### Economic Policy Package (PKE)

<table>
<thead>
<tr>
<th>PKE 1: National industrial competitiveness, PSN, property investment</th>
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<tbody>
<tr>
<td>PKE 2: Investment permit, tax holiday</td>
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<tr>
<td>PKE 3: Electricity tariff</td>
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<tr>
<td>PKE 4: Worker welfare</td>
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<tr>
<td>PKE 5: Revaluation of assets, double taxation and Sharia Bank</td>
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<tr>
<td>PKE 6: Special Economic Zone</td>
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<tr>
<td>PKE 7: Labor-intensive industries</td>
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<tr>
<td>PKE 8: One Map, Oil Refinery, Aircraft parts inventory</td>
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<tr>
<td>PKE 9: Electricity infrastructure, stabilization of meat price</td>
</tr>
<tr>
<td>PKE 10: Micro Small Medium Enterprises</td>
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<tr>
<td>PKE 11: Business credit, pharmaceutical</td>
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<tr>
<td>PKE 12: Ease of doing business in Indonesia</td>
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<tr>
<td>PKE 13: Cheap houses</td>
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<tr>
<td>PKE 14: E-commerce</td>
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<tr>
<td>PKE 15: Logistic</td>
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<tr>
<td>PKE 16: Acceleration of business permits issuance</td>
</tr>
</tbody>
</table>

*Policy package that is directly related to the provision of infrastructure activities*
3. Regulation: One of the examples of a regulatory reform that has been implemented successfully is the Land Acquisition Policy - Law No. 2/2012

Planning  
Preparation  
Implementation  
Hand over of land rights

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

If there is no objection from the land owners, total days needed could be speeded up to around 15 – 20% of maximum days above.

TOTAL 518 DAYS

Has been successfully applied in Palembang – Indralaya section of Trans Sumatera Toll Road

Implementation of 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.

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.

### Selected PPP projects delivery milestones

<table>
<thead>
<tr>
<th>Supported by Viability Gap Funding</th>
<th>Umbulan Drinking Water Supply (US$ 333 Mio) reached Financial Close in December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supported by Availability Payment</td>
<td>Palapa Ring Broadband (Rp 8,1 Triliun) Financial close for West, Central and East Packages in August 2016, September 2016, and March 2017 respectively</td>
</tr>
<tr>
<td></td>
<td>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</td>
</tr>
<tr>
<td></td>
<td>The issuance of Location Determination for Serang – Panimbang Toll Road (US$ 843 Mio) in June 2016</td>
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</tbody>
</table>