



A collage of infrastructure-related images is positioned on the left side of the slide. It includes a white commercial airplane on a tarmac, a yellow ground support vehicle, an offshore oil rig, large industrial storage tanks, and three men in safety gear (hard hats and high-visibility vests) standing on a construction site. The collage is divided into several triangular and rectangular sections by white lines.

Key Improvements in Infrastructure Delivery in Indonesia

Joseph Tobing, Director of Finance
Committee for Acceleration of Priority Infrastructure Delivery
August 2017



Agenda





Agenda





KPIIP is formed as a center of excellence for priority projects acceleration and preparation to achieve infrastructure development target

KPIIP is mandated by **Presidential Regulation No. 75/2014 j.o. Presidential Regulation No. 122/2016** in decision-making, project involvement from planning and capacity building for human resource. Through PR No. 122/2016, there are **2 new additional ministry as the member of KPIIP**

KPIIP MEMBERS



Coordinating Minister of Economic Affairs

- Providing OBC¹ facility for top-down projects
- Monitoring and debottlenecking of projects on economic issues



Coordinating Minister of Maritime Affairs – New Member

- Overseeing and performs debottlenecking effort especially for issues in energy and transportation projects



Minister of Finance

- Reviewing and approving Government support and guarantee
- Providing PDF² facility for PPP projects



Minister of National Development Planning/Bappenas

- Assessing and providing OBC facility for bottom-up projects
- Developing Pre-Feasibility standard and quality guidelines



Minister of Agrarian and Spatial Planning (BPN)

- Debottlenecking on issues related to land acquisition and supporting acceleration efforts



Minister of Environment & Forestry – New Member

- Supporting environmental permitting process acceleration, IPPKH, and land clearing inside forest area



¹OBC: Outline Business Case; ²PDF: Project Development Facility

SOME FUNCTIONS OF KPIIP

1

Established standard quality of Pre-Feasibility Study/Outline Business Case (OBC)

2

Provided facilities for review and revision/re-do and/or other project preparation (e.g: Environmental Impact Assessment (EIA))

3

Preparing action plans, carry out monitoring activities as well as conduct debottlenecking strategies for priority projects

4

Determine strategies and policies in the infrastructure sector

NEW MANDATES and FACILITIES

1

Infrastructure sectors which can be listed in the Priority Projects, for example: oil and gas, education, industrial zone, tourism and health

2

Special Procurement Facility within KPIIP, such as Direct Appointment (up to IDR 500 million) and Direct Appointment of Multilateral Agency for project preparation facility purpose.

3

Consulting Panel System to allow 5-7 companies/ institutions to sit in the panel.



As stipulated by Pres. Reg. No. 75/2014, KPPIP was mandated to execute six main tasks

KPIP's six main tasks as stipulated in Pres. Reg. No. 75/2014

1. Development of pre-feasibility study (OBC*) quality standard and revise/re-do when necessary (3-6 months)

2. Determination of Priority Projects

- **Top down projects** (from President/Vice President)
- **Bottom Up Project** (Proposed by Line Ministries and Regional Govt)

3. Determination of funding scheme & source for priority projects

4. Monitoring & Debottlenecking

KPIP assists development of Action Plans and monitor debottlenecking efforts

5. Determine Strategy and Policy for Infrastructure Delivery Acceleration

6. Facilitate capacity and institutional building related to Priority Infrastructure delivery

PSN Monitoring & Evaluation including debottlenecking high level issues (additional)

General Funding Scheme Options

1. State Budget

Coordinate between the project owner** and Bappenas related to secure funding (State Budget, Regional Budget, ODA)

2. SOE appointment

SOE appointment aims to accelerate implementation and leverage SOE financial capacity.

3. PPP/Strategic Funding

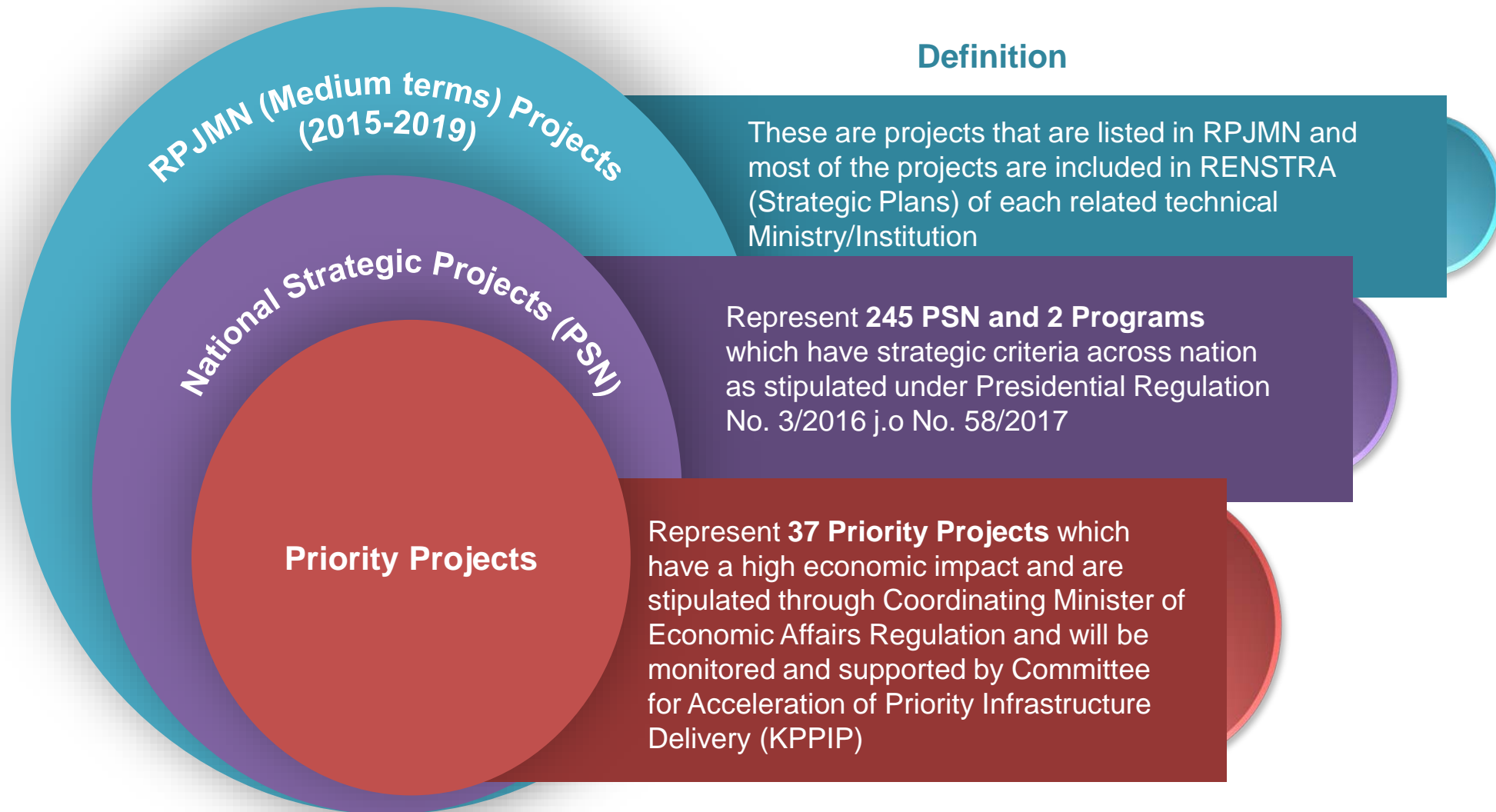
PPP Unit at MoF to coordinate FBC* development and do transaction advisory to implement PPP projects (involving internationally reputable consultant).

* OBC (Outline Business Case) is the output of pre-feasibility study. FBC (Final Business Case) is the output of feasibility study.

** Project owner is the ministry, agency head, regional heads, SOE/ROE heads established as the responsible party in priority infrastructure delivery.



Government has set project pipelines for infrastructure provision in 2015-2019



National Medium Term Plan (RPJMN) 2015-2019

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



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

Energy Related

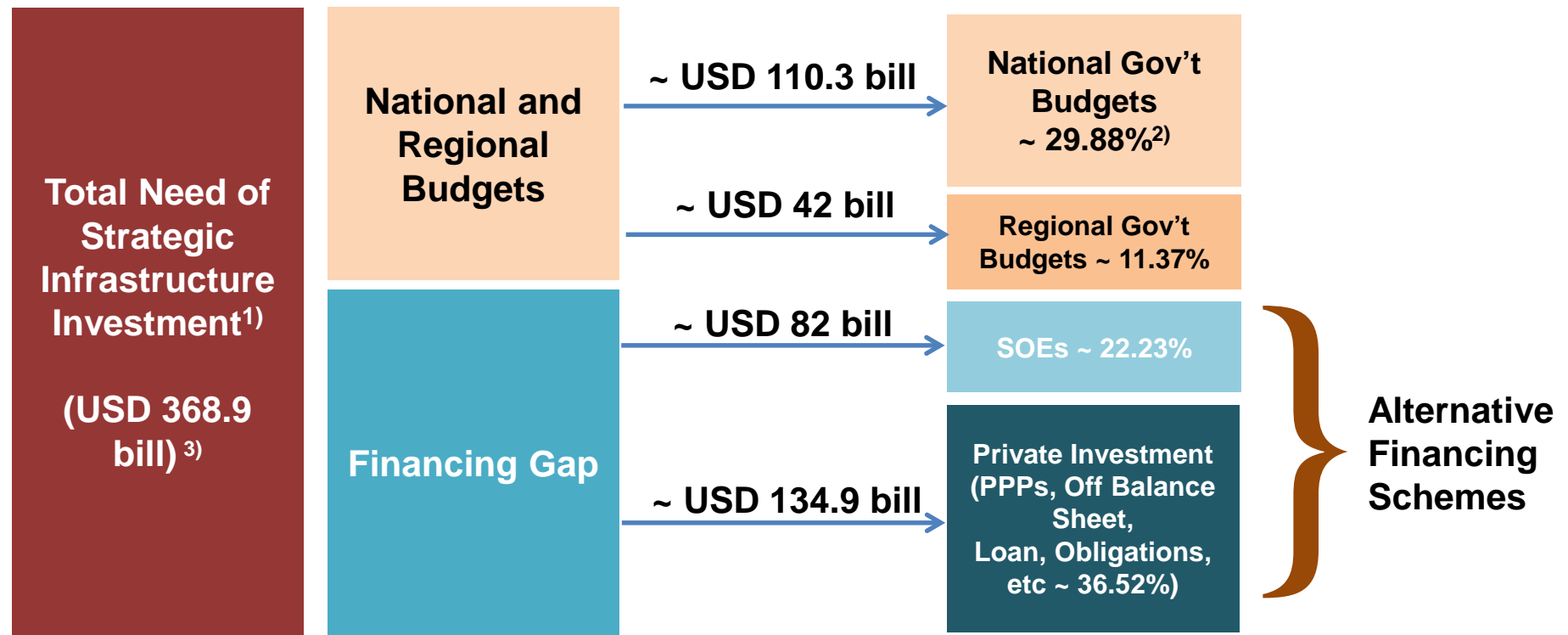


Achieve electrification ratio of 96.6% by 2019 through generating capacity improvement

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



Due to the State Budget limitation, there is an opportunity for private investors to contribute the 36.52% of the required investment



NOTES:

1)Hypothetical number, not for quotation. Official number of needs only include budget ceiling for National and Regional Budgets as approved by Ministry of Finance in January 2015.

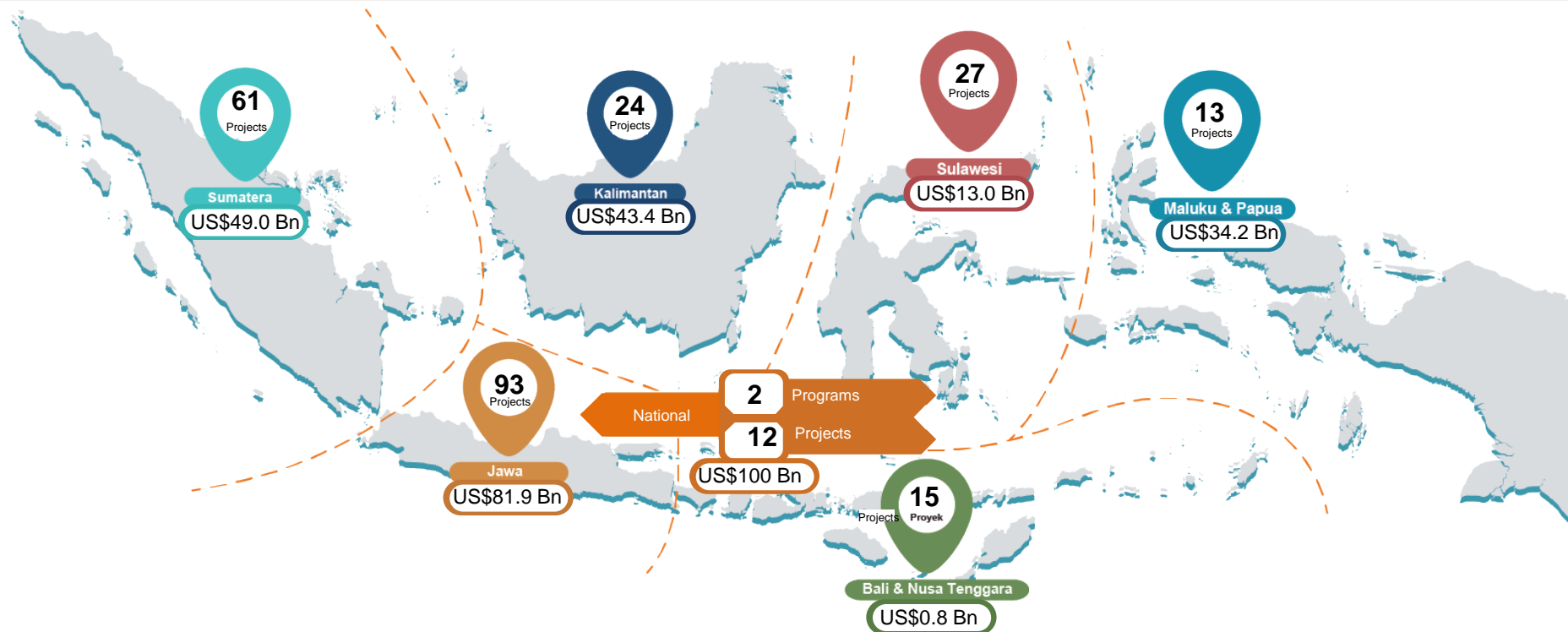
2)Portion of National Budgets based on agreed budget ceiling by the Ministry of Finance as proposed by the National Development Planning Ministry.

3)All estimates only based on the large investment and rehabilitation projects, e.g., not calculating the operational costs in detail.

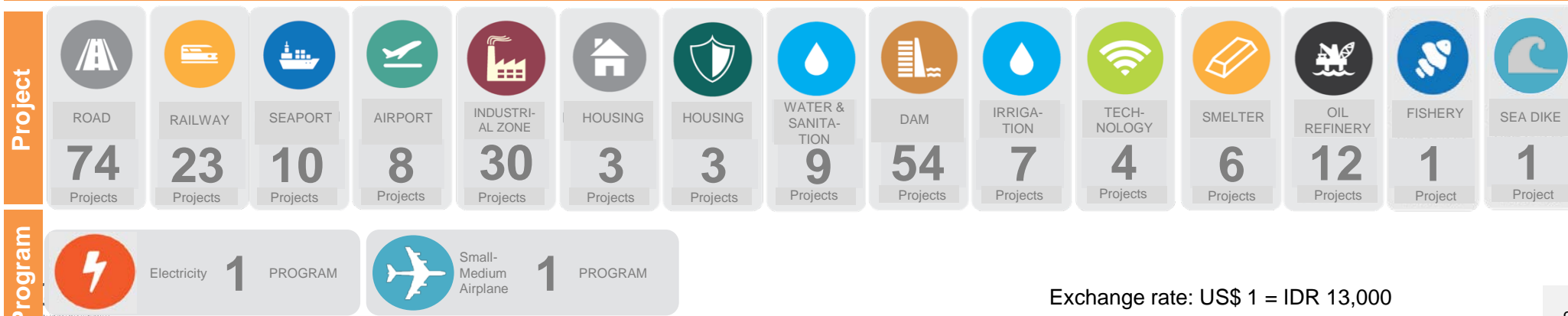
Based on conversion rate of IDR 13,000 per USD



Under Presidential Reg. No. 58/2017, KPPIP selected 245 projects and 2 programs to be listed as National Strategic Projects (PSN) - estimated total investment of US\$322.8 billion



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



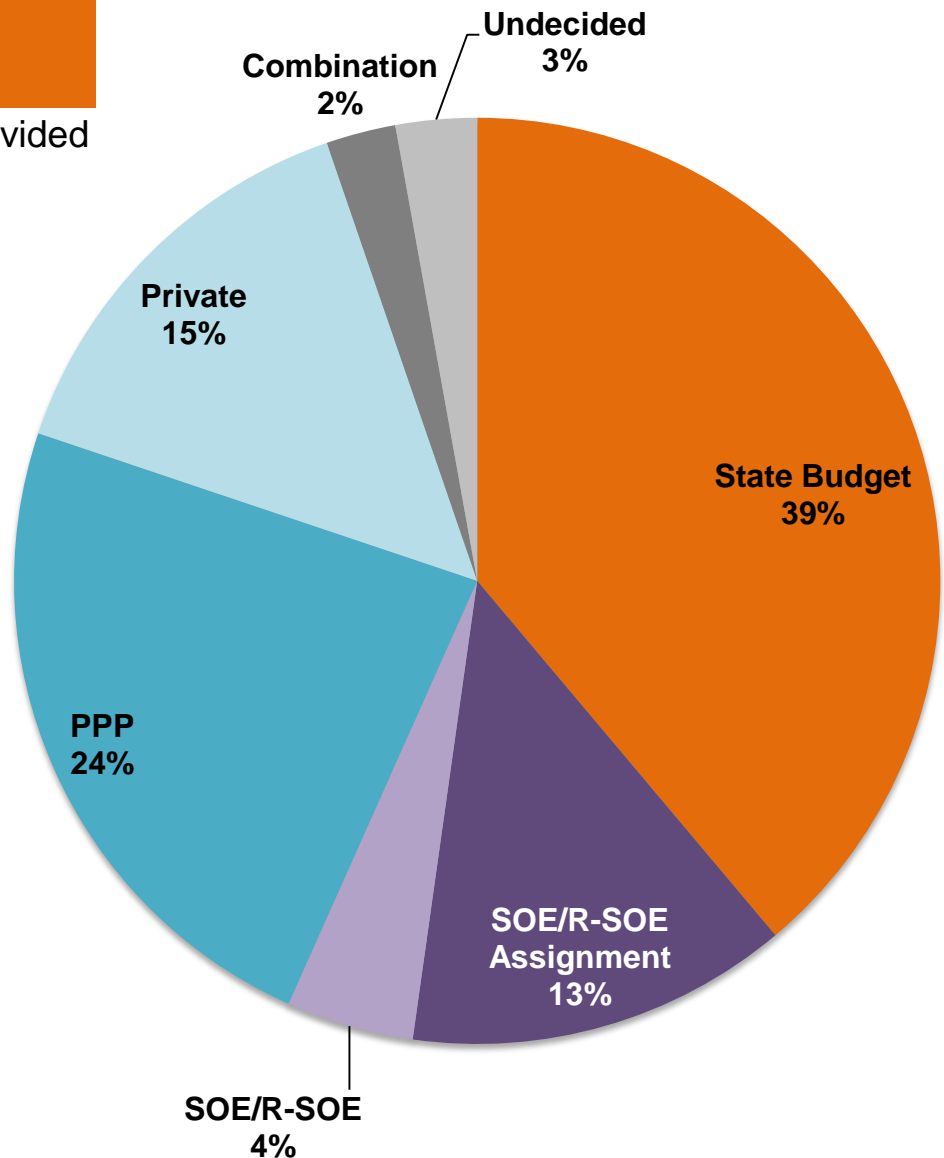
Exchange rate: US\$ 1 = IDR 13,000

PSN development involves various funding scheme

NUMBER OF PROJECTS BASED ON FUNDING SCHEME

Three funding sources explained in previous slide can be divided into six groups of funding scheme.

- National or Regional State Budget: 96 Projects**
"100% funding from government fiscal budget"
- SOE Assignment: 33 Projects**
"Internal SOE financial capacity, with additional capital injection from state budget if necessary"
- SOE or Regional-SOE: 11 Projects**
"Internal SOE/R-SOE fiscal capacity"
- Public Private Partnership: 58 Projects**
"Private funding with additional government fiscal support to improve project feasibility in form of *viability gap fund* or *availability payment*"
- Private: 36 Projects**
"Private funding without government fiscal support"
- Combination: 6 Projects**
"Combination of funding scheme explained above"
- Undecided: 7 Projects**
"Funding scheme is not yet determined"



Private investors have opportunity to contribute in more than half of the total PSN investment value

PSN Investment Value

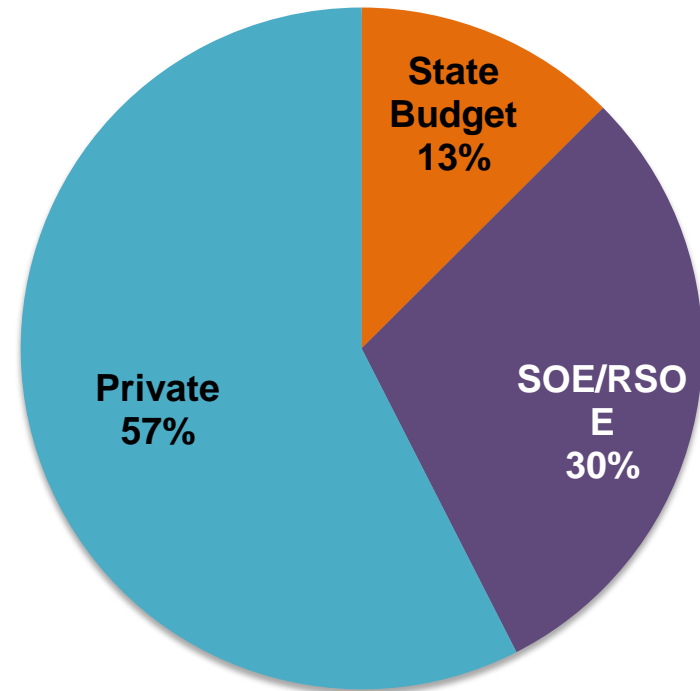
PSN requires funding from various sources, including state budget, SOEs/R-SOEs, and private

**Estimated required funding¹ for PSN of
245 Projects + 2 Program:**

**Total Investment
Value**

**USD322.9
Billion**

	State Budget	USD 40.4 Billion
	SOEs/ R-SOEs	USD 96.8 Billion
	Private	USD 185.7 Billion



¹Exclude 16 projects which investment value is still unknown

5 Sectors with Highest Investment Value:



Energy
12 Projects
USD95.5 Billion



Electricity
1 Program
USD79.6 Billion



Road
74 Projects
USD52.6 Billion



Train
23 Projects
USD47.1 Billion



SEZs and IEs
30 Projects
USD22.3 Billion

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



Private has significant role in the infrastructure provision to support infrastructure target from the Government...

Funding allocation plan for 245 Projects + 2 Programs :

Source of Fund (USD Million) ^{1,2}	RPJMN 2015-2019 Funding Requirement	Funding Realization ≤2016	Infrastructure Funding Requirement of PSN				Total	Percentage (%)
			2017	2018	2019	≥2020		
1. State/Regional Budget	152,154	5,997	4,502	4,591	4,130	21,184	40,404	13%
2. SOEs	82,000	6,797	8,898	12,351	17,924	50,818	96,788	30%
3. Private	134,692	26,119	16,229	26,845	26,151	90,280	185,625	57%
TOTAL	368,846	38,914	29,629	43,786	48,205	162,282	322,816	100%

¹Excluding 18 projects, which the investment value are still unknown: smelter, housing, Special Economic Zone, and Road

²Fund of USD18,037 Million (CAPEX and OPEX) from 24 projects that has no information regarding its annual allocation requirements, are grouped into ≥2020

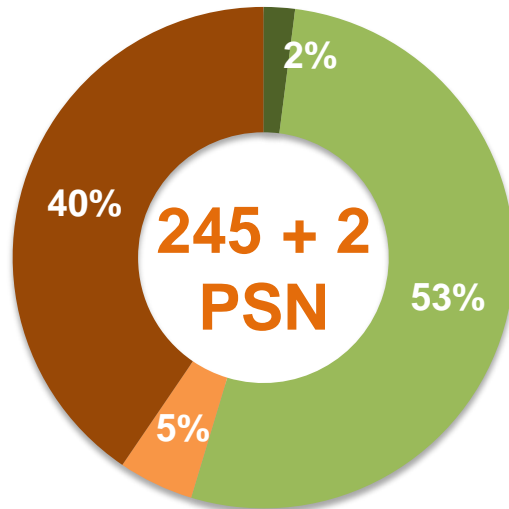
Assumptions on the grouping of funding allocations:

1. For projects with PPP scheme but has no information of the State/Regional Budget allocation, the total funds are allocated in Private
2. For projects with SOE Assignment but has no information of the State/Regional Budget allocation, the total funds are allocated in SOEs



Progress status of 245 National Strategic Projects (PSN) and 2 Programs*

Progress of 245 PSN + 2 Programs per July 2017

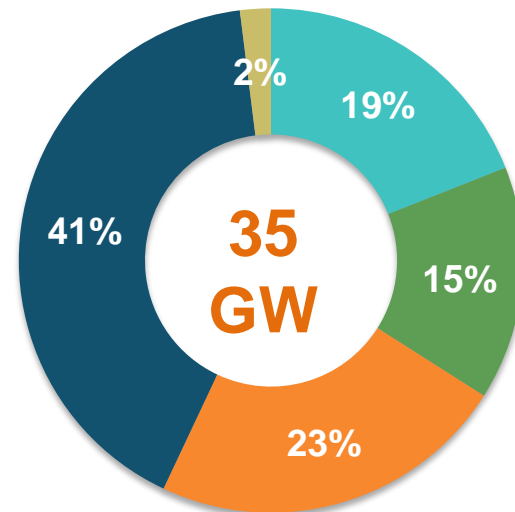


- 5 projects are **completed**¹
- 130 projects are in **construction**²
- 12 projects are in **transaction**
- 100 projects are in **preparation**

¹KPPIP is in the process of confirming the status.

²Including one electricity program under construction category (39% of electricity program has reached construction per April 2017)

Progress of 35 GW Electricity Program per July 2017

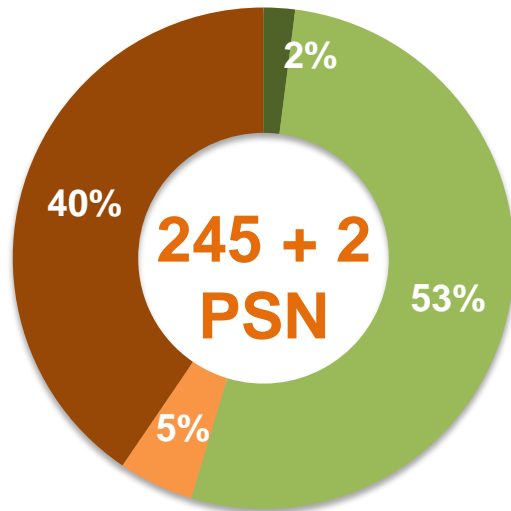


- 758 MW are **operating**
- 14.593 MW are in **construction**
- 8.150 MW have **signed PPA** but have not reached financial close
- 5.355 MW are in **procurement**
- 6.970 MW are in **planning**



Accumulation Progress Status of 245 Projects + 2 Programs as per July 2017

Accumulation Progress Status of PSN as of July 2017



5 projects are **completed**¹

130 projects are in **construction**²

12 projects are in **transaction**

100 projects are in **preparation**

¹KPPIP is in the process of confirming the status.

²Including one electricity program under construction category (39% of electricity program has reached construction per April 2017)

5 projects has been **completed**



National Border
3 Projects



Airport
1 Project



Road
1 Project

130 Projects are in the stage of **construction**



Road
36 Projects



Dam
32 Projects



SEZ*
19 Projects



Railway
9 Projects



Irrigation
7 Projects



Energy
6 Projects



Airport
5 Projects



Smelter
5 Projects



Port
3 Projects



Housing
3 Projects



Technology
2 Projects



Water Treatment
1 Project



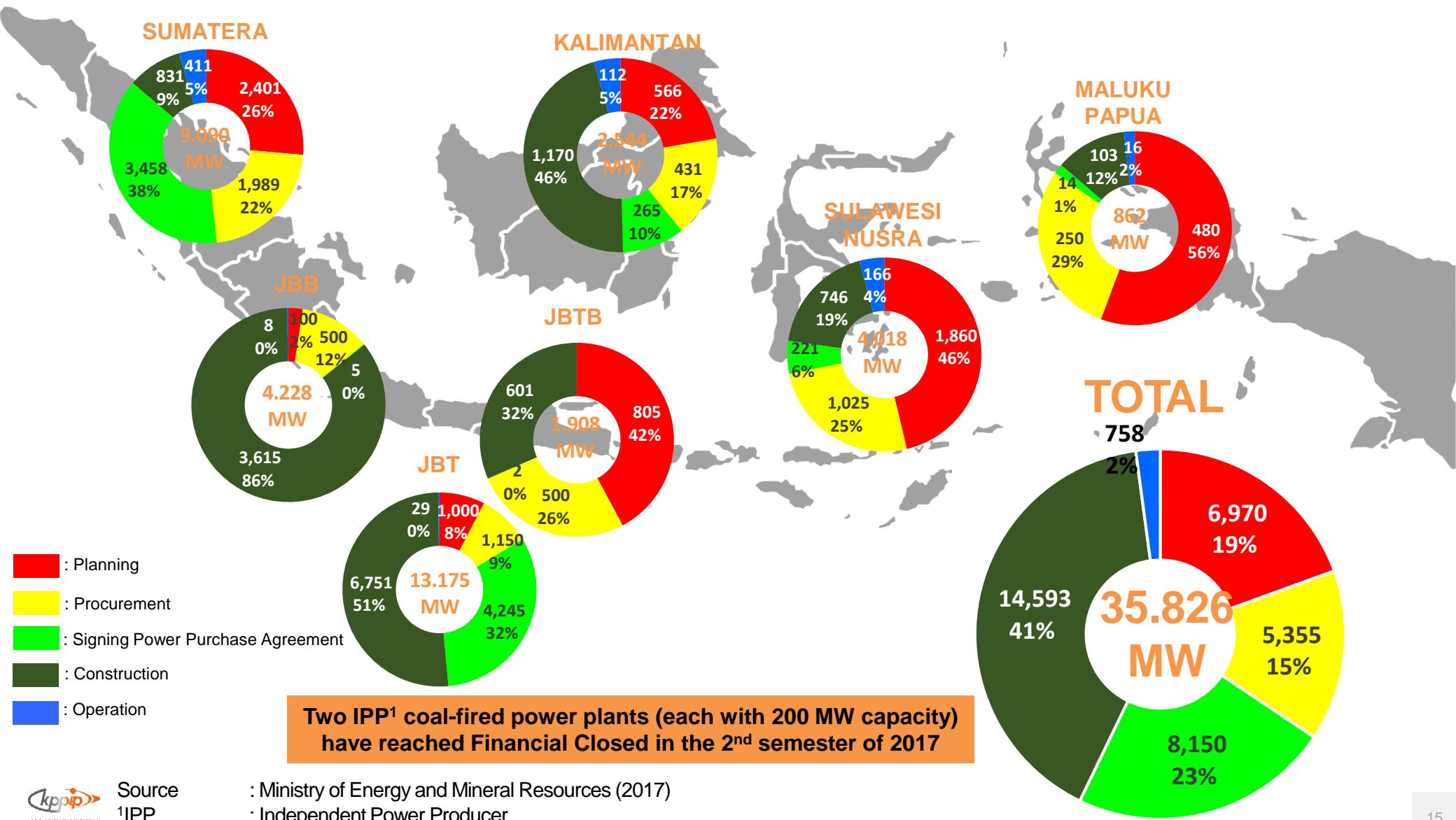
Sea Dike
1 Project



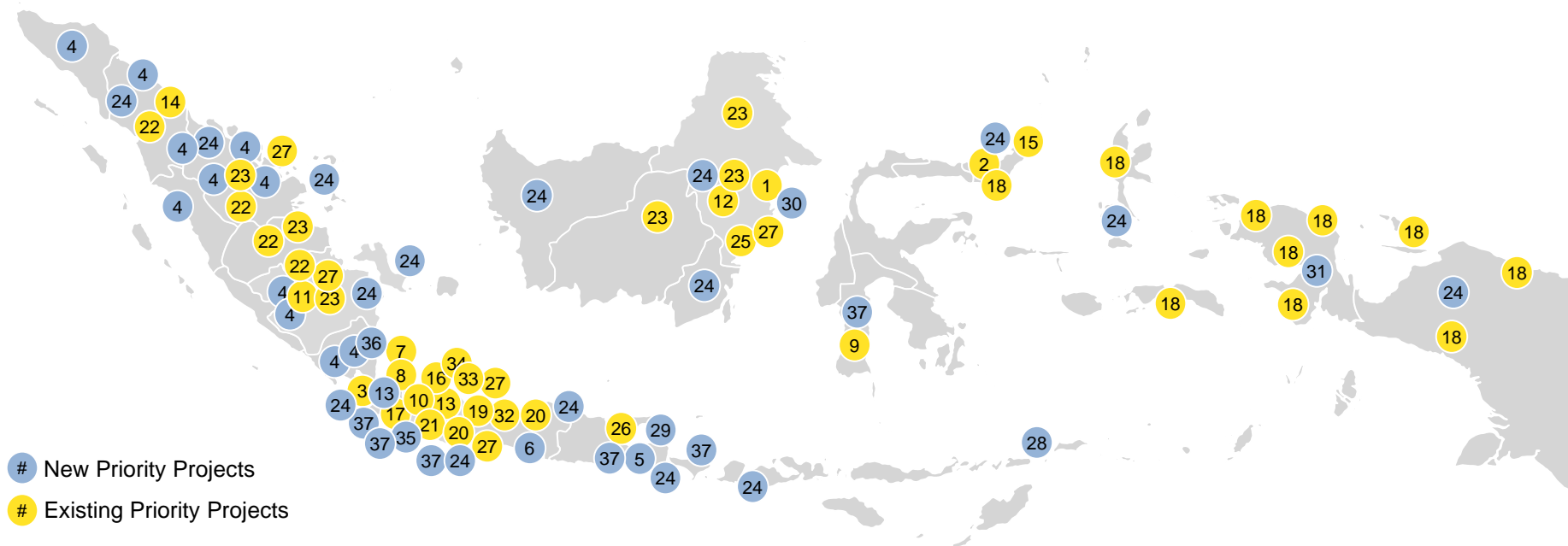
Electricity
1 Program

*) Special Economic Zone

In the power sector, the Government has set implementation target of the 35,000 MW electricity program – as per July 2017



Priority Projects List has been revised to 37 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

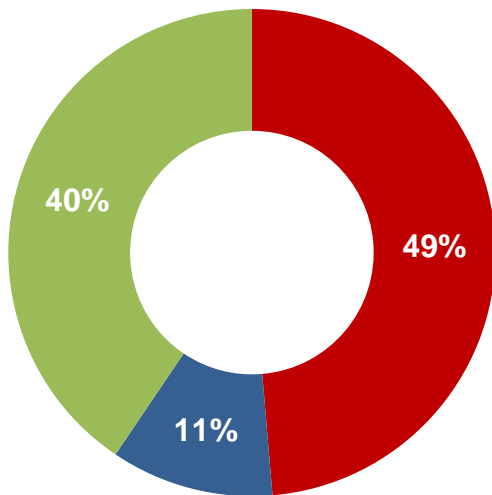
13. Light Rail Transit (LRT) of DKI Jakarta
14. Kuala Tanjung International Hub Seaport
15. Bitung International Hub Seaport
16. Patimban Port
17. Inland Waterways/Cikarang – Bekasi – Laut (CBL)
18. Palapa Ring Broadband
19. Central Java Power Plant (CJPP)
20. Central – West Java Transmission Line 500 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



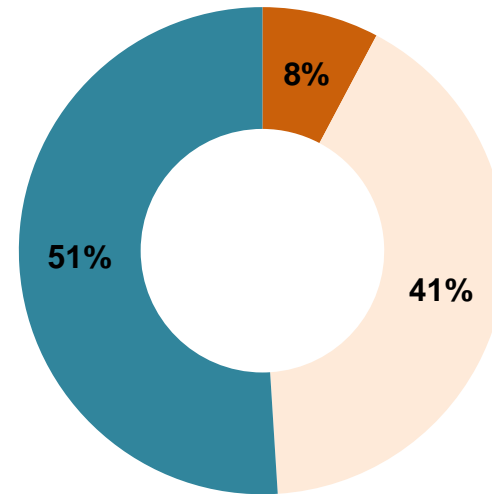
Progress Status of 37 Priority Projects as per August 2017

Progress Status of 37 Priority Projects



- 18 Projects in Preparation Stage
- 4 Projects in Transaction Stage
- 15 Projects in Transaction Stage






Funding Scheme of 37 Priority Projects



- US\$14.3 billion State/Regional Budget (including G-to-G loan)
- US\$76 billion SOE/Regional SOE
- US\$59.23 billion Private/PPP

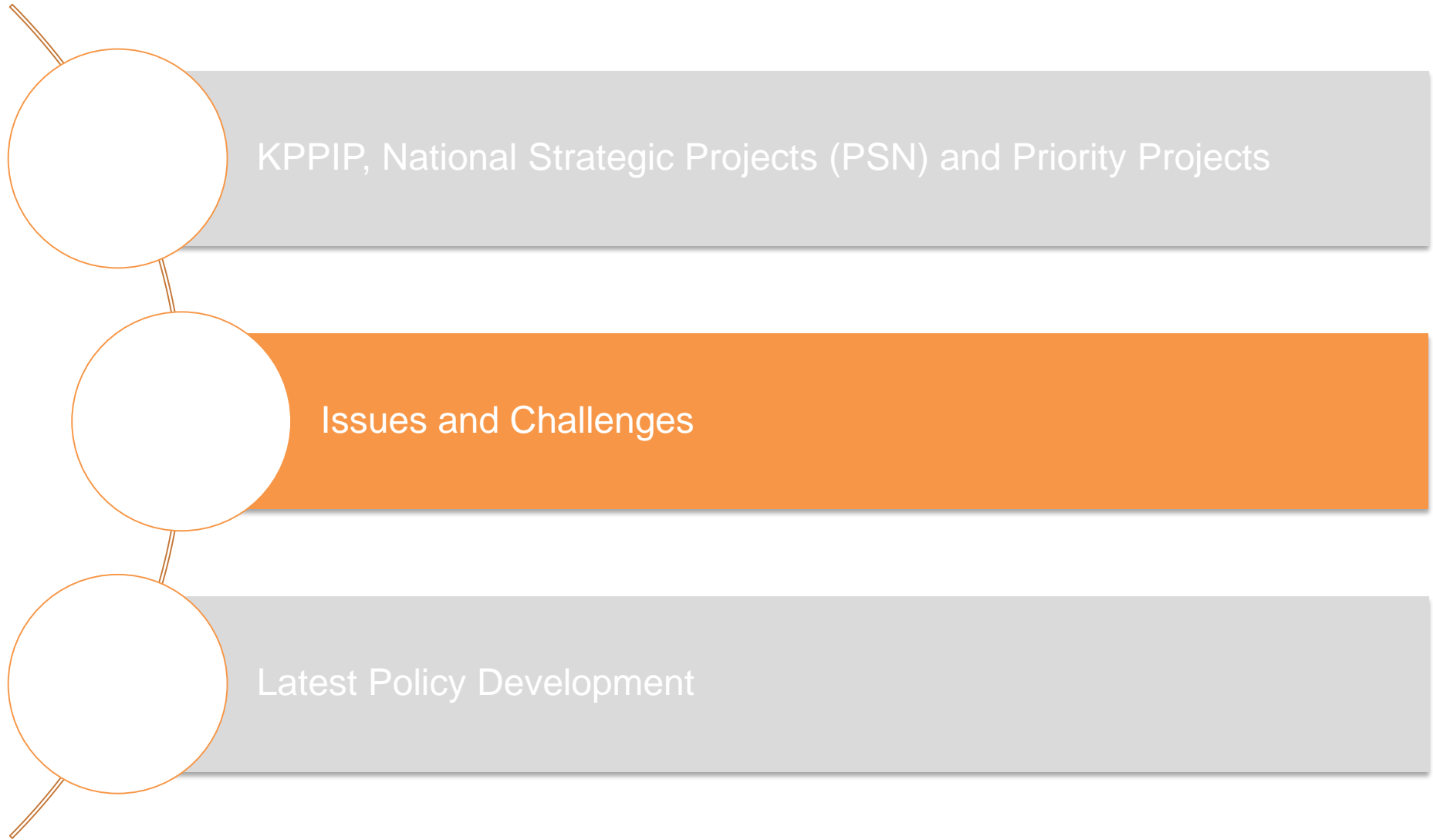


From the monitoring effort conducted by KPPIP, here are some results of the achievement of the National Strategic Projects (PSN) in the First Semester of 2017

PROJECT NAME		PROJECT ACHIEVEMENT
Patimban Port		Environmental Permit has been issued on February 28, 2017. Thus , one of the prerequisites for foreign loan applications through loans from the Japanese Government through JICA has been fulfilled .
Hub Internasional Port of Kuala Tanjung		The Pre-Feasibility Study/Outline Business Case integrated with the port development plan and regional infrastructure development has been completed and socialized to the stakeholders . OBC can be used as a reference for the most optimal funding scheme from the Government of Indonesia.
Central - West Java Transmission Line 500 kV		Contracts for three packages of Engineering Procurement Construction (EPC) (Tx-Batang section, Batang-Mandirancan 1 section and Batang-Mandirancan 2 section) have been signed in March 2017 , so the 928 km line construction can be started.
Coal Fired Power Plant Jawa-4 (Tanjung Jati-B)		The acceleration of Financial Close was reached on March 31st, 2017 from the initial target of June 7 th , 2017 so the project can proceed to the construction phase.
Serang – Panimbang Toll Road		The signing of the Toll Road Concession Agreement (PPJT) and the guarantee facility of PT Penjaminan Infrastruktur Indonesia (Persero) has been done in February 2017 .

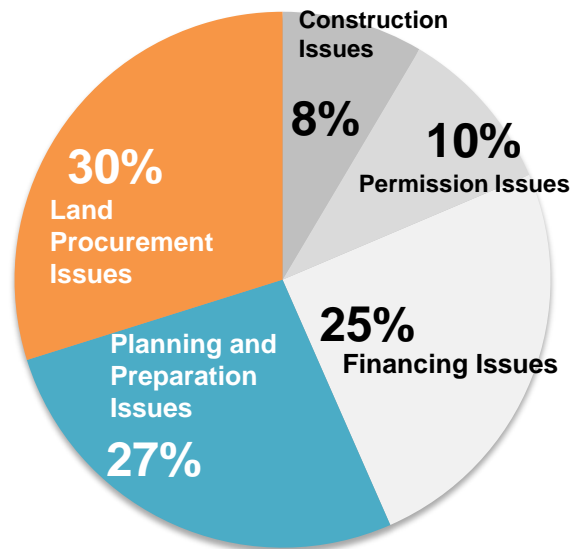


Agenda



There are issues currently facing the National Strategic Projects (PSN) that is able to impact private investment attractiveness

Percentage of issues arose in the provision of PSN



DETAIL OF ISSUES

IMPACT ON INVESTMENT

Land Procurement Issues

1. Issues on land acquisition process
2. Issues of land location discrepancy

The difficulty of land acquisition resulted in investors choosing to invest in other countries

Planning and Preparation Issues

1. Issues on planning process
2. Issues related on design
3. Issues related on connectivity with the existing network
4. Issues on network development
5. Issues on regulatory changes

Government policy changes on the sustainability of the project in a short time show a weak commitment in attracting investors.

Financing Issues

1. Issues related with sponsor of the project
2. Issues on the uncertainty of the financing
3. Issues related with financial parameter
4. Issues on financing structure
5. Issues on the process of financing application
6. Issues on guarantee provision
7. Issues on asset ownership

Decrease of certainty of project feasibility targeted by Investor including required rate of return and Payback Period.

Permission Issues

1. Issues on licensing application process
2. Issues related with Environmental Permit

Uncertainty of schedule in issuance of permit may slow down the investment schedule.

Construction Issues

1. Issues related with obstacles in the completion of construction
2. Issues related with technological barriers
3. Issues on utility adequacy
4. Issues on human resources capacity

The absence of supporting infrastructure for the construction of the project resulted in the difficulty to access the project location.

Some of Challenges for Private Investment in Indonesia (1/2)

OBSTACLES	DESCRIPTION	IMPACT ON INVESTMENT
Revocation of Laws and Regulations Creates Uncertainty in Legal Environment	Revocation and cancellation of Water Resources Law and Presidential Regulation No. 18/2016 on Waste-to-Energy Plant.	Investors's confidence to invest may be decreased because of the possibility of Law and/or Regulation to be cancelled at anytime. This might be more difficult if there is no political guarantee from the Government of Indonesia (Gol).
Unmeasurable Licensing/Permitting Mechanism	License regulations that do not specify time limits, such as Borrow-to-Use of Forest Area Permit (IPPKH) create uncertainty in project preparation and implementation.	Infrastructure investments, especially those using project finance as their financing schemes, require measurable investment conditions and appropriate risk allocation.
No Regulation to Provide Fiscal incentives	For example, there is no Government Regulation that regulates fiscal incentives for oil and gas downstream business.	Investors have no clarity on acceptable fiscal incentives because the tax facilities are regulated in separate regulations.
Regulations related to the imposition of heavy equipment tax as stipulated in Act No. 28/2009 and there are no regulation that exempt the tax for heavy equipment	Prior to the issuance of Law No. 28/2009, heavy equipment is not subject to tax because it is not categorized as a vehicle tax object as regulated by Article 2 paragraph (1) sub-paragraph a of Law No. 18/1997.	With the imposition of taxes for heavy equipment, the construction cost is increase, hence, causing higher initial investment.

Some of Challenges for Private investment in Indonesia (2/2)

OBSTACLES	DESCRIPTION	IMPACT ON INVESTMENT
<p>Pension Fund is prohibited to participate as an infrastructure investor based on POJK¹ No. 3/2015.</p> <p>¹Peraturan Otoritas Jasa Keuangan (Financial Services Authority of Indonesia Regulation)</p>	<p>Under POJK No. 3/2015, pension funds are not allowed to invest in infrastructure and are only allowed to participate in infrastructure investment through bond purchases issued by State-Owned Enterprises that run infrastructure projects.</p>	<p>The inclusion of pension funds can increase market capitalization on infrastructure projects, it also will increase the confidence and interest of the investor(s) as well to invest in Infrastructure. Pension fund is highly potential to enter new Investment Fund from OJK, which is called as Infrastructure Investment Fund (DINFRA).</p>
<p>Regional Regulation that contradicts other laws and regulations will discourage investment.</p>	<p>For example, Regional Regulation of Bekasi No. 6/2015 which regulates mandatory percentage fee for Corporate Social and Environmental Responsibility ("TJSL") of at least 3%, contrary to Government Regulation No. 47/2012.</p>	<p>The lack of synchronization of regulations at the level of the Central Government and Local Government has caused investors' confidence in making their investment decisions.</p>
<p>Barriers in the Banking Sector in the Application of Project Financing Scheme</p>	<p>Based on Article 8 of Law No. 7/1992 and its amendment, the Bank in granting credit must obtain confidence in the debtor's ability to repay its obligations pursuant to the credit agreement. In accordance with these provisions, the internal rules of the bank require the existence of collateral with a minimum value of the total value of the loan.</p>	<p>In the early stages, Business Entity/SPV did not have a preliminary asset that could be pledged to obtain loan from the bank. Only future assets that can be guaranteed. As a result, project financing will be difficult to implement.</p>



Mitigation plans have been identified to cover issues and obstacles arose for each project cycle

	ISSUES	MITIGATION PLANS
Planning	<ul style="list-style-type: none">▪ The allocated planning budget is insufficient to produce good quality and acceptable pre-FS for the market.▪ Change of project funding scheme decision by Government after it has been stipulated.	<ul style="list-style-type: none">▪ Allocating project preparation budget as needed and prepare project execution schedule that is aligned with the quality target.▪ Ensure the alignment of understanding of the benefits of the PPP scheme and conduct consultation with relevant stakeholders
Preparation	<ul style="list-style-type: none">▪ The preparation of the Pre-FS and the Final Business Case (FBC) do not meet market quality standards.▪ High private cost of capital and improper risk allocation may create higher compensation returns.	<ul style="list-style-type: none">▪ Implement standards accepted by the market by involving international consultants.▪ Decent due diligence to produce optimal government support, attractive pricing, and other non-adverse conditions.▪ Appropriate risk allocation between the Government and Business Entities (by Indonesia Infrastructure Guarantee Fund (IIGF)).
Transaction	<ul style="list-style-type: none">▪ Government Contracting Agency (GCA) and procurement institution are not familiar with Public-Private Partnership (PPP) procurement.▪ Small amount or no business entity participates in Project Tender.	<ul style="list-style-type: none">▪ Involving <i>Transaction Advisor to accompany</i> GCA in preparation and procurement process.▪ Perform market sounding prior to tender process.
Implementation	<ul style="list-style-type: none">▪ GCA has poor experience in setting PPP contract and such criteria to be the monitoring guideline.	<ul style="list-style-type: none">• Ensure that PPP contract set by GCA is applicable and has effective monitoring system• There is a PPP node or PMO that accompanies the GCA in monitoring the implementation of the PPP contract



Agenda





In order to boost private investment in infrastructure development, the Government of Indonesia has provided various facilities through some reforms



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 for Central Gov't and MoHA Reg. No. 96/2016 for Regional Gov't)

3) Land Revolving Fund

A revolving-fund sourced from State Budget, to accelerate land acquisition. (MoF Regulation No. 220/2010)

4) 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

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

3) PT Indonesia Infrastructure Finance (IIF)

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

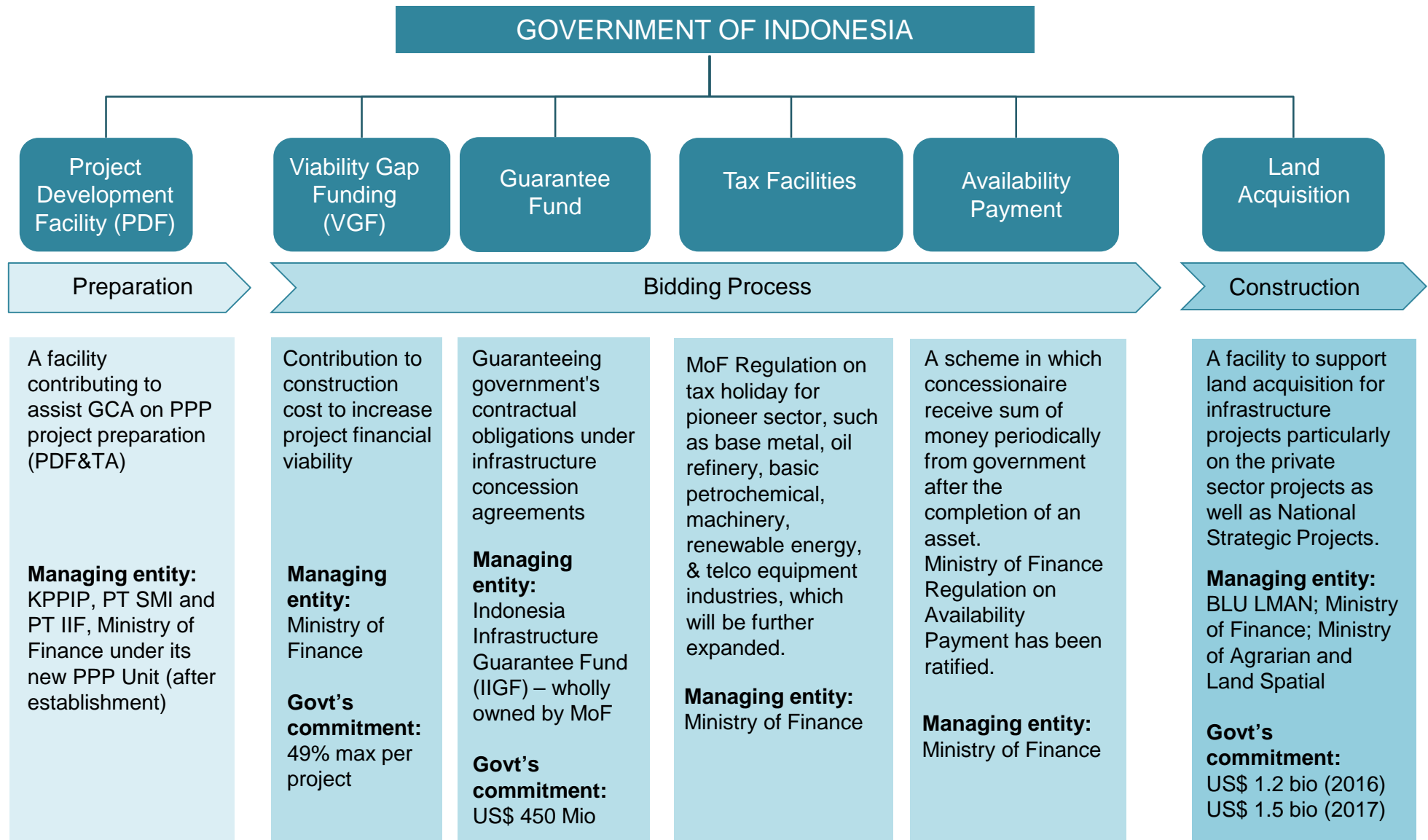
Stipulate land acquisition acceleration based on Law No. 2/2012. (Presidential Reg. No. 148/2015)

3) 15 Economy Packages

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

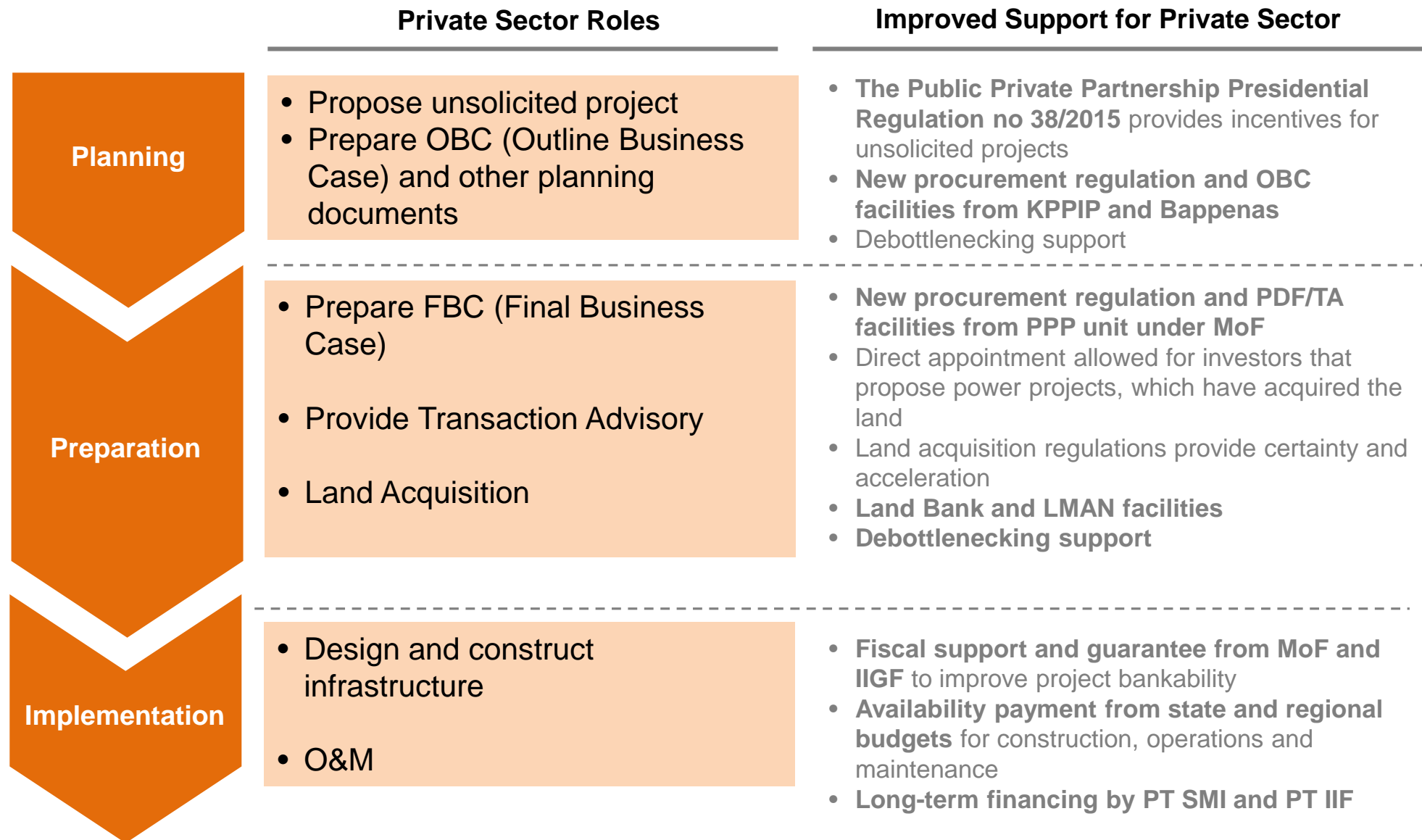


The GoI have conducted reforms in providing various facilities along all phases of the project delivery life cycle





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





1. Fiscal: MoF provides Viability Gap Fund (VGF) facility to attract investor interest to invest in infrastructure project that is 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 PJP 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:

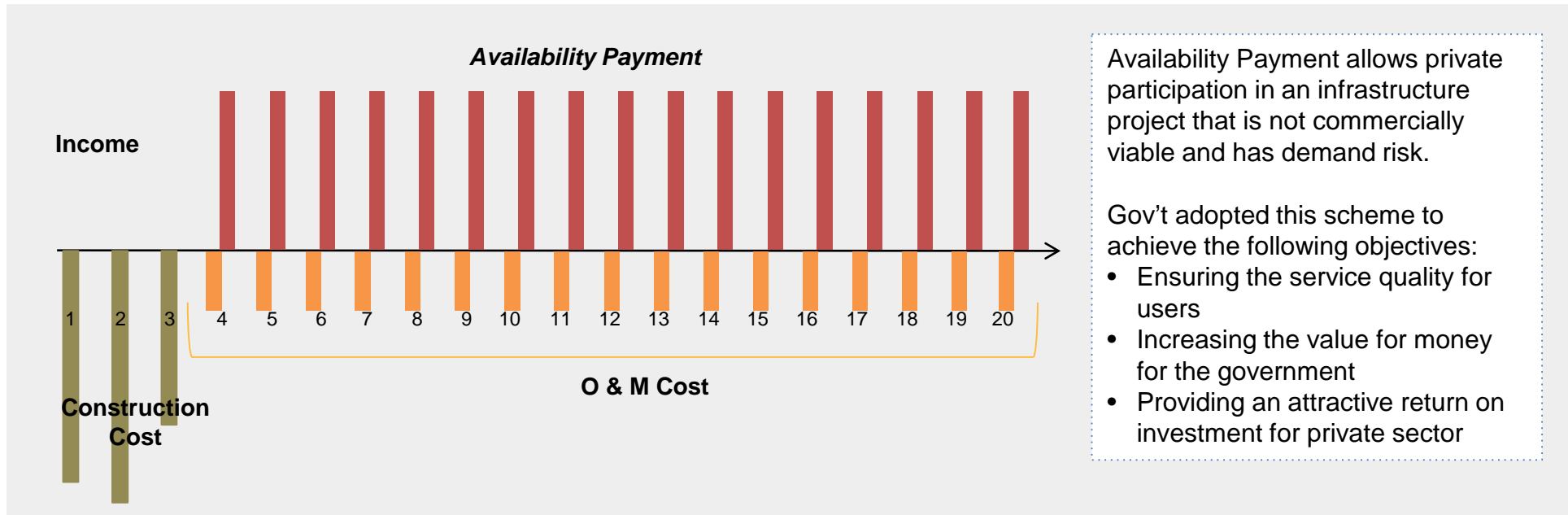
2.1 Manado – Bitung Toll Road

- 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

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



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/PMK.08/2015

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

Government Guarantee for PPP

Government Guarantee for Direct Lending

Regulatory Basis

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

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

- 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 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 contractor SOEs which have been assigned by Presidential Regulations to implement infrastructure projects

2. Institution: Land acquisition has been major impediment to progress, the Government has established BLU LMAN to fund land acquisition



BLU LMAN was established in Dec 2015 through the issuance of **MoF Reg. 219/2015** concerning State Assets Management

- ❑ State Asset Management Agency (**BLU LMAN**)
- ❑ In 2016, BLU LMAN was mandated to provide land acquisition fund as a **support to Ministry of Public Works** due to the shortage of **US\$ 1,081 Million*** to acquire land for priority toll roads
- ❑ The **scope of support is extended** for all **National Strategic Projects** as stipulated in **MoF Reg. 21/2017** regarding land acquisition financing guideline for National Strategic Projects

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



BLU LMAN Land Acquisition Budgeting Scheme



Available fund that is not utilized can be allocated for the following year



Unused allocated fund can be made **available** for the other National Strategic Projects

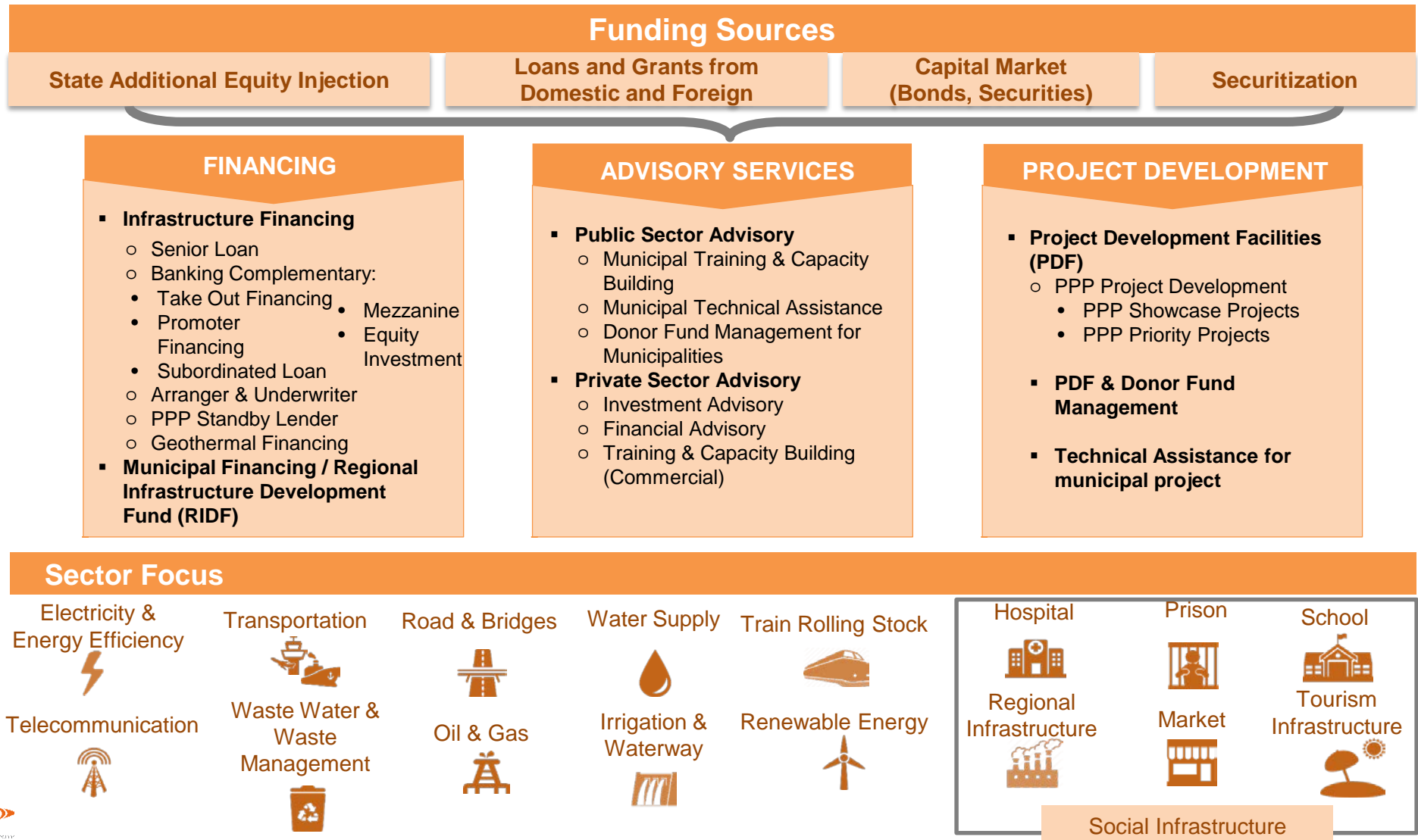


Land acquisition fund for National Strategic Projects **managed under one agency**

BLU LMAN provides better flexibility, coordination and management of land acquisition fund provision for National Strategic Projects (PSN)

2. Institution: PT Sarana Multi Infrastruktur 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.



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



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.

Target Investment Sector



Transportation infrastructure



Waste / waste-water infrastructure



Road infrastructure



Telecommunication and information infrastructure



Irrigation infrastructure



Electricity infrastructure



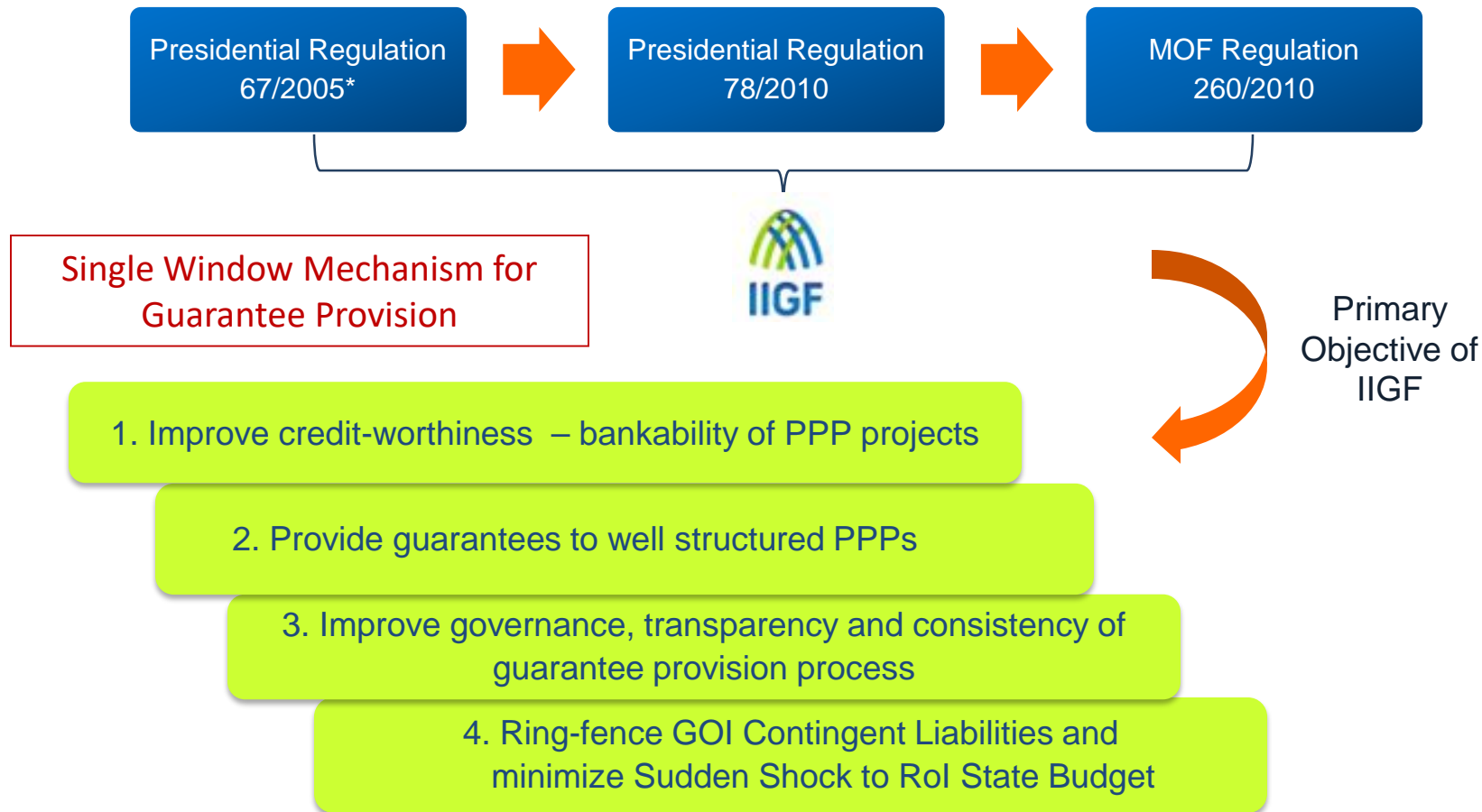
Drinking water infrastructure



Oil and gas infrastructure

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 ammended by Presidential Regulation No. 13/2010; No. 56/2011; No.38/2016



3. Regulation: Policy reforms are aiming to create a more conducive investment climate for infrastructure delivery

Presidential Regulation (PR) No. 146/2015 regarding Refinery Projects

Government has issued the regulation to provide guideline in implementing and executing New Development and Expansion of Refinery in order to achieve the national energy supply through a provision of integrated supply of petrol and other related products.

Presidential Reg. No. 4/2016 j.o. Presidential Reg. No. 14/2017 on the Acceleration of Electricity Infrastructure Development

Government has issued the Decree to refine a guideline to accelerate the provision of electricity in Indonesia. The decree is stipulated the role of PT PLN to be the point of contact to provide the electricity and a number of facilities are provided in order to accelerate the provision of electricity.

Presidential Regulation (PR) No. 38/2015 regarding PPP (4th revision of PR No. 67/2005)

Government has revised the original regulation on PPP (Presidential Regulation No. 67/2005) three times to accommodate more concerns regarding PPP development in Indonesia. For example, social infrastructure projects, the latest revision accommodates international institutions to provide feasibility study/ project preparation support, criteria and compensation for unsolicited project proposal, the need of stronger fiscal support from Ministry of Finance.

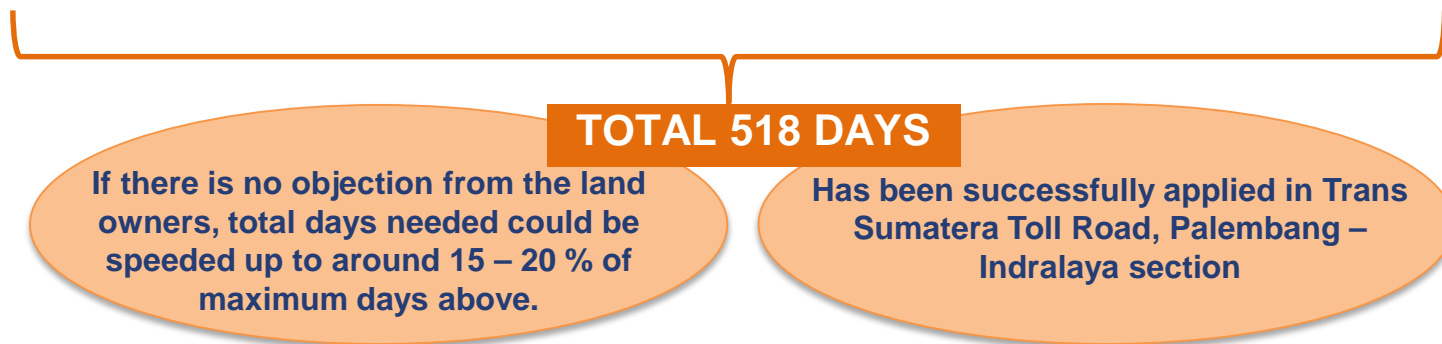
Presidential Regulation (PR) No. 44/2016 regarding the New Negative List of Investment

Government has revised the previous Negative list of investment to encourage more foreign investment to take part in infrastructure development. For example, in transport sector, foreign ownership for land passenger transport that previously must own by Indonesian entities is now open for foreign investors up to 49%. The Government also allows 100% foreign ownership for electricity grid >10mW during PPP concession period (previously at 95%).

3. Regulation: Land Acquisition Policy - Law No. 2/2012 as regulatory reform aims to accelerate land acquisition and it has been implemented successfully



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.**



Other Government's new initiatives provided in 2016

1

MoF Reg 129/2016 concerning project preparation and transaction facility

Allows the execution of project preparation and transaction facility through:

1. Specific assignment to SOE
2. Cooperation with International Financing Agencies for refinery projects

2

MoF Reg 130/2016 concerning Gov't Guarantee for the delivery of electricity projects

PLN is provided with Gov't Guarantee for PLN's financial obligation when

1. PLN receives loan to finance electricity project using self-management
2. PLN cooperates with Private to purchase electricity

3

Non-State Budget Infrastructure Financing (PINA)

An alternative infrastructure funding scheme sourced from **any source of funds managed by BAPPENAS other than Government's budget**, e.g. long term management funds (insurance, repatriated funds from tax amnesty, pension funds, etc.), private equity investors and infrastructure funds.

4

MoHA Reg 96/2016 concerning Availability Payment (AP) by Regional Government

Regulatory framework for the implementation of AP by Regional Gov't when acts as GCA for regional PPP project

3. Regulation: Economic Policy Package I-XIV and a number of Presidential Regulations to support the ease of 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

Presidential Regulation




Presidential Reg. No. 3/2016 jo. No. 58/2017 on the Acceleration of The Implementation of National Strategic Projects (PSN)

Presidential Reg. No. 38/2015 on Public Private Partnership (Revision No. 4 of Presidential Reg. No. 67/2005)

Presidential Reg. No. 44/2016 on List of Closed Business Fields and Opened Business Fields with the Requirement in Investment Field

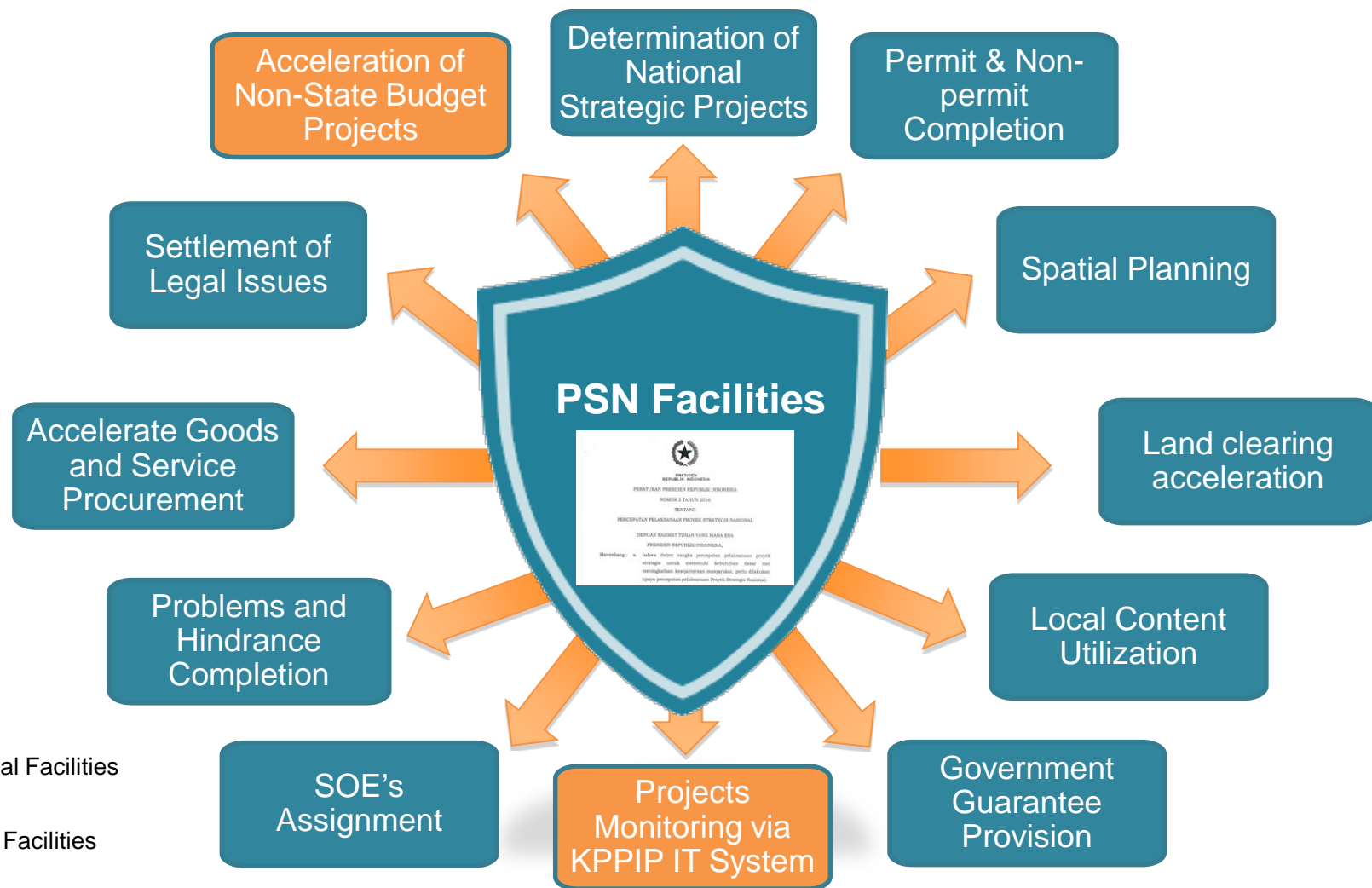
Presidential Reg. No. 146/2015 on the Implementation of The Development of Domestic Oil Refinery

Presidential Reg. No. 4/2016 j.o. Presidential Reg. No. 14/2017 on the Acceleration of Electricity Infrastructure Development

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



For PSN, projects are facilitated with privileges as stipulated in the Presidential Reg. No. 3/2016 j.o. the Presidential Reg. No. 58/2017



If a project is a Priority Project, it has 4 special facilities provided through KPPIP

OBC Facility by KPPIP/National Planning Agency

Priority Projects are eligible for facility in form of financing and provision of panel of consultants for OBC review or redo. Hence the quality of project preparation can be improved.

KPPIP allocates more than 50% of its budget for this facility.



Prioritization by PPP Unit of Ministry of Finance

PPP Unit of Ministry of Finance shall prioritize the preparation of PPP projects that are enlisted as KPPIP Priority Projects. Those projects are prioritized for the approval of Project Development Facility / Transaction Advisory (PDF/TA) Facility, Government Guarantee, Viability Gap Funding (VGF), and/or Availability Payment.



Prioritization on Debottlenecking Effort and Debottlenecking Task Force Establishment

Priority Projects is prioritized by KPPIP on its debottlenecking efforts in form of stakeholder coordination with full support from KPPIP internal full time experts whose background are from private sector.

KPPIP is authorized to establish an ad hoc task force to debottleneck specific issue.



Provision of incentive and disincentive on project implementation

To ensure the timeliness and the quality of project implementation, KPPIP provides incentive and disincentive program based on the performance of project owner in implementing project action plan. Incentive can be in form of additional quota for priority projects in the following year, project preparation study, etc. While disincentive can be in form of project owner black-listing and study facility repayment.



* The form of incentive and disincentive are still being discussed



To support and accelerate the delivery of PSN and Priority Projects, Government had issued some new initiatives provided in 2017 to debottleneck other the issues arose



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



Government Reg. No. 6/2017 on Railway Implementation

This Government Regulation enables the establishment of a Railway Business Entity without bidding process after the Railway Business Entity receives proposal approvals from the Minister, Governor or Regent / Mayor in accordance with its respective authority.



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.



Samples of achievements resulting from supporting effort from the Government

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 Water Supply's (US\$ 333 Mio)
reached Financial Close in December 2016

Supported by
Availability
Payment



Palapa Ring Broadband (US\$ 560 Mio)
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



THANK YOU

KPPIP

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