Infrastructure Developments in Indonesia – Key Improvements and Priority Projects

Roundtable Discussion on Infrastructure Investment Opportunity in Indonesia

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Program Director KPPIP

London, 15th July 2016
Indonesia’s Infrastructure Targets

Recent Reforms for Infrastructure Acceleration

Committee for Acceleration for Priority Infrastructure Delivery (KPPIP)

National Strategic and Priority Projects
Indonesia has determined its infrastructure targets for the period of 2016 – 2019 which were stipulated in the National Medium Term Plan.

**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**

**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

**Achieve electrification ratio of 96.6% by 2019 through generating capacity improvement**
- develop power plants with total capacity of 35,000 MW

**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
To achieve those targets, Indonesia requires an estimated investment of USD 368.9 Billion

### Infrastructure Projects Investment Needs by Sector (2015-2019)

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>State Budget</th>
<th>Regional Budget</th>
<th>SOE</th>
<th>Private/PPP</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roads</td>
<td>20.6</td>
<td>15.4</td>
<td>5.0</td>
<td>15.4</td>
<td>56.4</td>
</tr>
<tr>
<td>Railways</td>
<td>7.2</td>
<td>-</td>
<td>0.8</td>
<td>9.4</td>
<td>17.4</td>
</tr>
<tr>
<td>Sea Transportation</td>
<td>20</td>
<td>-</td>
<td>18.3</td>
<td>7.2</td>
<td>45.5</td>
</tr>
<tr>
<td>Air Transportation</td>
<td>4.9</td>
<td>0.4</td>
<td>3.8</td>
<td>1.9</td>
<td>11.1</td>
</tr>
<tr>
<td>River Transportation &amp; Ferries</td>
<td>2.8</td>
<td>-</td>
<td>0.8</td>
<td>-</td>
<td>3.6</td>
</tr>
<tr>
<td>Urban Transportation</td>
<td>4.7</td>
<td>1.2</td>
<td>0.4</td>
<td>0.4</td>
<td>6.6</td>
</tr>
<tr>
<td>Electricity</td>
<td>9.2</td>
<td>-</td>
<td>34.2</td>
<td>33.5</td>
<td>76.9</td>
</tr>
<tr>
<td>Oil &amp; Gas</td>
<td>0.3</td>
<td>-</td>
<td>11.7</td>
<td>27.1</td>
<td>39.0</td>
</tr>
<tr>
<td>Information &amp; Communication Technology (ICT)</td>
<td>1.2</td>
<td>1.2</td>
<td>2.1</td>
<td>17.2</td>
<td>21.5</td>
</tr>
<tr>
<td>Water Resources</td>
<td>15.1</td>
<td>5.2</td>
<td>0.5</td>
<td>13.8</td>
<td>34.7</td>
</tr>
<tr>
<td>Drinking Water &amp; Sanitation</td>
<td>10.1</td>
<td>15.2</td>
<td>3.4</td>
<td>2.3</td>
<td>31.0</td>
</tr>
<tr>
<td>Housing</td>
<td>14.2</td>
<td>3.4</td>
<td>1.0</td>
<td>6.7</td>
<td>25.2</td>
</tr>
<tr>
<td><strong>Total funding needs</strong></td>
<td><strong>110.3</strong></td>
<td><strong>42</strong></td>
<td><strong>82</strong></td>
<td><strong>134.9</strong></td>
<td><strong>368.9</strong></td>
</tr>
<tr>
<td><strong>Allocation percentage</strong></td>
<td><strong>29.88%</strong></td>
<td><strong>11.37%</strong></td>
<td><strong>22.23%</strong></td>
<td><strong>36.52%</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: BAPPENAS (FOREX 1 USD=Rp 13,000)
Indonesia’s Infrastructure Targets

Recent Reforms for Infrastructure Acceleration

Committee for Acceleration for Priority Infrastructure Delivery (KPPIP)

National Strategic and Priority Projects
The Government has enacted various reforms to accelerate infrastructure provision

<table>
<thead>
<tr>
<th>Fiscal reforms</th>
<th>Institutional reforms</th>
<th>Regulatory reforms</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Investing in Indonesian infrastructure has been regarded as risky</td>
<td>• Lack of leadership to implement the changes needed</td>
<td>• Indonesian regulatory corpus has been characterized by some ambiguities and conflicting regulation</td>
</tr>
<tr>
<td>• Uncertain returns on investment.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Did not have any fiscal mechanisms to support the infrastructure investment</td>
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<td></td>
</tr>
</tbody>
</table>

Before

- Investing in Indonesian infrastructure has been regarded as risky
- Uncertain returns on investment.
- Did not have any fiscal mechanisms to support the infrastructure investment

After

- Indonesia now has fiscal supports
  - Viability Gap Funding (VGF);
  - Availability Payment;
  - Land revolving fund; and
  - Risk-sharing scheme.
- Institutional strengthening covers establishment and empowerment of:
  - KPPIP (Committee for Acceleration of Priority Infrastructure Delivery).
  - Empowerment of PT. SMI and IIGF
  - PPP Unit under Ministry of Finance.
- Revised regulations on:
  - Public Private Partnership (PPP);
  - Availability Payment;
  - Direct Lending;
  - Land acquisition; and
  - Other deregulations as listed in the Economic Policy Packages.

Supported by improving awareness of Indonesian infrastructure issues, convergent reforms are building a better business environment for tomorrow’s investment
Reformations along the project life cycle aim to encourage and accelerate infrastructure projects using the Public Private Partnership (PPP) scheme.

**GOVERNMENT OF INDONESIA**

### Preparation
- **Project Development Facility (PDF)**
  - A facility contributing to assist GCA on PPP project preparation (PDF&TA)
  - Managing entity: KPPIP, PT SMI and PT IIF; Ministry of Finance under its new PPP Unit

### Bidding Process
- **Viability Gap Funding (VGF)**
  - A facility with contribution to construction cost to increase project financial viability
  - Managing entity: Ministry of Finance based on GCA proposal
  - Govt's commitment: 49% max per project

- **Guarantee Fund**
  - Guaranteeing government's contractual obligations under infrastructure concession agreements
  - Managing entity: Indonesia Infrastructure Guarantee Fund (IIGF) – wholly owned by MoF
  - Govt's commitment: US$ 450 Mil

- **Tax Facilities**
  - MoF Reg. No. 159/PMK.010.20 15 re: tax holiday for pioneer sector, such as base metal, oil refinery, basic petrochemical, machinery, renewable energy, & telecommunication equipment industries, which will be further expanded.
  - Managing entity: Ministry of Finance

- **Availability Payment**
  - A scheme in which concessionaire receive sum of money periodically from government after the completion of an asset.
  - Ministry of Finance Regulation on Availability Payment has been ratified.
  - Managing entity: Ministry of Finance

### Construction
- **Land Acquisition**
  - A facility to support land acquisition for infrastructure projects particularly on the private sector projects.
  - Managing entity: Ministry of Finance; Ministry of Agrarian and Land Spatial/BPN
  - Govt's commitment: US$ 12 Mi (only for 2016)
Project Development Facility is to boost private sector participation in various stages of infrastructure preparation.

**Private Sector Roles**

**Planning**
- Propose unsolicited projects
- Prepare OBC (Outline Business Case) and other planning documents

**Preparation**
- Prepare FBC (Final Business Case)
- Provide Transaction Advisory
- Acquire land*

**Implementation**
- Design and construct infrastructure
- Operate and maintain infrastructure

**Improved Support for Private Sector**

**Planning**
- 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**
- 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
- Debottlenecking support

**Implementation**
- 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
The Ministry of Finance has issued the regulation on Availability Payment with the objective of improving project attractiveness to investors. Availability Payment enables private participation when the infrastructure is not commercially viable and the demand risk is high. The government adopts this scheme to achieve these goals:

- Ensure service quality for users
- Improve Value for Money for government
- Provide attractive return for private sector providers

### Legal Basis

<table>
<thead>
<tr>
<th>Regulation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Presidential Regulation no. 38/2015</td>
<td>Stipulates Availability Payment as one funding scheme for infrastructure development.</td>
</tr>
<tr>
<td>Ministry of Finance Regulation no. 190/PMK.08/2015</td>
<td>Regulates the criteria for projects that can be funded by Availability Payment and the implementation of the scheme.</td>
</tr>
<tr>
<td>Ministry of Home Affairs Regulation (on progress)</td>
<td>Will stipulate on budgeting system for Availability Payment funded by regional budget.</td>
</tr>
</tbody>
</table>
Land Acquisition Policy - Law No. 2/2012 aims to accelerate land acquisition and it has been implemented successfully.

Planning → Preparation → Implementation → Hand over of land rights

Time span in working days (Assuming there will be objections from land owners):
- Unregulated: Max. 289 days
- Max. 257 days
- Max. 37 days

TOTAL 583 DAYS

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

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

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

<table>
<thead>
<tr>
<th>Presidential Decree (PP) No. 146/2015 regarding Refinery Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government has issued the Decree 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.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Presidential Decree (PP) No. 4/2016 regarding Electricity Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>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.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Presidential Regulation (PR) No. 39/2014 regarding the New Negative List of Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government has revised the previous Negative list of investment to encourage more foreign businesses to take part in infrastructure development. For example, in transport sector, foreign ownership of seaport facility increased from 49% to 95% during PPP concession period. The government also allows 100% foreign ownership of power plant &gt;10MW during PPP concession period (previously 95%).</td>
</tr>
</tbody>
</table>
The Government has issued Presidential Regulation No. 4/2016 on Electricity Infrastructure Acceleration to accelerate power projects

**Government Support (outside Guarantee)**
- Provision of Primary Energy
- Provision of Renewable Energy
- Simplicity of Permits and non-Licensing
- Spatial Planning
- Land acquisition
- Resolution on Legal Matters

**Local Content**
Obligation on the usage of local content through an open book system, price guideline, reverse engineering or other methods to maximise the local content.

**Strengthen PLN Balance Sheet:**
- Financial Asset Optimisation;
- Hedging; and
- Refinancing

**Strengthen Equity**
- Equity Injection by the Government;
- Direct Lending;
- Bond issuance by PT PLN;
- Loan from independent lenders;
- PT PLN dividend allocation;
- Company Tax Holiday;
- Asset Revaluation;
- Other type of funding.

*) SJKU=Surat Jaminan Kelayakan Usaha/Guarantee Letter for Doing Business
One Map Policy as introduced in Economic Policy Package VIII

2016

Compilation of Geospatial information (IGT)

Synchronization of IGT

2018

Group A: Status Map

IGT Regulation Map
1. IGT Forestry (SK Penetapan, IUPHHK, HTR, KHDTK)
2. IGT Oil and Gas and Mineral (IUP/KP, Izin WKP)
3. IGT Wide Scale Land Ownership (HGU, HPL, HGB)
4. IGT Communal Land
5. IGT Location Permit (District/Town)
6. IGT Special Zone (SEZ, Industrial Zone, KPB PB)
7. IGT Transmigration
8. IGT Country Borders (land and sea)
9. IGT Regional Borderline (land and sea)

IGT Spatial Planning Map
1. Land Spatial Local Government Regulation (District, Town and Province)
2. President Regulation on National Strategic Area Spatial Planning. 1
3. Defence Area Map
4. Coastline and Small Islands Regional Planning Map (RZWP3K) Province

Group B: Potential Map

IGT Transportation and Utility Map
1. Fisheries Port
2. General Port
3. Airport
4. Road and Railway Network
5. Utility Network (Oil and Gas pipeline, Water and wastewater distribution, landfill)
6. Electricity Network (Powerplant, Main Grid, Transmission Line)
7. Dam, weir and irrigation

IGT Environmental Map
1. Ground water and surface water
2. Natural Resources Nexus (Forest, Water and Public Land)
3. Land Coverage
4. Mangrove
5. Geological Structure and Rock Classification
6. Soil Type and Structure
7. Rainfall and Energy
8. River Catchment

IGT Regional Potential Map
1. Paddy Field
2. Fisheries Processing Area (WPP)
3. Limestone Area
4. Natural Resources - Geology
5. Natural Resources - Mineral
6. Village Potential
7. Cultural Heritage

One Map Policy as a basis for decision making

Compilation of maps using Basic Indonesian Terrain Map 1:50,000
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

<table>
<thead>
<tr>
<th>State Additional Equity Injection</th>
<th>Loans and Grants from Domestic and Foreign</th>
<th>Capital Market (Bonds, Securities)</th>
<th>Securitization</th>
</tr>
</thead>
</table>

### Sector Focus

- **Electricity & Energy Efficiency**
- **Telecommunication**
- **Transportation**
- **Road & Bridges**
- **Water Supply**
- **Oil & Gas**
- **Irrigation & Waterway**
- **Renewable Energy**
- **Waste Water & Waste Management**
- **Regional Infrastructure**
- **Hospital**
- **Market**
- **Prison**
- **Tourism Infrastructure**
- **School**
- **Social Infrastructure**

### 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**

### 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)

### Financing Types

- Mezzanine
- Equity
- Investment

- Take Out Financing
- Promoter Financing
- Subordinated Loan
- Arranger & Underwriter
- PPP Standby Lender
- Geothermal Financing

- Municipal Financing / Regional Infrastructure Development Fund (RIDF)

### Project Development Facilities (PDF)

- PPP Project Development
  - PPP Showcase Projects
  - PPP Priority Projects

- PDF & Donor Fund Management

- Technical Assistance for municipal project
For the future, PT SMI’s capacity will be expanded following the merging with the Indonesia Investment Center.

**SMI before PIP injection**

**SMI (Persero)**

- Fast growing infrastructure financier
- Started tapping into alternative funding sources, but still relatively small
- Begin to act as advisor to public and private sector to help project feasibility

**Phase 1: Infrastructure Finance Company**

**Now-2017¹**

**SMI (Persero)**

- Additional roles to provide municipal financing (social infrastructure)
- More active in tapping alternative sources of funding and reduce cost of funds to grow size of financing
- Expanded roles to catalyze infrastructure market, e.g. provider of PDF, channeling on multilateral loans
- Requires government support: tax advantaged funding

**Phase 2: Development Bank**

**2017 onwards¹**

**UU LPPI (Lembaga)**

- Grow Infrastructure and priority sectors
- Support economic and social development of Indonesia
- Unlock market failures preventing development
- Combine world-class project finance with a focus on economic outcomes
- Requires gov. support: bankruptcy remote, minimum capital guarantee, government guaranteed loan and tax exempt entity status

**PIP balance sheet**

**Government support** (e.g. regulation, tax incentives, ...)

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¹ Indicates the time frame of development.
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.


Primary Objective of IIGF

1. Improve creditworthiness – 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
The guarantees provided by IIGF lowers risks burdened by the private sector, thus making the less feasible government projects more attractive.

- To attract investor interest
- Enhance competition in bidding process
- Minimize sudden shock to RoI State Budget
- Systematic, measurable and accountable in fiscal risk mitigation
- Mitigate risks which are not covered in the market
- Enhance transparency, certainty and consistency for project guarantee and evaluation process
- Enhance Bankability
- Enlarge loan due date
- Contract Agreement complied with common standard
- Government
- Private Sector
The Government has expanded the scope of government guarantee, thus increasing the scope of projects that may be covered

<table>
<thead>
<tr>
<th>Government Guarantee for PPP</th>
<th>Government Guarantee for Direct Lending</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Regulatory Basis</strong></td>
<td></td>
</tr>
<tr>
<td>Provided by The Entity for Infrastructure Guarantee</td>
<td>from International Finance Institution to State Owned Enterprises</td>
</tr>
<tr>
<td><strong>Implementation to Date</strong></td>
<td></td>
</tr>
<tr>
<td>• Approved guarantee for Central Java Power Plant,</td>
<td>• Potential guarantee for PT PLN (National Electricity Company) is expecting to obtain Direct Lending for</td>
</tr>
<tr>
<td>Palapa Ring Broadband and Batang-Semarang Toll Road</td>
<td>IPP projects for power plants and transmission projects (e.g. Sumatera 500 kV Transmission).</td>
</tr>
<tr>
<td>• Letter of Intent has been issued for Lampung Water Supply Project</td>
<td>• Potential guarantee to construction SOEs which have been assigned by Presidential Regulation to implement</td>
</tr>
<tr>
<td>• Potential guarantee for Sumsel 9 and 10 Mine Mouth Power Plants</td>
<td>infrastructure projects</td>
</tr>
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<td></td>
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</tbody>
</table>
Presentation Outline

- Indonesia’s Infrastructure Targets
- Recent Reforms for Infrastructure Acceleration
- Committee for Acceleration for Priority Infrastructure Delivery (KPPIP)
- National Strategic and Priority Projects
Committee for Acceleration of Priority Infrastructure Delivery (KPPIP)

**KPPIP was established to revitalize KKPPI\(^1\) functions** by downsizing the organizational structure, authorizing synergized decision makings and involvement since the project preparation stage, and strengthening capacity building in internal committee.

KPPIP members include ministries and institutions that play significant roles in project preparation.

Existing Members

- Coordinating Ministry of Economic Affairs
- Ministry of Agrarian and Spatial Planning (BPN)
- Ministry of Finance
- Ministry of National Development Planning/Bappenas

Proposed

- Coordinating Ministry of Maritime Affairs\(^2\)
- Ministry of Environment & Forestry\(^2\)

In carrying out its mandates, KPPIP strengthens its internal synergy by dividing the work and preventing duplication efforts so that efficient and effective infrastructure delivery can be achieved.

Examples of line Ministries/Institutions involvement based on each line Ministry/Institution mandates:

- Providing OBC\(^3\) facility for top-down projects
- Monitoring and debottlenecking of projects on economic issues
- Reviewing and approving Government support and guarantee
- Providing PDF\(^4\) facility for PPP projects
- Assessing and providing OBC facility for bottom-up projects
- Developing Pre-Feasibility standard and quality guidelines
- Debottlenecking on issues related to land acquisition and supporting acceleration efforts

- KPPIP involves other line Ministries/Institutions in infrastructure sector (economy or social) when making decision.

- KPPIP has established the Electricity Team (UP3KN), the Development of Bontang Oil Refinery Acceleration Team and Land Acquisition Acceleration Team etc.

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\(^1\) KKPPI or Komite Kebijakan Percepatan Penyediaan Infrastruktur, in English called Committee for Acceleration of Policy and Infrastructure Provision was the committee prior to the revitalization of KPPIP

\(^2\) Proposed revision of Presidential Reg. 75/2014;

\(^3\) OBC: Outline Business Case;

\(^4\) PDF: Project Development Fund
KPPIP is supported by a full time Project Management Office (PMO) which consists of experienced professionals

**Vision**

Champion in Managing and Delivering the Strategic & Priority Infrastructure Projects in Indonesia

**Mission**

1. Act as the single point of contact for all government agencies, potential funders and private sector investors for coordinating and delivering the Strategic & Priority Infrastructure projects;
2. Coordinate the delivery of the projects to be on-time, within the budget and at the best quality;
3. Enable and facilitate the GCAs' capabilities to deliver projects via various fiscal and technical support schemes.
As stipulated by Pres. Reg. No. 75/2014, KPPIP was mandated to execute six main tasks

KPPIP’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

3. Determination of funding scheme & source for priority projects

4. Monitoring & Debottlenecking
   KPPIP assists development of Action Plans and monitor debottlenecking efforts

5. Determine strategy and policy

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

Additional mandate for National Strategic Project: Monitoring and Evaluation including debottlenecking high level issues.

* 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.
To standardize good practices, KPPIP has developed tools for project preparation.

**OBC Guideline**

KPPIP is developing OBC Guideline which consists of required elements in the OBC to ensure that the pre-feasibility study from Project Owners satisfies the standard for good quality project preparation. Value for Money (VfM) analysis is included in the Guideline to determine the most beneficial funding scheme for the project.

Together with KPPIP, Bappenas also provides fund for Pre-Feasibility Study. Moreover, Ministry of Finance has developed PPP Unit which will provide Project Development Fund for Final Business Case (FBC) and Transaction Advisor.

**Funding Scheme Guideline**

This sector-specific guideline is the tool to determine the most optimal funding scheme by using the elements of OBC. This Guideline will ensure that the projects offered to investors are bankable and prepared based on an international quality standard.
Moreover, KPPIP is in the process implementing an integrated IT System for monitoring of national strategic and priority projects.

KPPIP is currently in the process implementing an integrated IT system for providing database on projects’ latest status which can be effectively utilized for monitoring purposes.

**Database**
- Project information such as map, track, existing study and latest project status.

An **integrated** IT system with monitoring capacity for stakeholders, so that they can have real time data.

**Platform**
- Data outlook that is efficient and functional using a user-friendly framework.

Record decisions related to projects and **synchronize** the implementation schedule that can be utilized by stakeholders.
For setting a pipeline, the Government has issued President Decree no 3/2016 listing down National Strategic Projects (PSN) and facilities.

Presidential Regulation on National Strategic Projects provides facilities and special treatments on:

1. Permits and Non-Licensing
2. Government Procurement
3. Government Guarantee
4. Debottlenecking
5. Spatial Planning
6. Land Acquisition

Some details on the facilities and special treatments are:

• Clear maximum duration of permitting process

• The process for Location Determination/Location Permit may be done in parallel with the processing of Environmental Permit, Building Permit, Disturbance Permit, and approval for building design using data sharing.

• Construction for National Strategic Projects can begin after obtaining minimum: Location Determination/Location Permit, Environmental Permit, Forest Permit (IPPKH) and/or Building Permit.

• The Government might be able to provide a sovereign guarantee to projects executed by Local Government or Business Entity.
The National Strategic Projects consist of 225 projects in various sectors and 1 electricity projects with estimated investment costs of IDR 2,476 T.

### Spread of National Strategic Projects

#### Locations
- **1. Sumatera**: 46
- **2. Java**: 89
- **3. Kalimantan**: 24
- **4. Bali & Nusa Tenggara**: 16
- **5. Sulawesi**: 28
- **6. Maluku & Papua**: 13
- **7. National**: 10

#### Sectors

<table>
<thead>
<tr>
<th>Sector</th>
<th>ROAD</th>
<th>RAILWAY</th>
<th>AIRPORT</th>
<th>SEAPORT</th>
<th>HOUSING</th>
<th>ENERGY</th>
<th>FISHERIES/MARITIME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>52</td>
<td>19</td>
<td>17</td>
<td>13</td>
<td>3</td>
<td>7</td>
<td>3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sector</th>
<th>WATER SUPPLY</th>
<th>ECONOMIC ZONES</th>
<th>DAMS</th>
<th>COMMUNICATION</th>
<th>NATIONAL BORDERS</th>
<th>SMELTER</th>
<th>POWER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>10</td>
<td>25</td>
<td>60</td>
<td>3</td>
<td>7</td>
<td>6</td>
<td>1 program</td>
</tr>
</tbody>
</table>
To attract participation of the private sector, the Government provides a number of facilities to an electricity program and strategic projects comprising of: 52 road projects, 19 railways, 17 airports, 13 ports, 3 housing, 7 energy, 10 clean water, 7 border development, 60 dams, 3 technology projects, 25 estates, 6 mining related projects and 3 agrarian and fisheries projects.

**Licenses for Administration of National Strategic Project**

- **Minister/Head of Institution**
- **Governor or Municipal/Regent**
- **Business Entity**

**Issued by BKPM as One Door Integrated Service**

- **Investment Principle License**: 5 working days
- **Environmental License**: 60 working days
- **Forestry Borrow to Use License**: 30 working days
- **Location Determination**: 5 working days
- **Location Permit**: 5 working days
- **Construction Building Permit**: 5 working days
KPPIP’s roles in National Strategic Projects and Priority Projects

**KPPIP role**

KPPIP to provide knowledge sharing on the project preparation and debottlenecking activities.

KPPIP will provide monitoring and evaluation on the project and also debottlenecking on key strategic issues.

KPPIP will actively involve in the whole project lifecycle from the project preparation up to operational and maintenance. The project will receive additional facilities from KPPIP during the project implementation.
### PT SMI’s role in National Strategic Project and Priority Project

<table>
<thead>
<tr>
<th>National Priority Projects</th>
<th>National Strategic Projects</th>
<th>RPJMN Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Coordinating Ministry of Economy Regulation No.12/2015)</td>
<td>(Presidential Regulation No. 3 tahun 2016)</td>
<td>(Presidential Regulation No. 2 tahun 2015)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Accumulated as end of 2015</strong></td>
<td><strong>Year 2016 + Pipeline</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 project</td>
<td>3 projects</td>
<td></td>
</tr>
<tr>
<td>Toll Road Trans Sumatera Ruas Medan – Binjai</td>
<td>PLTU Mulut Tambang Sumatera Selatan 8</td>
<td></td>
</tr>
<tr>
<td><strong>Total Commitment of IDR481 billion</strong></td>
<td>Toll Road Trans Sumatera Ruas Palembang – Indralaya and Ruas Bakauheni – Terbanggi Besar.</td>
<td></td>
</tr>
<tr>
<td><strong>Total Project Value IDR1.6 trillion</strong></td>
<td><strong>Total Commitment of IDR6.54 trillion</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total Project Value of IDR39.6 trillion</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9 projects</td>
<td>6 projects</td>
<td></td>
</tr>
<tr>
<td>Toll Road Solo – Ngawi</td>
<td>Toll Road Pandaan-Malang</td>
<td></td>
</tr>
<tr>
<td>Toll Road Ngawi – Kertosono</td>
<td>Toll Road Bogor Ring Road</td>
<td></td>
</tr>
<tr>
<td>Toll Road Medan – Binjai</td>
<td>Port Pelindo IV</td>
<td></td>
</tr>
<tr>
<td>Toll Road Pejagan – Pemalang</td>
<td>Toll Road Trans Sumatera Palembang – Indralaya and Bakauheni – Terbanggi Besar</td>
<td></td>
</tr>
<tr>
<td>Soekarno – Hatta Airport Development</td>
<td>Toll Road Trans Jawa Semarang-Solo.</td>
<td></td>
</tr>
<tr>
<td>Titab Water Dam, Bali</td>
<td>Waskita Toll Road (12 Segments Toll Road di Jawa) – Equity Investment*</td>
<td></td>
</tr>
<tr>
<td>Logung Water Dam, Jawa Tengah</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bajulmati Water Dam, Jawa Timur</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Commitment of IDR3.38 trillion</strong></td>
<td><strong>Total Commitment of IDR5.51 trillion</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total Project Value of IDR35.88 trillion</strong></td>
<td><strong>Total Project Value of IDR30.34 trillion</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9 projects</td>
<td>7 projects</td>
<td></td>
</tr>
<tr>
<td>Toll Road Trans Jawa (Cikopo-Palimanan, Solo-Ngawi, Ngawi-Kertosono, dan Pejagan-Pemalang)</td>
<td>PLTMH (part of 35 GW)</td>
<td></td>
</tr>
<tr>
<td>Toll Road Trans Sumatera (Medan-Binjai)</td>
<td>PLTU 2x15MW Sorong and PLTU 2x7 MW Biak, Papua Barat</td>
<td></td>
</tr>
<tr>
<td>Soekarno – Hatta Airport Capacity Improvement</td>
<td>Belawan International Container Terminal (BICT)</td>
<td></td>
</tr>
<tr>
<td>Titab Water Dam, Bali</td>
<td>Coal Train Sumatera Selatan</td>
<td></td>
</tr>
<tr>
<td>Logung Water Dam, Jawa Tengah</td>
<td>Toll Road Trans Sumatera Palembang-Indralaya and Bakauheni – Terbanggi Besar.</td>
<td></td>
</tr>
<tr>
<td>Palaran Port, Samarinda</td>
<td>Toll Road Trans Jawa Semarang-Solo</td>
<td></td>
</tr>
<tr>
<td><strong>Total Commitment of IDR3.60 trillion</strong></td>
<td><strong>Total Project Value of IDR37.58 trillion</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total Project Value of IDR36.39 trillion</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Prioritizing Project Pipeline - the Government has also issued the Regulation of Coordinating Ministry of Economic Affairs no 12/2015

From the National Strategic Projects, the Government has selected a list of 30 Priority Project to be the focus of infrastructure delivery in the beginning of 2016. These projects are managed directly by the Committee for Acceleration of Priority Infrastructure Delivery (KPIPP)

1. Balikpapan-Samarinda Toll Road
2. Manado-Bitung Toll Road
3. Panimbang Serang Toll Road
4. Trans Sumatera Toll Road (8 sections)
5. SHIA Express Railway
6. MRT Jakarta South – North Line
7. Makassar – Parepare Railway
8. Kuala Tanjung International Port Hub
9. Bitung International Port Hub
10. Karangkates IV & V (2x50MW) Hydro-Electric Power Plant
11. Kesamben (37MW) Hydro-Electric Power Plant
12. Lodoyo (10MW) Hydro-Electric Power Plant
13. Inland Waterways/Cikarang – Bekasi – Laut (CBL)
14. Light Rail Transit (LRT) South Sumatera
15. Integrated Light Rail Transit (LRT) within Jakarta, Bogor, Depok and Bekasi
16. National Capital Integrated Coastal Development (NCICD) Fase A
17. Jakarta Sewerage System
18. West Semarang Water Supply
19. High Voltage Direct Current (HVDC)
20. Sumatera 500 kV Transmission Line
21. Central – West Java Transmission Line 500 kV
22. Central Java Power Plant (CJPP)/Batang Power Plant
23. Indramayu Power Plant
24. Mine to Mouth Power Plant Sumatera Selatan 8, 9, 10
25. Bontang Refinery
26. Revitalization of the Existing Refineries (Balikpapan, Cilacap, Balongan, Dumai, Plaju)
27. New Port Development in West Java (North Part)
28. Tuban Refinery
29. Palapa Ring Broadband
30. East Kalimantan Railway
### Acceleration on the Project Preparation and the Decision Making Process

<table>
<thead>
<tr>
<th>Location</th>
<th>Achievements</th>
</tr>
</thead>
</table>
| **Bontang Oil Refinery**  | ✓ Revived the project preparation process, which has been delayed for 5 years.  
                            ✓ Facilitated the preparation of an Outline Business Case (OBC) by allocating an amount of ~IDR14 Billion for the engagement of an international company to conduct the work.  
                            ✓ Facilitated meetings among the stakeholders to assess recommendation on the funding scheme and subsequently, obtained an approval at Ministerial level. |
| **Panimbang – Serang Toll Road** | ✓ Facilitated the preparation of Value for Money review, which is part of a project preparation process under Public-Private Partnership scheme and a basis of justification to determine the funding scheme.  
                            ✓ Developed a standard in preparing the Pre-feasibility Study/Outline Business Case (OBC) for a toll road project.  
                            ✓ Facilitated meetings among the stakeholders to assess recommendation on the funding scheme and subsequently, obtained an approval at Ministerial level.  
                            ✓ Facilitated the preparation of an Environmental Impact Analysis (EIA), which is required for the land acquisition. As a result, location permit has been issued. |

### Acceleration to determine the Project Funding Scheme

<table>
<thead>
<tr>
<th>Location</th>
<th>Achievements</th>
</tr>
</thead>
</table>
| **Jakarta Sewerage System (JSS)** | ✓ Provided a guideline in preparing the OBC, that becomes a basis for the funding scheme recommendation, in accordance with the standards set by KPPIP  
                            ✓ Facilitated meetings among the stakeholders to assess recommendation on the funding scheme and subsequently, obtained an approval at Ministerial level. |
| **South Sumatera Light Rapid Transit (LRT)** | ✓ Reviewed the existing financial assessment of the project.  
                            ✓ Reviewed the SOE capability for developing the project.  
                            ✓ Provided a recommendation to the decision maker on the project funding scheme. |
<table>
<thead>
<tr>
<th>Project Description</th>
<th>Activities and Achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Debottlenecking in Land Acquisition Problems</strong></td>
<td></td>
</tr>
</tbody>
</table>
| **Central Java Power Plant (CJPP)/PLTU Batang**          | ✓ Provided recommendations to accelerate the land acquisition in accordance with the applicable regulations  
  ✓ Performed activities to coordinate the decision making process to accelerate the land acquisition.  
  ✓ Facilitated a project-accelerating finalization process for Financial Close. |
| **PLTU Indramayu**                                       | ✓ Performed activities to accelerate issuance of the environmental permit by the Head of Regency (that has been delayed for 3 years) in order to progress the project preparation.  
  ✓ Supported the coordination to resolve spatial planning issue which serves as the basis for the issuance of Location Permit required for land acquisition. |
| **NCICD**                                                 | ✓ Promoted the decision making process on the matrix of responsibilities between the government and investor for the preparation of EIA.  
  ✓ BBWS has approved the matrix of responsibilities and is currently conducting a tender for provisional of consulting services to prepare the EIA. |
| **MRT Jakarta (North – South Corridor)**                 | ✓ Performed activities to accelerate the President’s approval in voluntarily utilising the National Police residential area for the station development.  
  ✓ Accelerated the disbursement process of the foreign loan to ensure that the construction can be conducted on schedule.  
  ✓ Facilitating the coordination to overcome gas pipeline issue |
| **Revisions to the Infrastructure Related Regulation**    | ✓ Accelerated the issuance of the Minister of Agrarian and Spatial Planning Regulation No. 6/2015, which provides an adjustment to the Presidential Regulation No. 30/2015 and is required prior to continuing the land acquisition for Section 2. |
Potential Projects for Investment
Bontang Refinery Project

**Project Information**

- **Investment Value**: IDR 75 T – 150 T (subject to the final structure)
- **Project Structure Scheme**: Public Private Partnership (PPP)
- **Location**: Bontang, Kalimantan Timur
- **Government Contracting Agency (GCA)**: PT Pertamina
- **Construction Commencement Target Date**: 2018
- **Commercial Operation Target Date**: 2023

**Description**

- A combination of Grass Root Refinery (GRR) and Refinery Development Master Plan (RDMP) is required to increase the supply of crude oil and fuel to minimise import.

- Bontang Refinery Project is new refinery project with target capacity of 235,000 barrel per day.

- Bontang Refinery project is designed to combine its fuel refinery configuration with a petrochemical plant.

**Latest Status**

- Preliminary Environmental Study, Location Assessment and Site Preparation have been carried out by PT Pertamina. Outline Business Case has been developed by KPPIP.

- The ministerial meeting has agreed that the project scheme will be PPP with PT Pertamina as the GCA. The project structure has been further formalized by the Minister of Energy and Mineral Resources Decree.

- Land Acquisition and Certification of 160 Ha was completed. The remaining 300 Ha is subjected to the issuance of spatial planning revision by the Bontang City Council.

- The confirmation to proceed letter for Government Guarantee processing has been issued by Indonesia Infrastructure Guarantee Fund (IIGF)

- The GCA is currently in the process of procuring transaction advisor
Potential Projects for Investment
Serang - Panimbang Toll Road

Project Information

- **Investment Value:** IDR 11 Trillion
- **Project Structure Scheme:** KPBU
- **Location:** Banten
- **Government Contracting Agency (GCA):** BPJT
- **Construction Commencement Target:** 2017
- **Commercial Operation Target:** 2018

Description

The development of Serang – Panimbang Toll Road has the objective to support the economic improvements or areas surrounding Tanjung Lesung Special Economic Zones (SEZ).

Serang – Panimbang toll road route passes through 1 city, 3 regencies, 14 districts, and 50 villages in the Banten province, which spans along 84 km.

Latest Status

- The Environmental Study (AMDAL) has been issued in December 2015, followed by the issuance of the Environmental Permit in early 2016.

- In May 9th 2016, Bina Marga has completed the Land Acquisition Planning documents which was submitted to Banten Provincial Government in May 23rd 2016.

- The Location Determination has been issued in May 29th 2016, which further triggered the land acquisition process according to Law No. 2/2012.
Potential Projects for Investment
Jakarta Sewerage System

Project Information

• **Investment Value**: IDR 150 Trillion (all zones)
• **Project Structure Scheme**: State Budget with foreign loan from Japan International Corporation Agency and potential PPP for the remaining 13 zones
• **Location**: DKI Jakarta
• **Government Contracting Agency (GCA)**: DKI Jakarta Provincial Government
• **Construction Commencement Target**: 2018 (Zone 1)
• **Commercial Operation Target**: 2021 (Zone 1)

Latest Status

• The project scheme funding sources has been decided to be State Budget with foreign loan from Japan International Corporation Agency.

• For Zone 1, Directorate General of Cipta Karya and Bappenas are currently processing the loan to be included in Green Book.

• The funding schemes for the remaining zones have not been decided yet.

Description

The Jakarta Sewerage System will manage domestic waste management in 15 zones (incl. the zone already operating), which is aimed to begin with Zone 1 and Zone 6.
THANK YOU

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