Private Participation in Infrastructure is Increasing

US$ Millions


- Water and Sewage
- Transport
- Energy
- Telecom
Introducing PPP in infrastructure

Regulations Enabling PPP:
- Law 15/1985 on Electricity
- Law 13/1987 on Road
- PP 8/1990 on Toll Road
- PP 10/1989 on Electricity

Sector:
- Toll Road
- IPP (proposal)

1998 - 2004: consolidation period following Asian financial crisis and changes in the Indonesian political system

Asian Financial Crisis

Major changes:
- Global economy
- Political system
- Decentralization
- Government Institutions

- Several New Laws on infrastructure passed
- Renegotiation on IPPs
- KKPPI formed

Presidential Decree (Keppres 7/1998) Cross-sector

- Keppres 37/1992 on Private Electricity
- Keppres 55/1993 on land acquisition

Sector:
- Toll road
  - Water
  - Electricity
  - Port

- Infrastructure Summit 2005
- Perpres 36/2005 on land acquisition
- Perpres 42/2005 on KKPPI
- CIIF
- Perpres 67/2005 as amended by Perpres 13/2010
- IICE 2006
- Reform of Sector Laws
- Establishment of RMU & Guarantee Fund
- Land Revolving Fund
- PT. SMI, IIFF
- PT PII
- PPP Book
- PDF
- OGM (general and sectoral)

- Laying foundation for PPP project implementation through policy and regulatory reform to adopt international best practices;
- Setting up PPP institutions, PPP network and PPP campaigns;
- Identification of potential PPP projects and implementation of PPP model projects
Indonesia can afford to spend more on infrastructure development ...because its fiscal and debt position is strong

<table>
<thead>
<tr>
<th>Scenario 1: Low growth</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP growth (%)</td>
<td>3.5</td>
<td>4.5</td>
<td>5.5</td>
<td>5.5</td>
<td>5.5</td>
</tr>
<tr>
<td>Budget deficit (% GDP)</td>
<td>-1.6</td>
<td>-1.4</td>
<td>-1.1</td>
<td>-0.9</td>
<td>-0.8</td>
</tr>
<tr>
<td>Public debt to GDP ratio (%)</td>
<td>32.9</td>
<td>32.2</td>
<td>30.8</td>
<td>29.3</td>
<td>27.8</td>
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<tr>
<td>GoI gross financing needed (IDR trillion)</td>
<td>221</td>
<td>223</td>
<td>216</td>
<td>218</td>
<td>248</td>
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<table>
<thead>
<tr>
<th>Scenario 2: Business as usual</th>
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<tbody>
<tr>
<td>GDP growth (%)</td>
<td>5.4</td>
<td>6.0</td>
<td>6.2</td>
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<tr>
<td>Budget deficit (% GDP)</td>
<td>-1.6</td>
<td>-1.4</td>
<td>-1.1</td>
<td>-0.9</td>
<td>-0.8</td>
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<tr>
<td>Public debt to GDP ratio (%)</td>
<td>31.9</td>
<td>30.8</td>
<td>29.2</td>
<td>27.6</td>
<td>26.0</td>
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<tr>
<td>GoI gross financing needed (IDR trillion)</td>
<td>224</td>
<td>228</td>
<td>223</td>
<td>226</td>
<td>258</td>
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<table>
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<tr>
<th>Scenario 3: Big push</th>
<th>2010</th>
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<th>2013</th>
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</thead>
<tbody>
<tr>
<td>GDP growth (%)</td>
<td>5.6</td>
<td>6.4</td>
<td>6.8</td>
<td>7.0</td>
<td>7.2</td>
</tr>
<tr>
<td>Budget deficit (% GDP)</td>
<td>-2.6</td>
<td>-2.4</td>
<td>-2.1</td>
<td>-1.9</td>
<td>-1.8</td>
</tr>
<tr>
<td>Public debt to GDP ratio (%)</td>
<td>32.8</td>
<td>32.4</td>
<td>31.5</td>
<td>30.4</td>
<td>29.2</td>
</tr>
<tr>
<td>GoI gross financing needed (IDR trillion)</td>
<td>284</td>
<td>298</td>
<td>304</td>
<td>324</td>
<td>375</td>
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</table>

<table>
<thead>
<tr>
<th>Scenario 4: Bigger push</th>
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<th>2013</th>
<th>2014</th>
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<tbody>
<tr>
<td>GDP growth (%)</td>
<td>5.6</td>
<td>6.5</td>
<td>7.1</td>
<td>7.4</td>
<td>7.6</td>
</tr>
<tr>
<td>Budget deficit (% GDP)</td>
<td>-2.6</td>
<td>-2.6</td>
<td>-2.6</td>
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<td>-2.6</td>
</tr>
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<td>32.8</td>
<td>32.6</td>
<td>32.1</td>
<td>31.5</td>
<td>30.9</td>
</tr>
<tr>
<td>GoI gross financing needed (IDR trillion)</td>
<td>284</td>
<td>307</td>
<td>343</td>
<td>388</td>
<td>463</td>
</tr>
</tbody>
</table>
7% growth target requires: Rp 1.923,7 Trillion (about US$ 161.8 billion) of investments during 2010-2014.

- Central Government budget can only cover 29.1% of total investment need.
- Big opportunity for private investment through PPP (Rp 668,34 Trillion or 34.7%).
Strategy on Infrastructure Development in Five-year National Development Plan 2010-2014

- Increasing infrastructure’s level of service to comply with minimum standard of service.
- Supporting the improvement of real sector competitiveness.
- Enhancing Public Private Partnership:
  - Shifting government role to be facilitator or enabler.
  - Focus on service sustainability through efficient and effective investment.
- Dual Track Strategy:
  - Developing infrastructures which accelerate goods and information flow, and
  - Encouraging industrialization program through regional centers development in 6 Priority Economic Corridors.
Policy on PPP In Five-Year National Development Plan 2010-2014

- Creating successful PPP model projects.
- Implement Projects listed in PPP Book.
- Strengthening PPP institution at all level of government.
- Streamlining PPP process.
- Proper project preparation to reduce unnecessary transaction cost.
- Provide government support in state budget.
To fund Government priority projects with high economic and social returns such as roads, geothermal power plant.
Implementation of Financing Alternatives on PPP Scheme

1. Economically viable
   Financially not viable
   - Private
   - Public
   - Hybrid Financing

2. Economically viable
   Financially Marginal
   - Private
   - Public
   - Private
   - PPP with Government Support

3. Economically viable
   Financially viable
   - Private
   - Private
   - Regular PPP

Legend:
- Blue: Operation and Maintenance
- Green: Construction
Government Support for Private Investment in Infrastructure

• Government support is divided into:
  - Direct/non-contingent support (including: fiscal contribution, land, permits, tax incentive, part of construction, etc)
  - Contingent support (Government guarantee)

• Presidential Regulation 78/2010 and Ministry of Finance Regulation PMK 260/2010 on Government Guarantee have been released.

• Government has to provide land prior to tender. However, Government has an option to reimburse land cost if the project financially viable.
Creating The Environment for PPP

To Promote Infrastructure Development Growth Through PPP

*) Almost all the PPP element are available the question are how can they synergize all the components
<table>
<thead>
<tr>
<th>CROSS SECTORAL LAW AND REGULATION</th>
<th>SECTORAL LAWS AND REGULATION</th>
<th>OTHERS LAW AND REGULATION RELATED TO PPP</th>
<th>OTHERS LAW AND REGULATION NON PPP</th>
</tr>
</thead>
</table>
| PRESIDENTIAL REGULATION NO. 67 YEAR 2005 AS AMENDED BY PRESIDENTIAL REGULATION NO. 13 YEAR 2010 | RAILWAY  
- Law Number 23/2007  
- Government Regulation No. 56 year 2009 regarding Railway Provision | Government Regulation No. 6 year 2006 regarding State/Regional Assets Management as amended by Government Regulation No. 38 year 2008 | Presidential Regulation No. 54 year 2010 regarding Government Goods and Services Procurement |
| PRESIDENTIAL REGULATION NO. 42 YEAR 2005 (KKPPI) | SEA TRANSPORT AND PORT  
- Law Number 17/2008  
- Government Regulation No. 61 year 2009 regarding Port | Government Regulation No. 50 year 2007 regarding Implementation Procedure Of Regional Cooperation | Law No. 17 year 2003 regarding State Monetary |
| MINISTRY OF FINANCE REGULATION NO. 38 YEAR 2006 AS CHANGED BY PRESIDENTIAL REGULATION NO. 78 YEAR 2010 AND MINISTRY OF FINANCE REGULATION NO. 260 YEAR 2010 | AIRPORT  
- Law No. 1 year 2009 regarding aviation | Government Regulation No. 1 year 2008 regarding Government Investment | Law No. 25 year 2007 regarding Capital Investment |
| MINISTRY OF NATIONAL DEVELOPMENT PLANNING AGENCY REGULATION NO. 4 YEAR 2010 (GENERAL GUIDELINES ON PPP) | TOLL ROAD  
- Government Regulation No. 15 year 2005 as amended by Government Regulation No. 15 year 2005 | Ministry of Home Affairs Regulation No. 22 Year 2009 regarding Technical Guideline on Procedure for Regional Cooperation | |
| COORDINATING MINISTRY OF ECONOMIC AFFAIRS REGULATION NO. 3 YEAR 2006 REGARDING PROCEDURES AND CRITERIA FOR PREPARATION OF PRIORITY LIST FOR PPP INFRASTRUCTURE PROJECTS | WATER AND SANITATION  
- Government Regulation No. 16 year 2005 regarding Development Of Drinking-water Supply System  
- Law No. 18 year 2008 regarding Waste Management | Government Regulation No. 38 year 2007 regarding Government Affairs | |
| CMEA REGULATION NO. 4 YEAR 2006 REGARDING PROCEDURES FOR EVALUATION OF PUBLIC PRIVATE PROJECTS IN THE PROVISION OF INFRASTRUCTURE WHICH REQUIRE GOVERNMENT SUPPORT | ELECTRICITY  
Law No. 30 year 2009 | Presidential Regulation No. 36 year 2005 regarding Land Procurement For The Implementation Of The Development For Public Interest as amended by Presidential Regulation No. 65 year 2006  
Head of Land National Agency Regulation No. 3 year 2007 | |
| | TELECOMMUNICATION  
Law no 36 year 1999 | | |
| | Ministry of Transportation Regulation No. 83 year 2010 regarding Guidelines Manuals for PPP in Transportation | | |
REGULATORY CONFLICT

• Government cooperation with third party not only regulated by Presidential Regulation no. 13 year 2010 but also governed by others regulations:
  - Government Regulation No. 6 year 2006 regarding State/Regional Assets Management as amended by Government Regulation No. 38 year 2008
  - Government Regulation No. 50 year 2007 regarding Implementation Procedure Of Regional Cooperation
  - Sectoral laws and regulations
<table>
<thead>
<tr>
<th>SUBJECT</th>
<th>STIPULATION ON GR 6/2006</th>
<th>Conflicted issues with PR 13/2010</th>
</tr>
</thead>
</table>
| Scope of State/Regional Assets | State/regional assets included:  
- Assets purchased or acquired on the account of National Budget/Regional Budget;  
- Assets acquired from other legal sources:  
  - Assets-acquired from grant/contribution or other similar things;  
  - Assets acquired from execution of agreements/contracts;  
  - Assets acquired based on the laws; or  
  - Assets acquired based on final and binding court verdicts | In infrastructure projects, land acquisition funds typically using state/regional budget, under the Government Regulation no. 6 year 2006 land is included in the scope of the State/Regional assets. Therefore the use of land must follow the provisions of Government Regulation no. 6 year 2006 |
| Utilization of state/regional assets | Utilization of state/regional assets included:  
- Lease (max. 5 years, as long as it is profitable to the state/region)  
- Loaning; (max. 2 years)  
- Cooperation an utilization (max. 30 years, tender min. 5 bidder, Partner of the cooperation in utilization must pay regularly fee to the state/regional general treasury account each year during the term of operation and profit share  
- Build operate-transfer or build-transfer-operate (max. 30 years or 50 years for infrastructure, tender min. 5 bidder, Partner of the cooperation in utilization must pay regularly fee to the state/regional general treasury account | for BOT and BTO, the Presidential regulation No. 13 year 2010 regulated that tender has to have min. 3 bidders |
# 13/2010 VS GR 50/2007 ON IMPLEMENTATION PROCEDURE OF REGIONAL COOPERATION

<table>
<thead>
<tr>
<th>SUBJECT</th>
<th>GR 50/2007</th>
<th>CONFLICTING ISSUES WITH PR 13/2010</th>
</tr>
</thead>
</table>
| Subject of cooperation   | The parties that become the subject of cooperation in regional cooperation consist of:  
                      | a. governor;  
                      | b. regent;  
                      | c. mayor; and  
<pre><code>                  | d. third party | Presidential Regulation 13/2010 stipulated that SOE/ROE are also possible to act as contracting agency in PPP Projects. Government Regulation No. 50 year 2007 didn’t stipulate this. |
</code></pre>
<p>| Object of cooperation    | Object of regional cooperations are the entire of government affairs which already become authority of autonomous regional and shall be in the form of provision of public service | Scope of projects under the Presidential Regulation No 13/2010 is only for infrastructure projects |</p>
<table>
<thead>
<tr>
<th>SUBJECT</th>
<th>GR 15/2005</th>
<th>CONFLICTING ISSUES WITH PR 13/2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNSOLICITED PROJECTS</td>
<td>In Government Regulation No. 15/2005 on Toll Road it is possible for unsolicited project, but there are only 2 compensation method given for the unsolicited projects: • value added, or • purchase of intellectual property rights for the FS conducted by the initiator</td>
<td>There are 3 compensation method for unsolicited project: • value added; or • right to match ;or • purchase of intellectual property rights for the FS conducted by the initiator</td>
</tr>
</tbody>
</table>
Agenda for PPP Development

- Land:
  - Completion of Land Act in 2010
  - Provision of Land Fund in State Budget (on top of regular allocation)
  - Land provision by the Government:
    - Financially viable project → Loan to project
    - Financially marginal/non viable project → Subsidy to project
- Allocation of government support in State Budget
- PPP One Stop Service
- Tax Holiday for infrastructure investor
- Project Development Facility Revolving Fund
- Exploration suitable PPP financing scheme
- Guarantee Fund enhancement
- Integration of area based development with infrastructure:
  - Indonesia Economic Development Corridor (IEDC)
  - Regional champion
- Connectivity
PPP in Indonesia: Concept for Small Scale PPP Projects
PPP in Indonesia: Concept for Small Scale PPP Projects

• Goal: To increase the sustained access of small cities/peri-urban residents to infrastructure together with community-based organizations/small scale corporation
Project Diagram: Public-Private Financing Links

Public Entity

Local Government

Private Entities

Component 1
Community Organizations (Cooperatives)

Component 2
Service Contractor

Financing

Bank Rakyat Indonesia

Owner’s equity
Banks & other sources of finance

Public Entity

Service Obligation Agreement
(Operational License)

Contract for Service
(Cooperation Agreement)

Credit Agreement
## PPP Projects Ready for Transaction in 2011

<table>
<thead>
<tr>
<th>No</th>
<th>Projects</th>
<th>Contracting Agency</th>
<th>Investment Estimation (US$ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Tukad Unda Water Treatment Facility</td>
<td>Bali Provincial Government</td>
<td>59.1</td>
</tr>
<tr>
<td>02</td>
<td>Purukcahu-Bangkuang Coal Railway</td>
<td>Central Kalimantan Provincial Government</td>
<td>2,100.0</td>
</tr>
<tr>
<td>03</td>
<td>Maros Water Supply</td>
<td>Maros Regency</td>
<td>12.9</td>
</tr>
<tr>
<td>04</td>
<td>Tanah Ampo Cruise Terminal</td>
<td>Ministry of Transportation</td>
<td>36.0</td>
</tr>
<tr>
<td>05</td>
<td>Bandung Solid Waste Management (unsolicited)</td>
<td>Bandung City</td>
<td>86.0</td>
</tr>
<tr>
<td>06</td>
<td>Surakarta Solid Waste Management (unsolicited)</td>
<td>Surakarta City</td>
<td>7.4</td>
</tr>
<tr>
<td>07</td>
<td>Southern Banten Airport</td>
<td>Banten Provincial Government</td>
<td>85.0</td>
</tr>
<tr>
<td>08</td>
<td>Umbulan Water Supply</td>
<td>East Java Provincial Government</td>
<td>204.2</td>
</tr>
<tr>
<td>09</td>
<td>Medan - Kuala Namu – Tebing Tinggi Toll Road</td>
<td>Toll Road Agency (BPJT)</td>
<td>475.5</td>
</tr>
</tbody>
</table>
PPP Projects Ready for Transaction in 2011 …

<table>
<thead>
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<th>Projects</th>
<th>Contracting Agency</th>
<th>Investment Estimation (US$ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>Central Java Independent Power Producer</td>
<td>PT. PLN</td>
<td>3,000.0</td>
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<td>11</td>
<td>Jatiluhur Water Supply</td>
<td>Ministry of Public Work</td>
<td>189.3</td>
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<td>12</td>
<td>Sunda Strait Bridge</td>
<td>Badan Pengembangan Kawasan Strategis Selat</td>
<td>25,000.0</td>
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<td>13</td>
<td>Pandaan – Malang Toll Road</td>
<td>Toll Road Agency (BPJT)</td>
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<td>14</td>
<td>Pasir Koja – Soreang Toll Road</td>
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<td>15</td>
<td>Pekanbaru – Dumai Toll Road</td>
<td>Toll Road Agency (BPJT)</td>
<td>844.6</td>
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<td>16</td>
<td>Development of Pondok Gede Water Supply</td>
<td>Bekasi City</td>
<td>22</td>
</tr>
</tbody>
</table>
THANK YOU
FOR FURTHER INFORMATION PLEASE CONTACT

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