



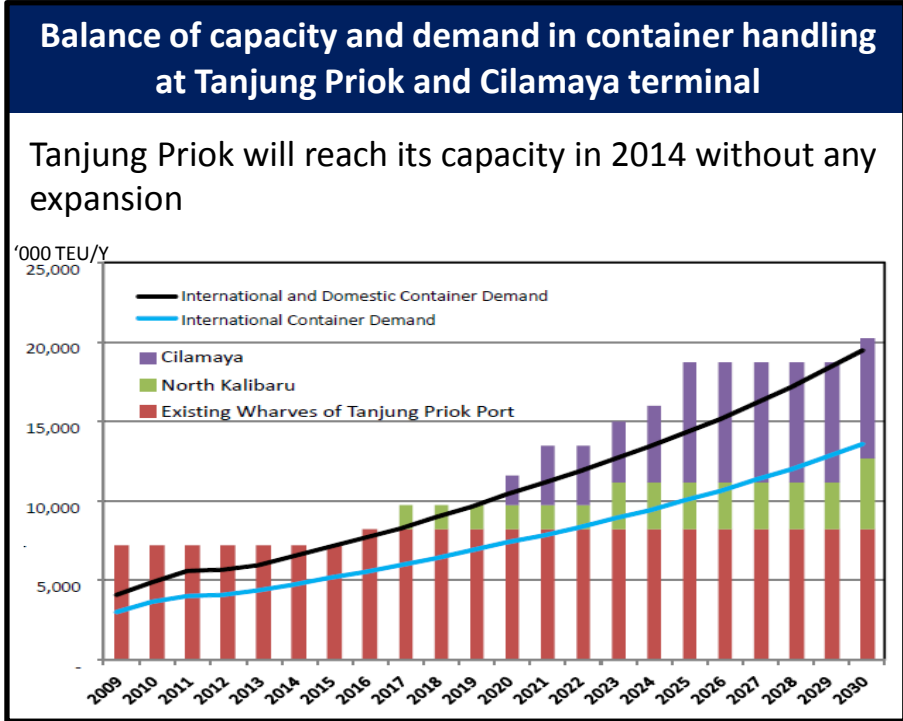
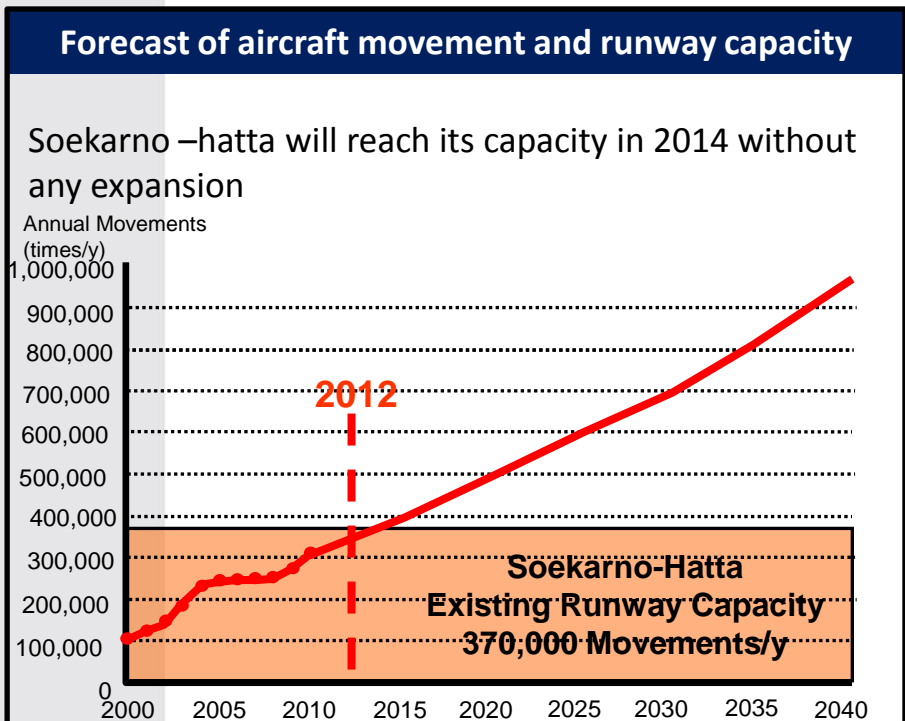
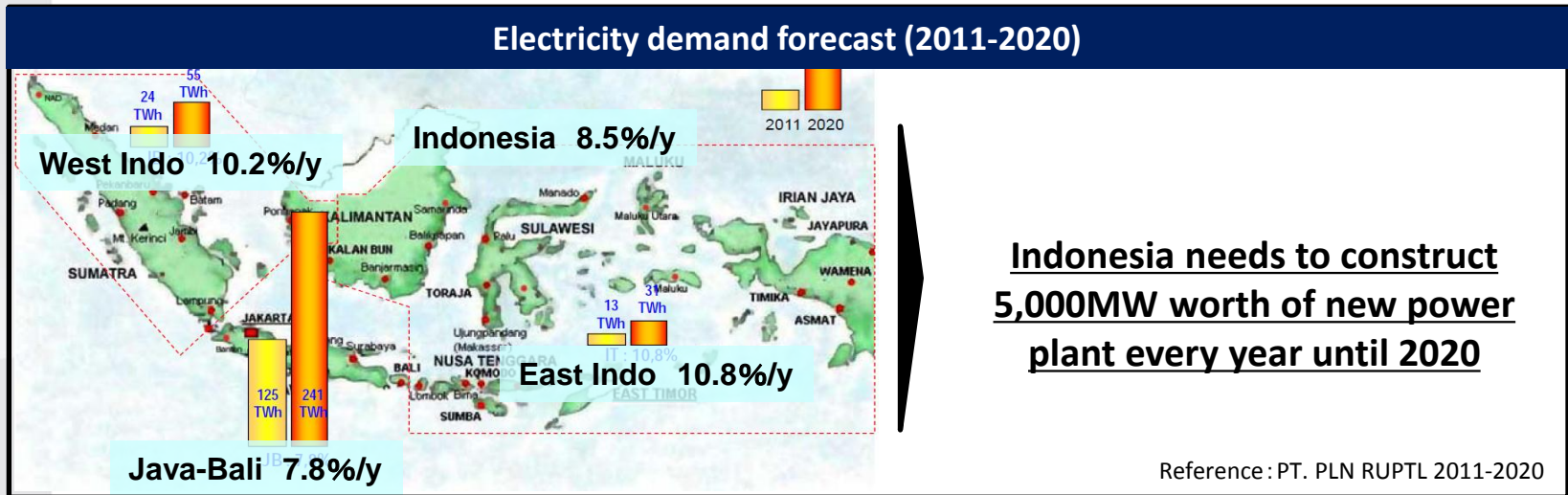
*Indonesia: PPP Infrastructure Investment Forum  
Session 1: Issues and Outlook for PPP infrastructure  
development in Indonesia*

## **Role of JICA on infrastructure development in Indonesia**

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**Japan International Cooperation Agency**

# 1. Present condition of infrastructure in Indonesia

Indonesia is faced with pressing needs to accelerate the infrastructure development.



## 2. JICA support to accelerate infrastructure development in Indonesia

JICA supported the MPA master plan to accelerate infrastructure development in JABODETABEK Area, one of the prioritized area in MP3EI.

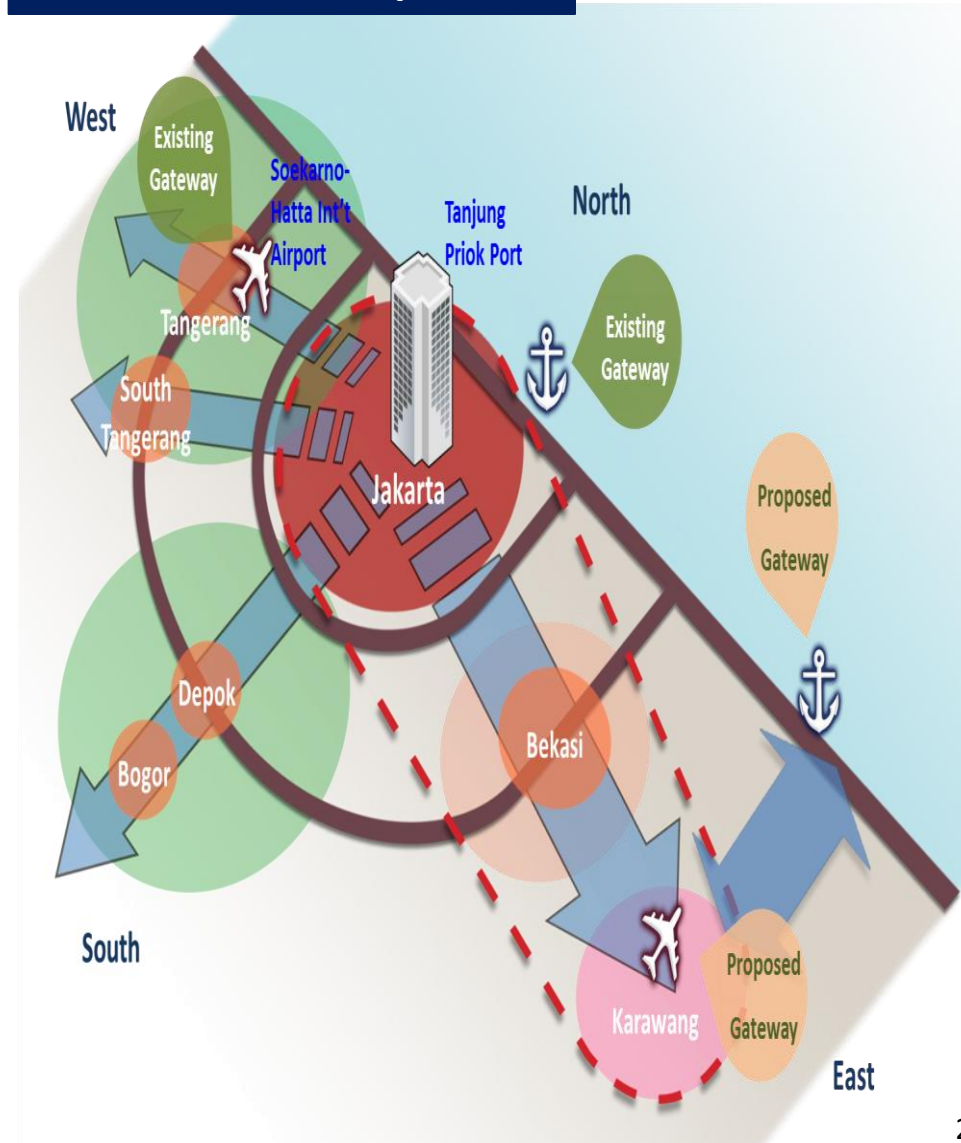
### Objective

- Accelerate infrastructure development in JABODETABEK Area
- Enhance private companies participation in infrastructure development

### Major Infrastructure Projects in MPA

Project Name	Finance scheme	Progress
MRT North-South & East-West	Yen Loan	North-West: Tender East-West: F/S ongoing
Cilamaya new port	PPP (Incl.: Yen Loan)	F/S ongoing
Karawan New air port	PPP (Incl. : Yen Loan)	Plan to be decided after 2013
Indramayu Coal fired power plant	Yen Loan	E/S consultant under tender
Central Java Coal fired power plant	PPP	PPA signed

### MPA Concept



### 3. JICA's approach to support infrastructure development through PPP

To promote infrastructure development through PPP, JICA can provide full fledge support from institution building to project realization.

#### JICA's PPP Supporting Framework

##### Institution Building

**Objective:**

- Assist GOI to develop policy, regulatory and institutional framework to facilitate the development of PPP in Indonesia.

**Available JICA resources:**

**Technical Assistance**

- Expert Advisory
- Master Plan Study
- Training

##### Project Formulation & Development

**Objective:**

- Assist GOI to identify potential PPP Projects
- Provide support to structure the project so as to attract private investors.

**Available JICA resources:**

**Technical Assistance**

- Master Plan Study
- Technical F/S
- PDF

PPP-F/S

##### Project Realization

**Objective:**

- Provide credit enhancement products to the project companies, e.g. equity and long-term debt.
- Provide ODA loan to GOI to support public sector financial support such as VGF

**Available JICA resources:**

ODA Yen Loan

Private Sector Investment Finance (PSIF)

PSIF-TA

# 4. JICA's approach to support PPP institution reinforcement in Indonesia

JICA is supporting Government of Indonesia to identify institutional bottlenecks for PPP, and institutional refinement is under way.

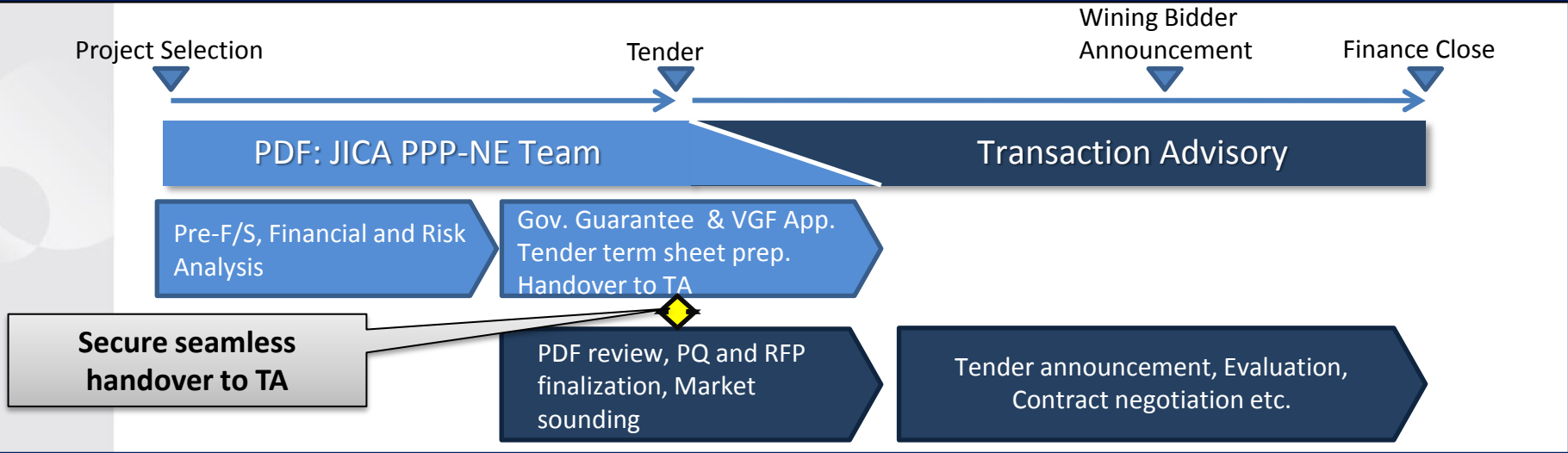
## Key functions for PPP

	Function Description	Indonesia Situation
PPP Core Function	<b>1</b> Championship at TOP • Periodic cross-ministerial top down directions are made to empower implementation	<b>• KKPPi not functioning. No clear champion at top to provide timely and periodic direction</b>
	<b>2</b> GCA drive • PPP project owner (GCA) is sufficiently incentivized to drive and lead PPP projects	<b>• No clear mechanism to incentivize GCA. Many GCAs view PPP as unwanted homework.</b>
	<b>3</b> Gate Keeper • Quality control gates are in place at critical stages of PPP project	• Initial project screening needs improvement. PPP book not yet functioning as quality control gate.
	<b>4</b> Financing and Guarantee • Government support mechanism for fiscal contribution and guarantee is clear. • Long-term capital for infrastructure financing exists	• Land fund/SMI/IIF/IIGF developed. VGF enacted. Linkage to rupiah budget and blue book needs improvement.
	<b>5</b> Expert Advisory • Sufficient expertise for PDF and transaction advisory can be provided on a sustained basis	<b>• PDF provided by donor grant/loan. Lack of sustained institutional and funding mechanism for both PDF and transaction advisory</b>
	<b>6</b> Project DB Mgmt • Accurate and timely information provided on PPP project implementation status. Database is managed and updated on an on-going basis.	<b>• PPP book published annually. On-line DB to manage and provide information requires improvement.</b>
PPP Supporting Function	<b>7</b> Knowledge Mgmt and Capacity Building • PPP failure and success lessons are institutionally accumulated over time. Structured and targeted capacity building program implemented	<b>• Capacity building provided by donor grant/loan. Lack of institutional mechanism to manage knowledge and capacity</b>
	<b>8</b> PPP Promotion and Market Education • Cultivate GCA for improved project origination. Attract investors on PPP opportunities.	• Various seminars/workshops held. PPP book made available widely. BKPM taking on promotional role. GCA cultivation and local private investor education needs improvement
	<b>9</b> Conflict Resolution • Provide objective intervention to solve cross ministerial/agency conflicts and investor/GCA conflicts	<b>• Adhoc interventions. Lack of structured process. Responsibility needs to be clarified for conflict resolution.</b>
	<b>10</b> PPP Legislative /Policy Support • PPP policy and regulations are established and improved on an on-going basis	• Series of improvements made to presidential decree on PPP and related ministerial regulations.

## 5. JICA assistance on PPP project formulation & development

JICA is also supporting GCA's to prepare "bankable" PPP projects through PDF support.

### JICA's PDF support mechanism



### 【Model PPP Project with JICA PDF assistance】

#### West Semarang Water Supply

**Project Objective :**

Construction and operation of bulk water supply system in West Semarang

**Project Cost (Est.):** USD 80 Mil

**Transaction Advisor:** IIF

**Tender Target:** PQ in 1<sup>st</sup> half of 2013

#### South Sumatera Coal Mine Mouth Project 9,10

**Project Objective :**

Construction and operation of mine mouth coal fired power plant in south Sumatera

**Project Cost (Est.) :** USD 2400 Mil

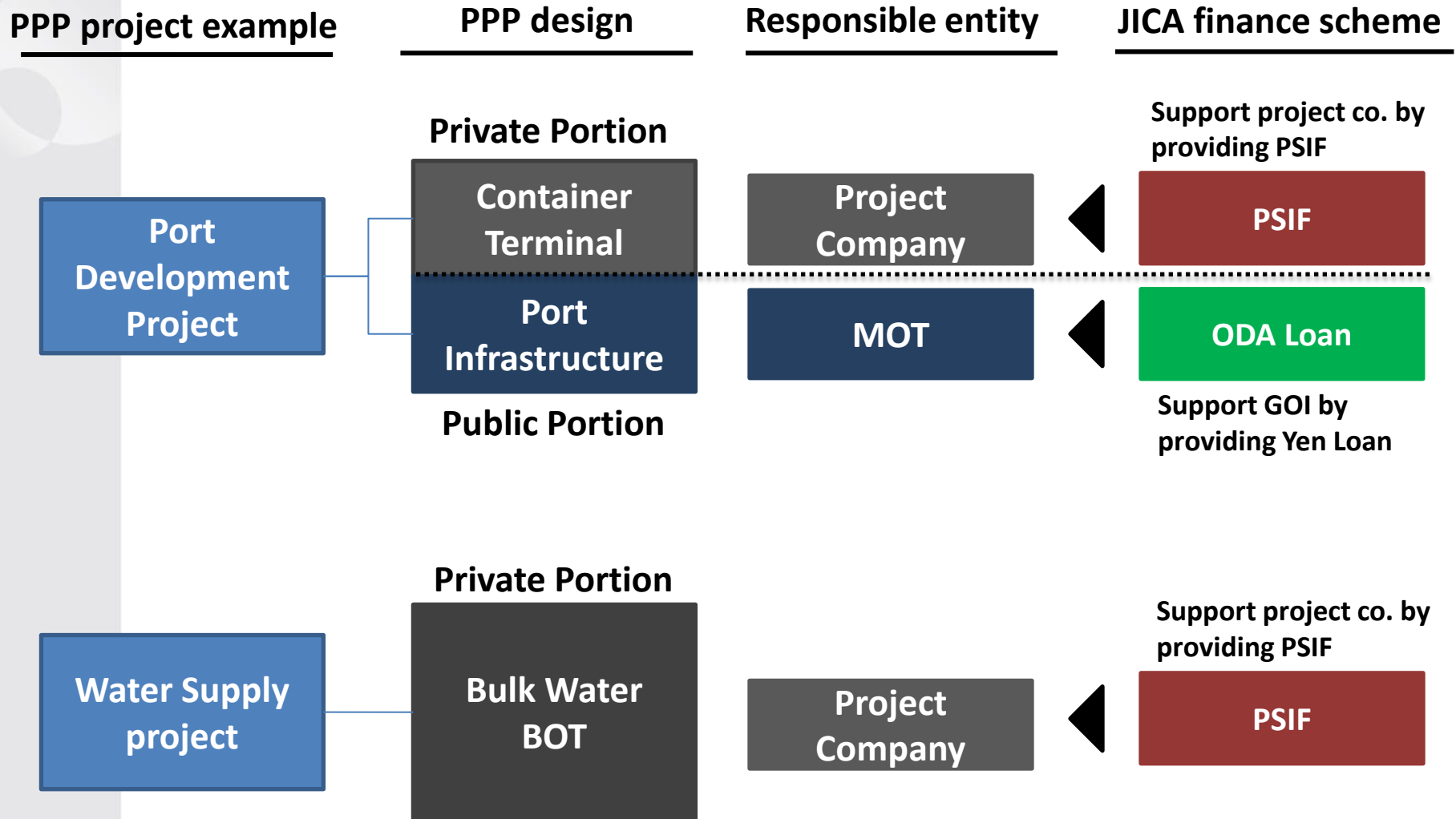
**Transaction Advisor:** HSBC

**Tender Progress:** PQ issued November 2012



## 6. Potential JICA support for PPP project realization

In terms of PPP project realization, JICA can support both public and private portion of PPP projects using Yen Loan and PSIF.





## 7. Issues to be addressed for further promotion of PPP infrastructure development

Going forward, sustainable project formulation scheme, acceptable risk allocation between government & private, and central & local government coordination can be further refined.

### Process

### Issues to be addressed for further refinement of PPP in Indonesia

Project  
Formulation

- ◆ **Formulation of “bankable” PPP projects by Government of Indonesia**
  - So far most of PPP project which reached tender were supported by international donors.
  - How will GOI incentivize GCAs to originate PPP project?
  - How will GOI secure the quality of projects which can be seen as “bankable” by private investors?
  - Possibility to have a through dialogue between private companies during project formulation?

Project  
Development

- ◆ **Formulation of “bankable” PPP projects by private sectors**
  - GOI’s intention to incentivize private sector initiative for project formulation
- ◆ **Policy consistency**
  - How can GOI minimize the risk of changes in tender rules due to sudden policy change?
- ◆ **Competition or collaboration with SOEs ?**
  - What type of projects are appointed to SOEs?
  - Will SOEs participate in the tender as well?

Project  
Realization

- ◆ **Availability of non/limited recourse based lending to SPC’s for infrastructure projects**
- ◆ **Coordination between central government and local government**
  - It seems many projects face bottlenecks on coordination between central and local government.
  - How does the Government of Indonesia plan to improve this situation going forward?
- ◆ **Land acquisition**
  - New Law, regulation is issued. Execution mechanism of BPN will be the key for successful and timely land acquisition.



**Thank you**