

INDONESIA PROSPECTIVE INFRASTRUCTURE PROJECTS

Case Study: Umbulan Water Project, SHIA Rail Link Project & City of Batam Solid Waste Management Project

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Emma Sri Martini
President Director
PT Sarana Multi Infrastruktur (Persero)





Umbulan Water Supply

Soekarno - Hatta International Airport Rail Link

Batam Municipal Solid Waste Management



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What's PT Sarana Multi Infrastruktur (Persero)?



PT Sarana Multi Infrastruktur (Persero) ("SMI") was established on February 26, 2009 with a purpose to become a catalyst for accelerating infrastructure development in Indonesia

Scope of Services

Commercial Financing

- Flexible financing
- Complementary to banks
- Syndication Loan or club deal arrangement

Advisory

- Financial Advisory Services
- Investment Advisory Services
- Transaction Advisory Services
- Training & Capacity Building

Project Preparation (PDF)

- Project Development Financing
- Advisory to contracting/ tendering agencies
- Limited capacity building

SMI Shareholding Structure

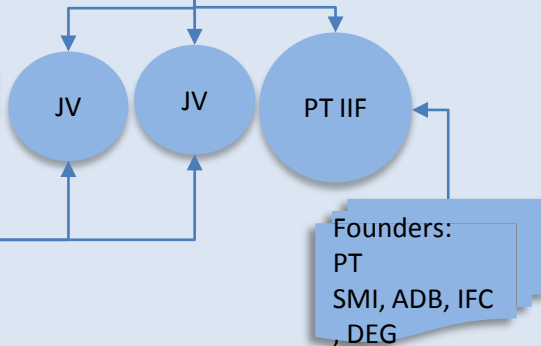
Government Of Indonesia through Ministry of Finance

Ownership: 100%



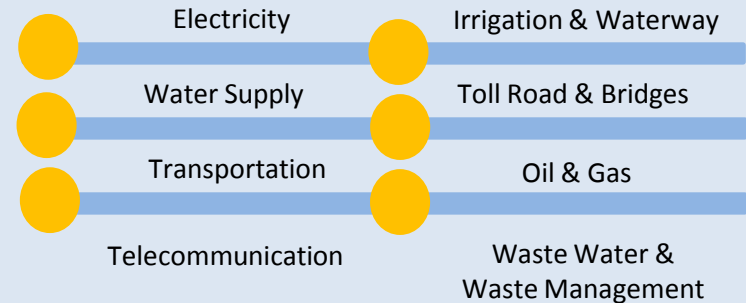
Third Parties

- Government/ SOE
- Private/ Bank
- Bilateral/ Multilateral Institutions

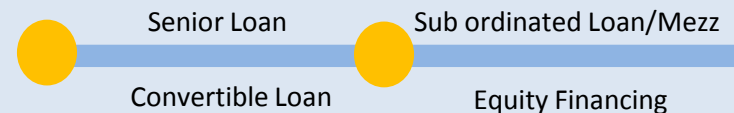


Investment in Infrastructure Projects

Eligible Sectors

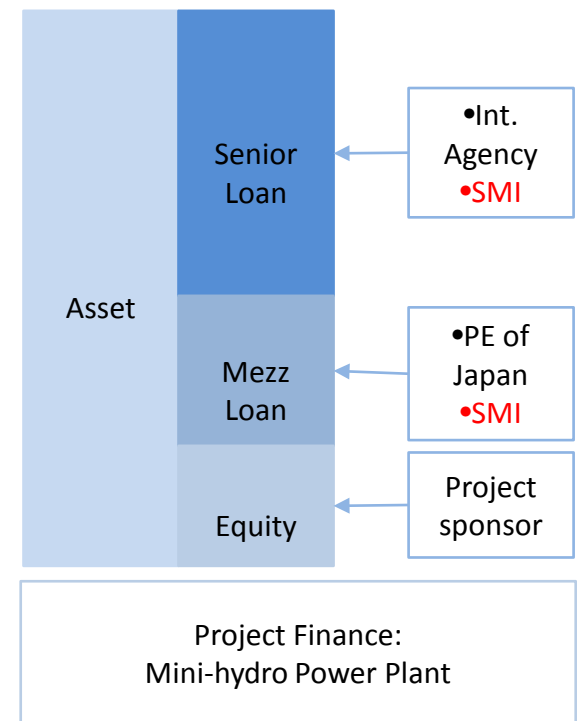
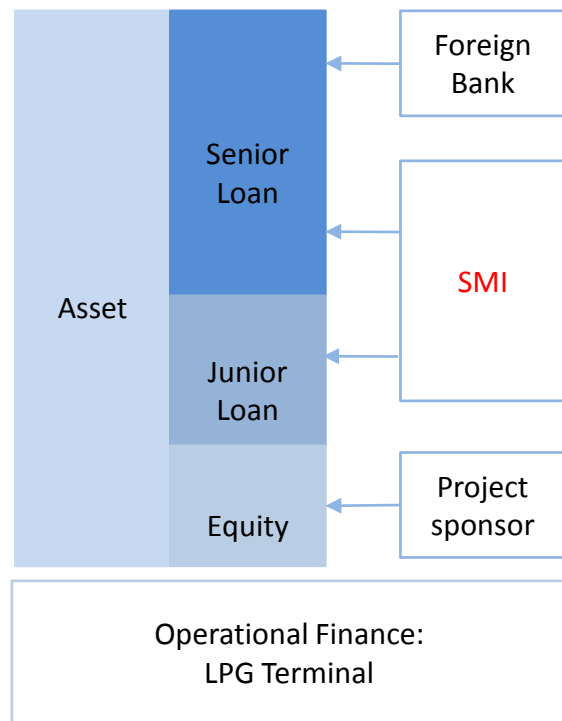
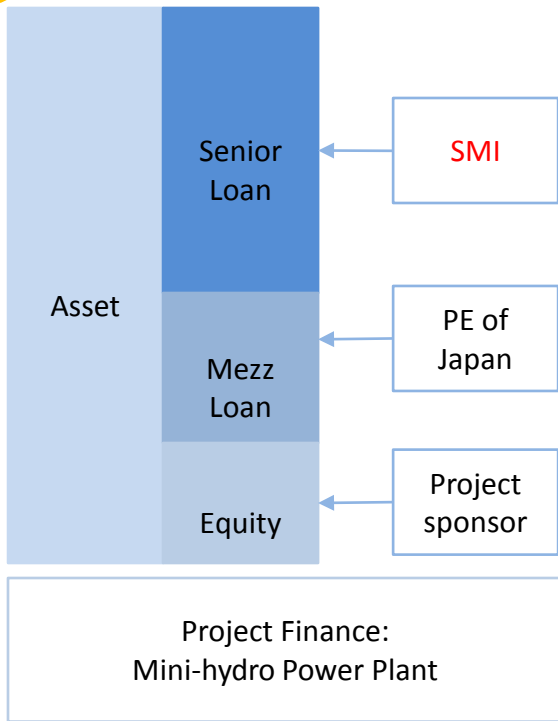


Financing Product



"Products of SMI are complimentary to the Banking Sector"

SMI's experiences in scaling up infra finance from official and private sources



high ← SMI evolution on debt payment priority → Low

- SMI as Senior Lender
- PE of Japan as co-financier in Mezzanine Loan

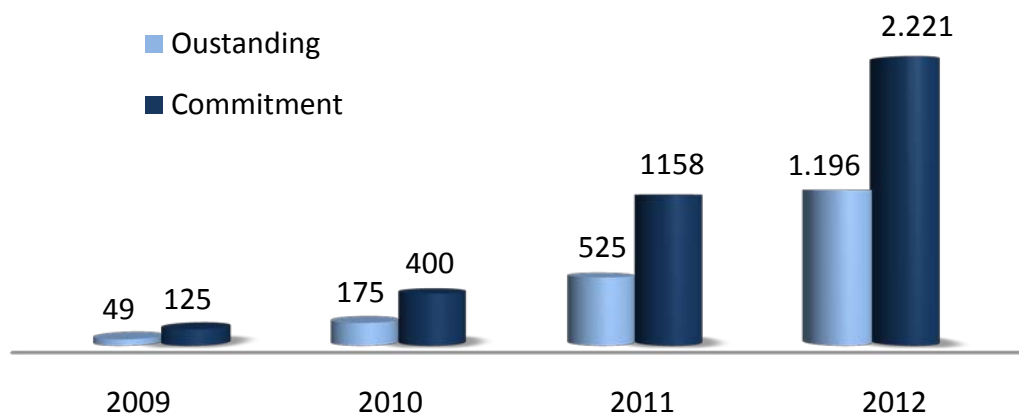
- SMI and Foreign Bank (Co-financier) as Senior Lender
- In the higher level: SMI also as Junior Lender

- SMI and International Agency (Co-financier) as Senior Lender
- In the higher level: PE of Japan and SMI as Mezzanine Lender

Recent Project : Cikampek Palimanan Toll Road

- Project Size : USD 1,4 bio
- Tenor : 15 years
- Project Finance Limited Recourse
- Syndication member : 20 local banks/NBFI
- Interest : ATD + margin

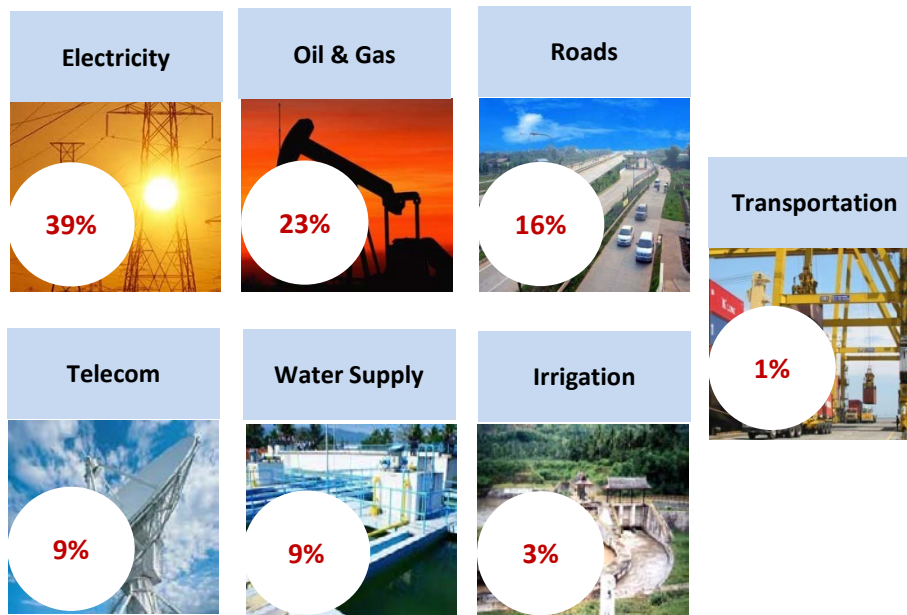
SMI financing commitment – trend overtime



- In 2011, the financing commitment growth is about 190% and its outstanding growth is about 200% from 2010.
- In 2012, the financing commitment growth is about 92% and its outstanding growth is about 128% from 2011.

Sector Portfolio YTD December 2012

“as a catalyst of infrastructure development in Indonesia, Multiplier effect of SMI’s financing is about 8,7x of its capital in accelarating infrastructure development in Indonesia”



PPP Project Preparation: Umbulan Water Supply

The Umbulan Water Supply project is a water supply project that utilizes Umbulan Spring. The objective is to distribute 4.000 liter/ second of bulk water from Umbulan spring to Pasuruan, Sidoarjo, Surabaya and Gresik (East Java) through the development of pumping system and a 102.3 km transmission system.

Status : tender process

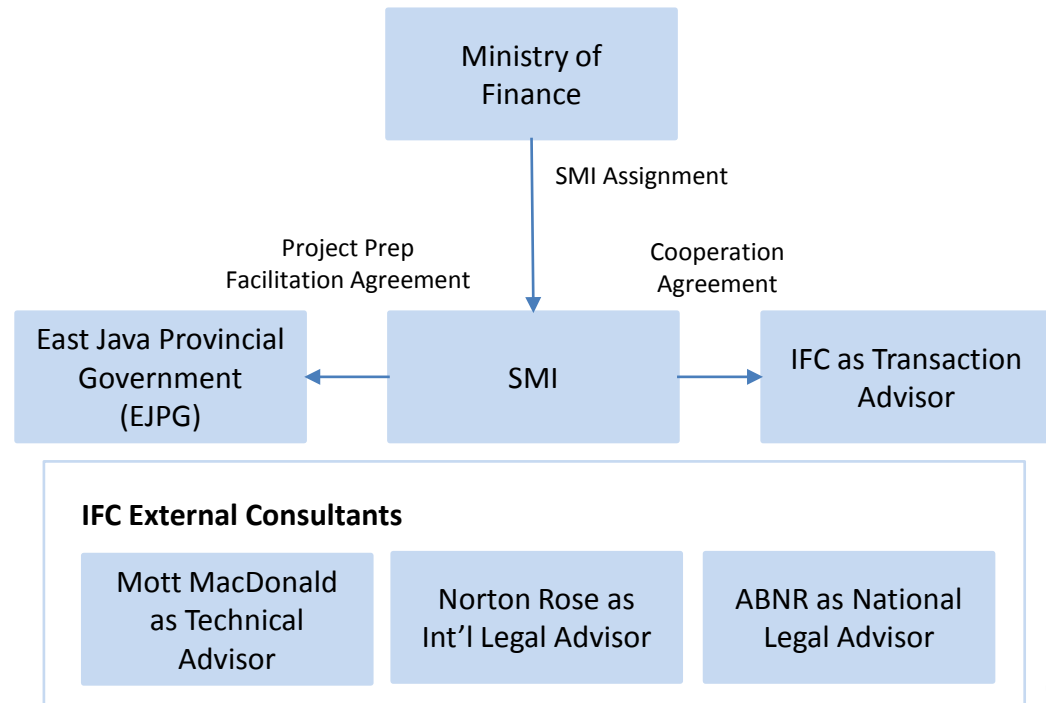
Estimated project cost : ± USD 255 mio



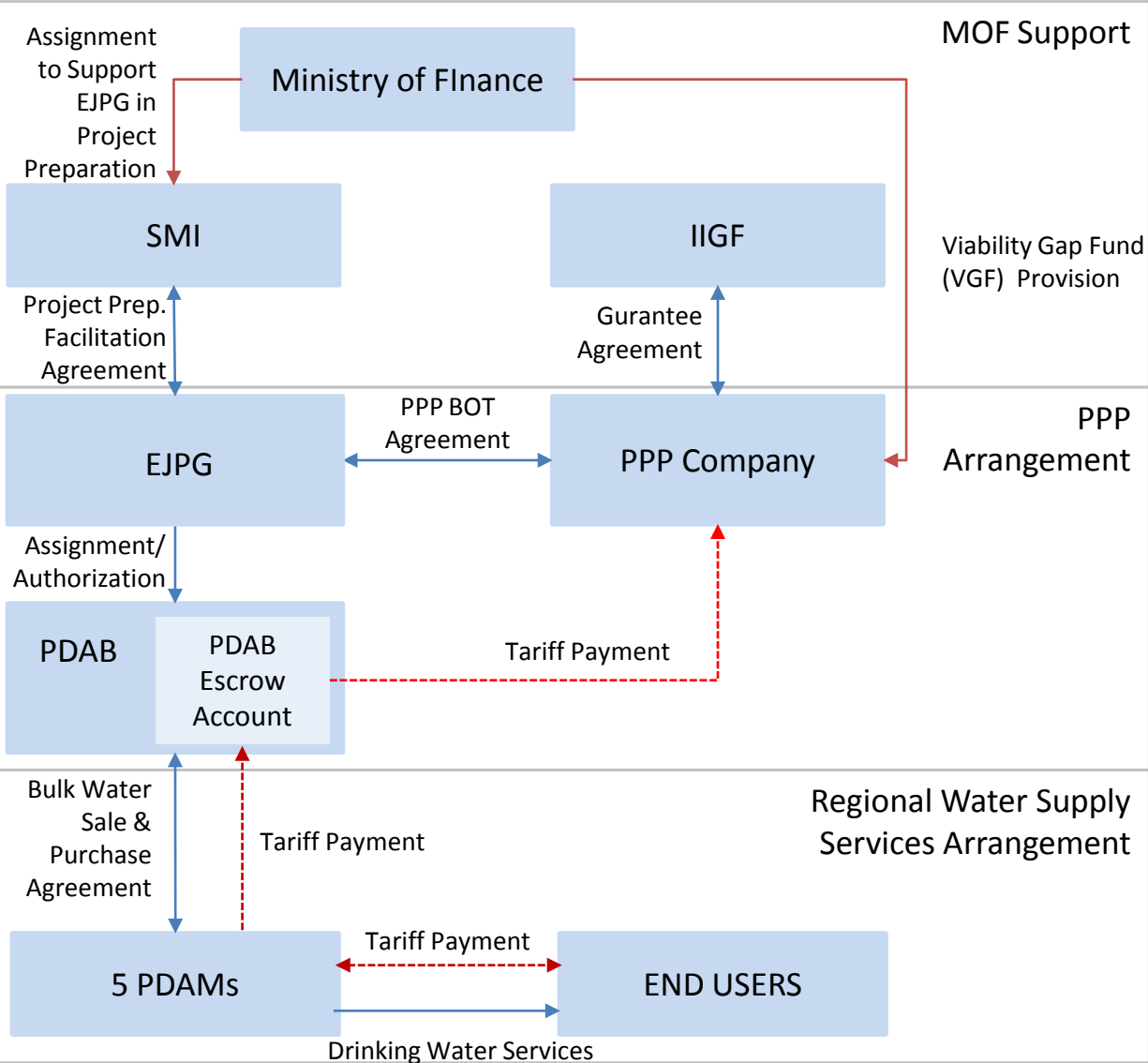
What does project need?

- **Local context and environmental factors give strong drivers for Project**
 - Insufficient availability of raw water resources, degraded surface water resources & deterioration in ground water resources
 - Significant need for additional secure supply of potable water in the service areas managed by all five (5) PDAMs, 4 PDAMs have no significant / unpolluted alternative surface raw water sources
- **Increased service coverage gives strong economic driver for Project**
 - All PDAMs have sufficient numbers of potential new consumers to supplement demand for the Project.

SMI Involvement Scheme in Umbulan Water Supply Project



PPP Project Preparation: Umbulan Water Supply Project Structure & Its Key Challenges



Major Challenges

- Multi-stakeholders project structure (MoF & Ministry of Public Works involvement, EJPG, 5 Local Governments, 5 PDAMs)
- Dynamic PPP related policy
- Land acquisition process
- Lack of PPP knowledge
- Big gap between International PPP standard and Local common practices
- Political Interference

PPP Project Preparation: SHIA Rail Link

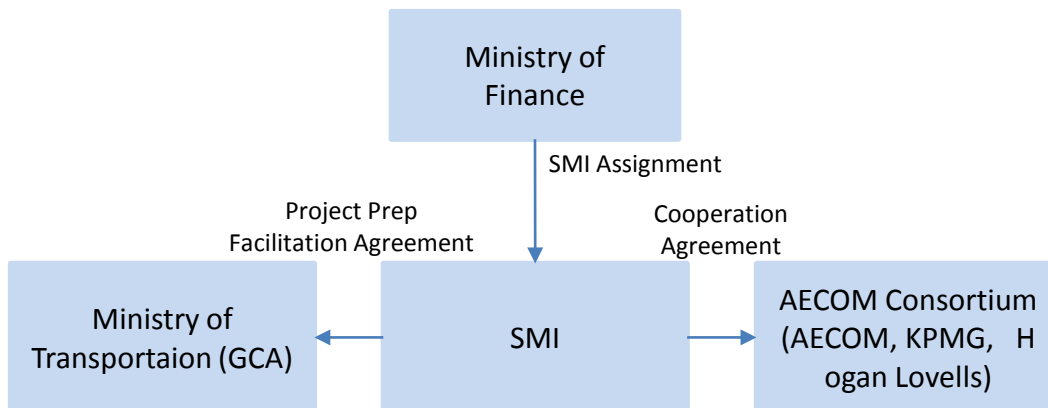


The SHIA Railway PPP project aims to provide a railway transportation facility connecting Manggarai and Soekarno Hatta Airport. It is dedicated to be an express rail with premium service, targeted at air passengers.

Status : preparing Pre-FS

Estimated project cost : ± USD 2 bn

SMI Involvement Scheme in SHIA Rail Link Project



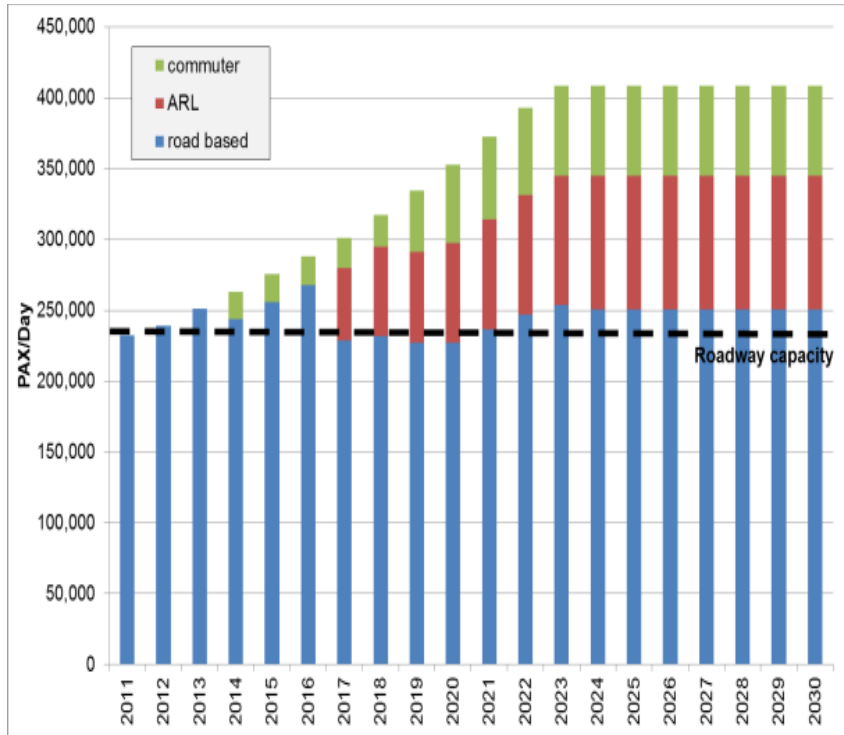
Airport Rail is “an extension of the airport into the city”

- Dedicated, express rail targeted at air passengers
- Premium service with higher standards of comfort and convenience, higher fares
- 3-5 in-town stations with good vehicular and public transport access
- Integrated with future SHIA master plan
- Airline style comfort and convenience

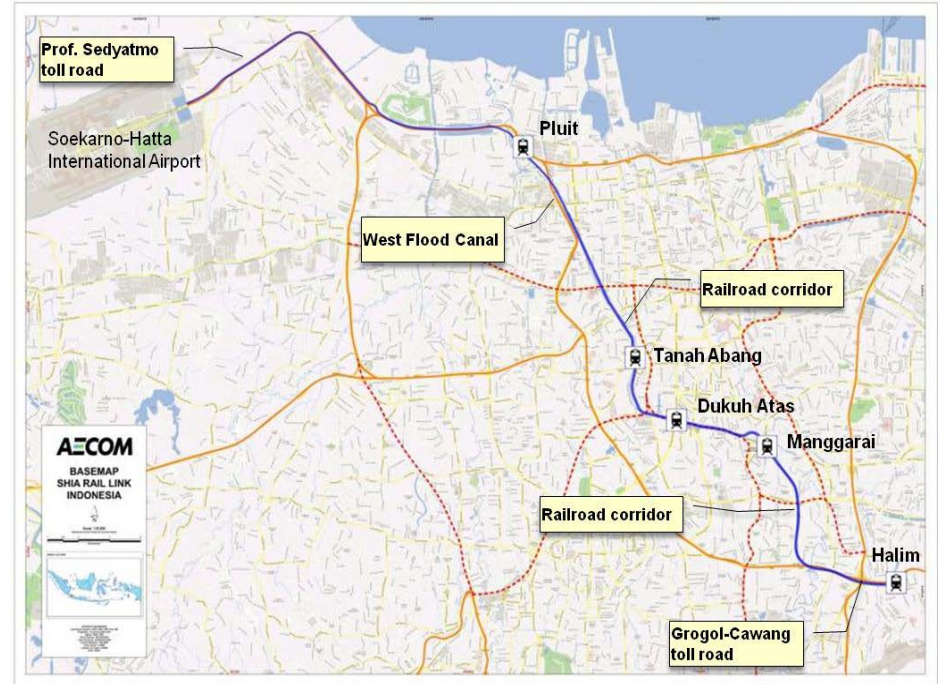
Implementation Process

- Elected as one of the five “show case” PPP projects for Indonesia
- PT SMI (state-owned infrastructure financing company) is managing the project preparation and implementation
- AECOM consortium is appointed to undertake Pre-Feasibility staged studies
- Pre-FS commenced March 2012, to be completed by May 2013
- Target commencement of construction by 2014

PPP Project Preparation: SHIA Rail Link - Preliminary Pre-FS Findings



Preferred Alignment



- Project construction cost may well be in the region of USD 2 bn
- Supply and demand evidences in support of both SHIA rail projects (Express and Commuter)

Financing and PPP

- Project includes detailed design, construction, financing, operations and maintenance
- Long term concession
- Substantial private finance required: opportunity to apply for Government financial support
- Patronage risk mitigation: Still in discussion

PPP Project Preparation: Batam Municipal Solid Waster Management (MSWM)

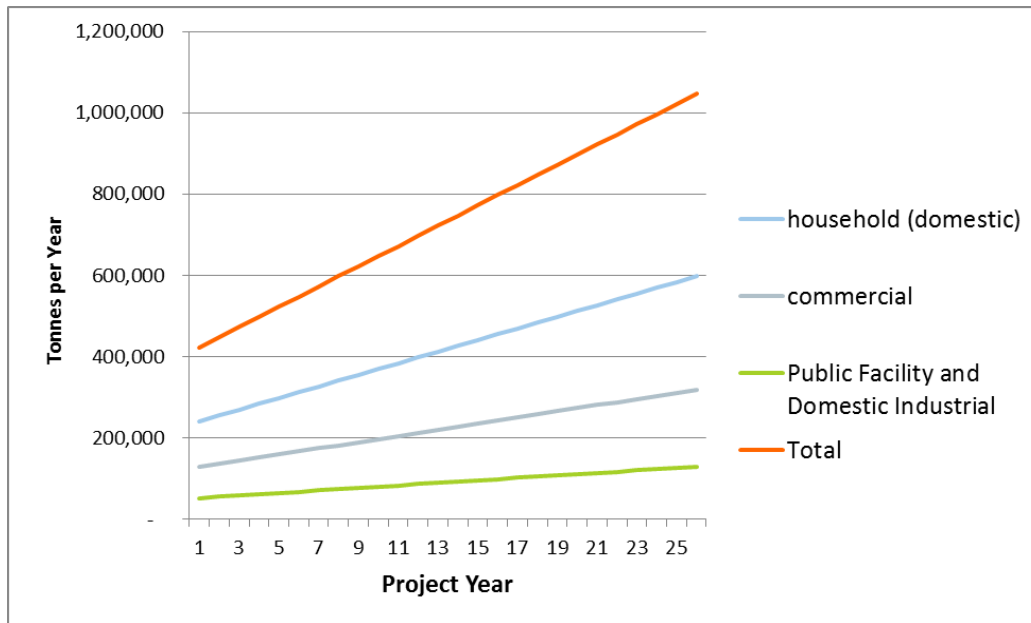


PPP Batam MSWM Project aims to give solution in handling the issue of solid waste in City of Batam, as an implication of population growth and industrial centralization in Batam Island.

Status : due diligence

Estimated project cost : ±Rp 500-800 Bio

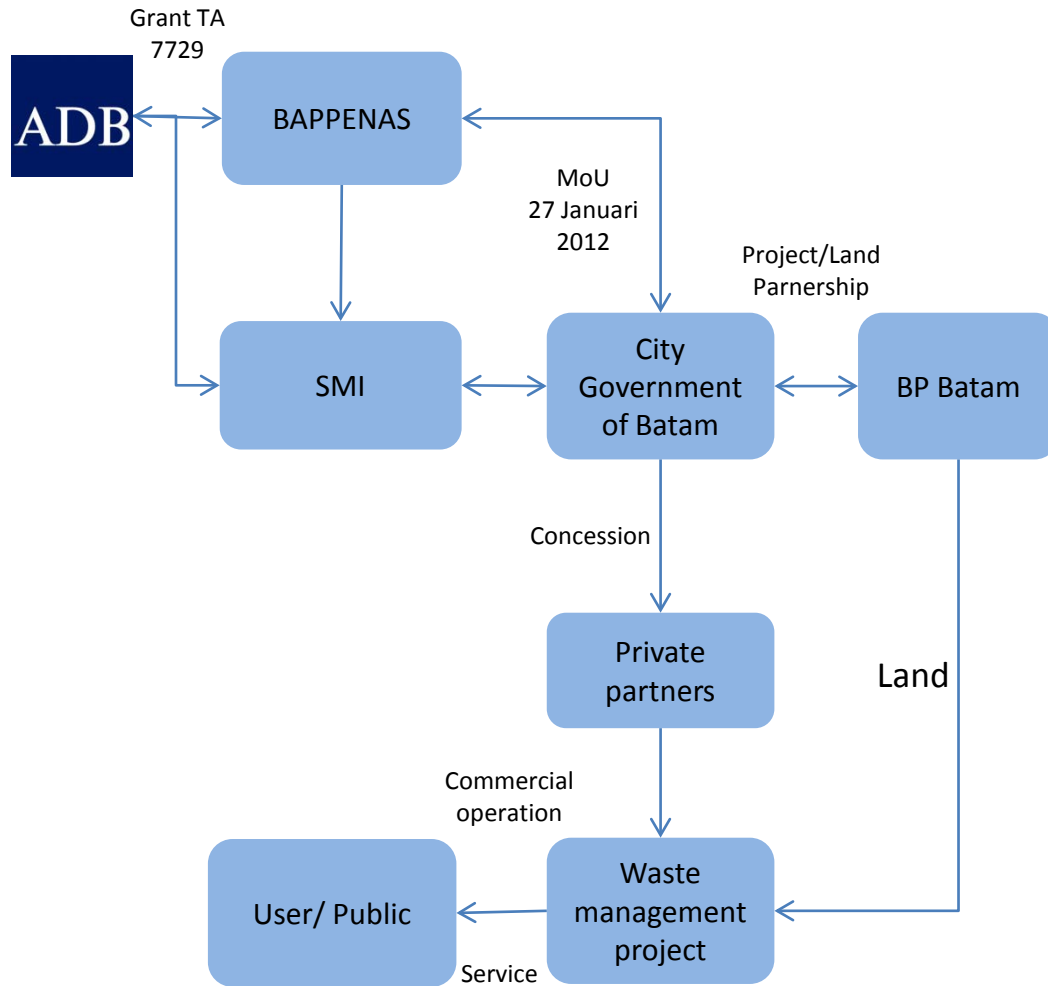
Figure 1. Expected Growth of Waste in Batam



Source: Consultant Analysis

- The city of Batam currently has a population over 1.1 million people with a total area of and estimated to reach 2.8 million people by 2037.
- Batam Kota Sub-district was observed to have the highest waste generation rate (0.84 kg/capita/day), currently it only has one Final Disposal Site (FDS) in Telaga Punggur
- FDS in Telaga Punggur consists of 47 ha of land made available by BP Batam. It has been in operation since 1997 and approximately 20 ha have been used, leaving potentially 27 ha for future use. Based on this and an assumed average waste disposal depth of 15 m, the remaining landfill life is about 8 years.

PPP Project Preparation: Batam Municipal Solid Waster Management (MSWM) Stakeholders



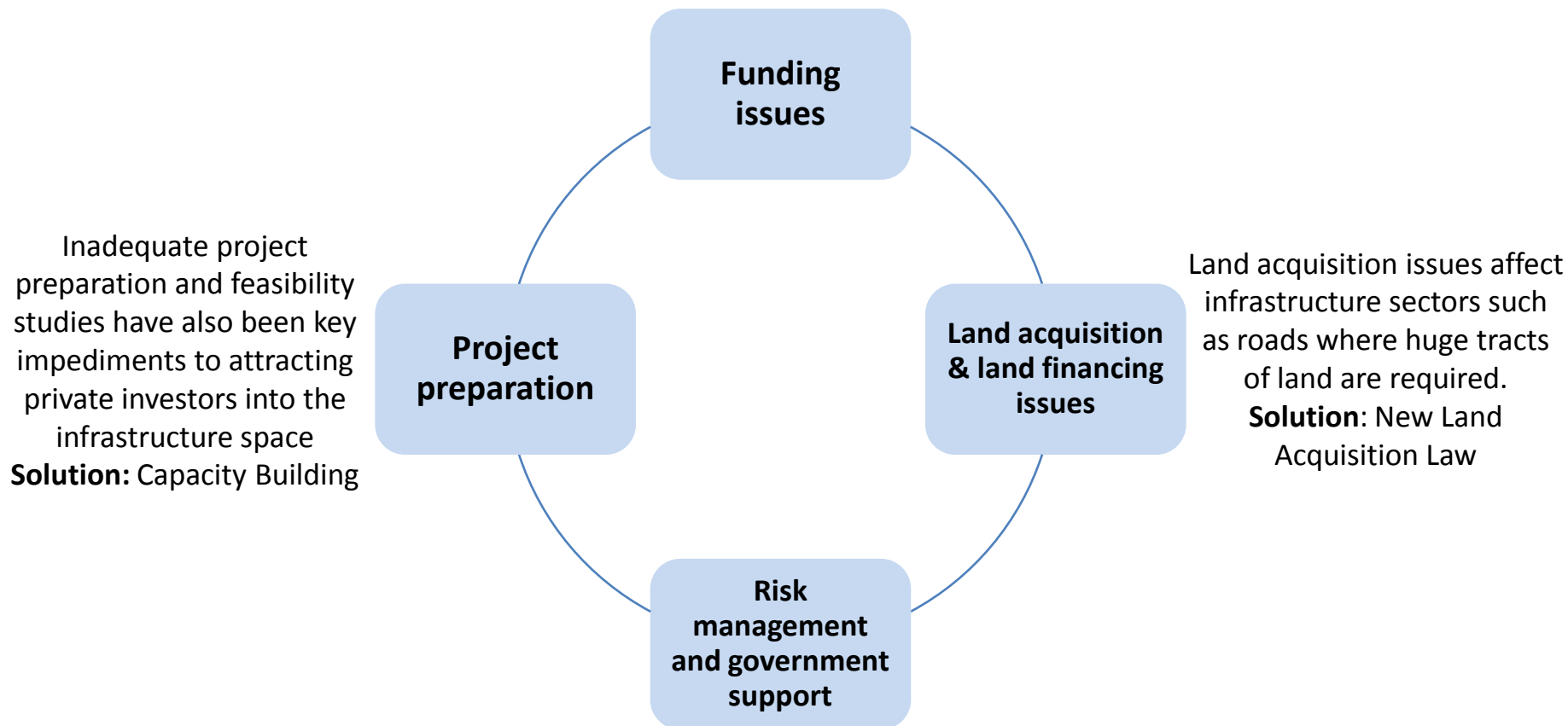
Issues and Challenges

- Land Ownership Status
- Spatial Zone
- Institutional Set Up
- Environmental Licensing

Conclusion: In Indonesia cases, what were holding back Infrastructure investment?

The long payback period for infrastructure investment means that long-term financing is required.

Solution: Establishment SMI & IIF



- Project risks such as from escalation of land acquisition costs & delay in approval to start operations, demand risks from actual revenue falling below minimum guaranteed revenue
 - Political risks such as from change in regulation, reduce the bankability of infrastructure projects in the absence of government guarantees.
 - Solution: VGF Policy & Government Guarantee
- “There are also sector specific –infrastructure challenges”**

Key success factor of Infrastructure development with PPP scheme and PDF Initiatives

Investor's Track Record & Capability

- Transparent tender process
- Strong pre-qualification criteria
- High level of competition

Feasibility Project & Appropriate Risk Allocation

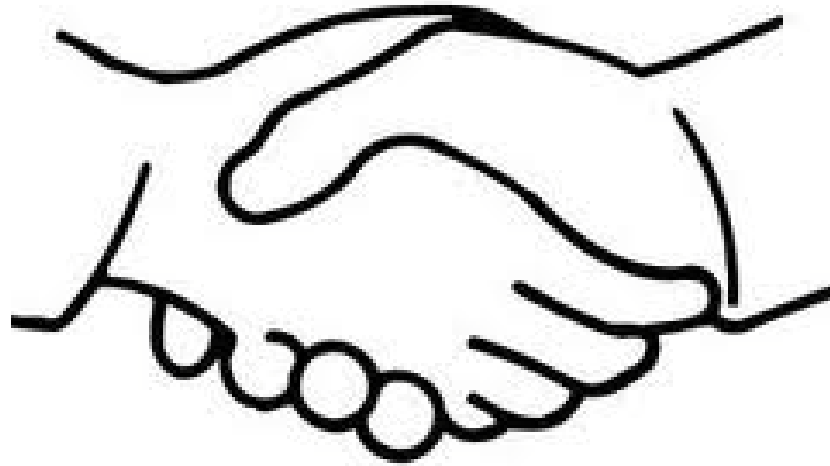
- Appropriate project screening and selection
- Adequate project preparation
- Market sounding
- Reputable consultant (combination of international and local consultants)
- Government Support Provision, including land acquisition and Viability Gap Fund (VGF)
- Good PPP knowledge of Government Contracting Agency
- Strong Multi-Stakeholders Coordination

Certainty of the Project Implementation

- Infrastructure Guarantee from IIGF
- Certainty of PPP Related Policy
- Strong commitment from Government Contracting Agency
- Minimum Political Interference

PDF Initiatives

- To provide best quality project preparation, GOI have to tackle issues of :
- Timely consultant procurement process, indefinite delivery contract are recommended
 - Revolving fund mechanism, separation from state budget mechanism are recommended



THANK YOU



Disclaimer

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Any complaint in the process of financing irregularities can be submitted to:

Ms. Astrid Swastika

Corporate Secretary PT SMI

Tel : +62 21 5785 1499 Fax : +62 21 5785 4298 Email : corporatesecretary@ptsmi.co.id

Public complaints on PT SMI service will be kept strictly confidential and handled by a special committee to ensure that complaints are addressed appropriately.