

# Section 6



## Progressive Infrastructure Development: Strong Commitment on Acceleration of Infrastructure Provision



# The Government has Enacted Various Reforms to Accelerate Infrastructure Provision



## Fiscal Reforms

### Viability Gap Funding (VGF)

Issuance of MoF Reg. No. 223/2012. To increase project financial feasibility by contributing up to 49% of the construction cost

### Availability Payment

Issuance of regulatory framework for annuity payment scheme by the Government (MoF Reg. No. 190/2015 for Central Gov'r and MoHA Reg. No. 96/2016 for Regional Gov't.) during the concession period after the project operational by private sector in order to make the project bankable

### Land Revolving Fund

Issuance of MoF Reg. No. 220/2010. A revolving-fund sourced from State Budget, to accelerate land acquisition

### Risk-sharing Guidelines

IIGF has issues risk allocation and mitigation guidelines for PPP project



## Institutional Reforms

### KPPIP

KPPIP is actively involved in accelerating delivery of priority infrastructure projects

### PT. Sarana Multi Infrastruktur

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

### Indonesia Infrastructure Guarantee Fund (IIGF)

IIGF has the potential to provide project guarantee for non-PPP projects

### PPP Unit

Provide facilities to help GCA on preparing PPP project (PDF/TA)

### BLU LMAN

The State Asset Management Agency is mandated to provide land fund for National Strategic Projects to ensure timely land acquisition process



## Regulatory Reforms

### Direct Lending

Issuance of Presidential Reg. No. 82/2015. Allow guarantee for direct lending to SOE to accelerate financial close process for infrastructure projects

### Land Acquisition

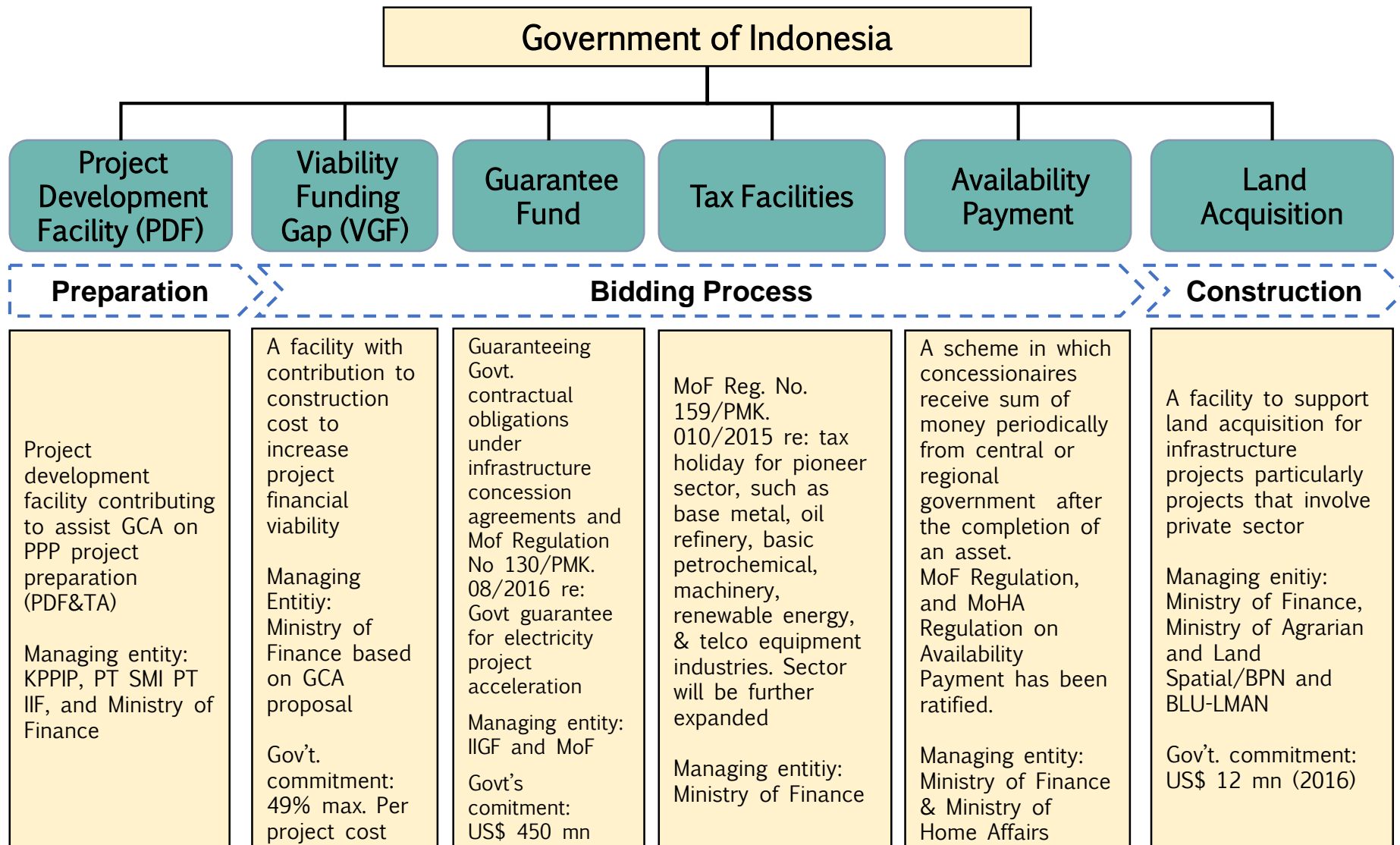
Issuance of Presidential Reg. No. 148/2015. To stipulate land acquisition acceleration based on Law No. 2/2012

### Economy Packages

Conduct deregulation for issues hindering infrastructure delivery and develop a task force under CMEA to ensure the effectiveness of economic packages implementation

# Reforms Along the Project's Life Cycle

...to encourage and accelerate infrastructure project using PPP scheme



# Efforts to Accelerate Infrastructure Provision



## Regulation improvement to accelerate land procurement process

- The Government of Indonesia issued Law No. 2 of 2012 on Land Acquisition for Public Interest, with a purpose to provide certainty about the land acquisition duration for the Government Contracting Agencies and the Investors. The Law sets an estimated 583 days maximum time to complete the land acquisition process.
- For its implementation, the Law No. 2 of 2012 was supported by the Presidential Regulation No. 71 of 2012 on Land Acquisition Implementation for Developing Public Facilities, which has been revised into the Presidential Regulation No. 30 of 2015. The Amendment to the Regulation allows a Business Entity to allocate funding for a land acquisition which can be reimbursed by the Government following the completion of land acquisition process. With this Regulation, the land acquisition process is expected not to be delayed by the unallocated budget or the delay on the budget disbursement.

Law No. 2/2012 was successfully applied in:

1. Palembang – Indralaya section of the Trans Sumatera Toll Road Project
2. Java North Line Double Track Rail Project



Land Procurement Process as Stipulated in Law No. 2 of 2012



# Efforts to Accelerate Infrastructure Provision

## ...the establishment of Indonesia Asset Management Agency (LMAN)

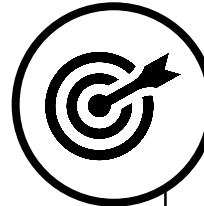


On December 12<sup>th</sup>, 2016, Indonesia Asset Management Agency (Lembaga Manajemen Aset Negara/LMAN) has been launched to optimize the use of state assets. LMAN should plan for funding and utilization of land banks as well as pay compensation for land acquisition to support the government's infrastructure development program



### Legal Basis

1. Government Regulation No.27/2014 on the Management of State/Region Property
2. Finance Minister Regulation No.219/PMK/2015 on the Governance and Organization of State Asset Management
3. Finance Minister Regulation No.1319/KMK.05/2015 on the Appointment of Indonesia Asset Management Agency as Government Agency to Implement Financial Management of Public Service Agency



### Mandate

1. Property Management
2. Land Funding for National Strategic Project



### Portfolio Assets

1. Asset of ex-Pertamina: LNG Badak Bontang, LNG Arun, and Tarogong Land
  2. Asset of ex-Indonesian Bank Restructuring Agency (BPPN)
- Other portfolio: Asset of ex-Asset Management Company (PPA) and ex-Contractor Cooperation Contract (KKKS)

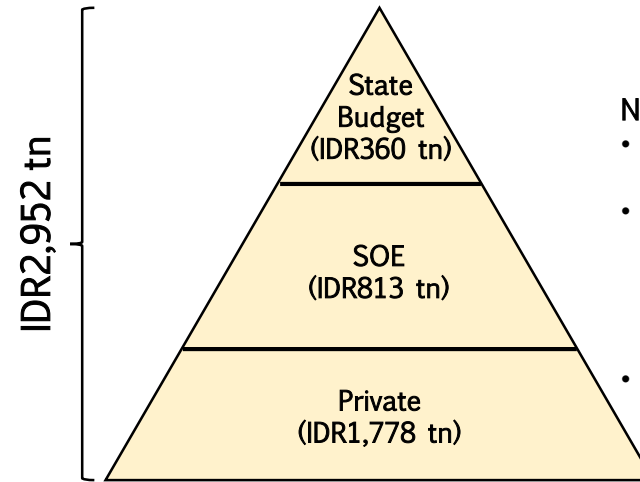
# Progress on 225 National Strategic Projects



LOCATIONS			
1. Sumatera	46	4. Bali & Nusa Tenggara	16
2. Java	89	6. Maluku & Papua	13
3. Kalimantan	24	7. National	10
4. Sulawesi	28		

SECTORS				
Road	Communication	National Borders	Economic Zones	
52	3	7	25	
Housing	Energy	Fisheries /Maritime	Water Supply	Airport
3	7	3	10	17
Seaport	Railway	Dams	Smelter	Power
13	19	60	6	1

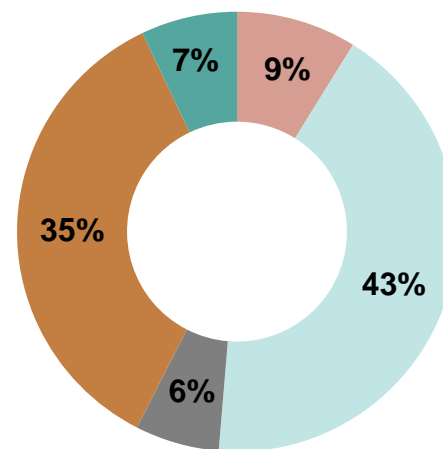
## The Estimated Investment Cost of National Strategic Projects



### Notes:

- The investment cost was calculated for 164 NSP.
- Excluding cost of NSP that finished construction, under review, and have not finished their estimation of construction cost
- Including the costs for the 35,000 MW Program

## Progress of National Strategic Projects (as of February 2017)



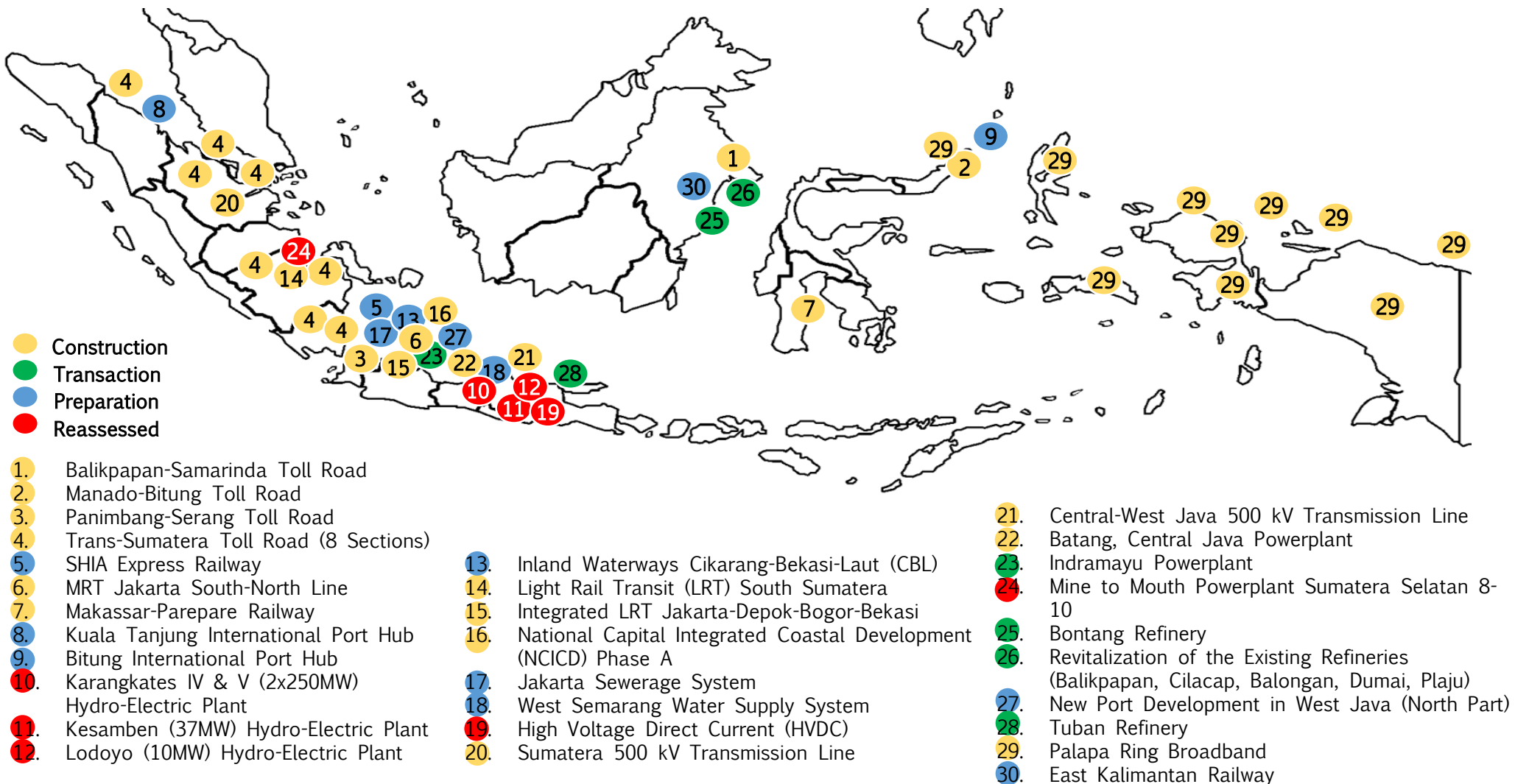
- 20 projects are completed
- 96 projects are under construction
- 12 projects are during transaction
- 81 projects are in preparation
- 16 projects are taken out\*

\* Projects are taken out because those projects doesn't fulfil PSN basic, strategic and/or operational criterias

# Progress on 30 Priority Projects



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.

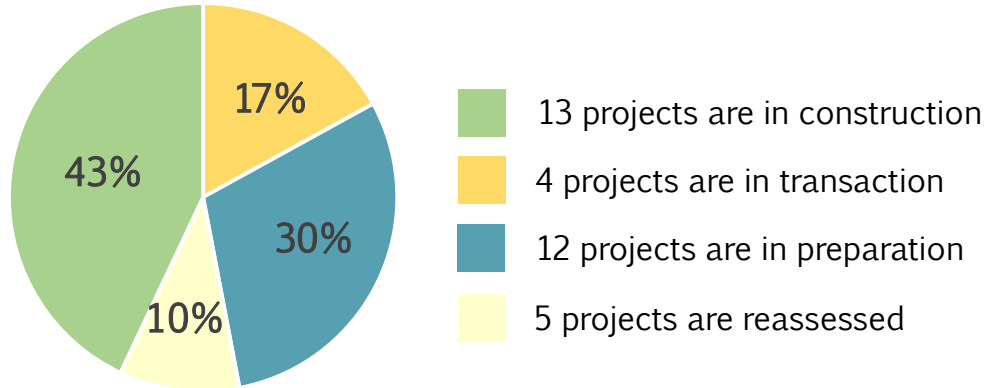


Source: Committee for Acceleration of Priority Infrastructure Delivery (KPPiP)

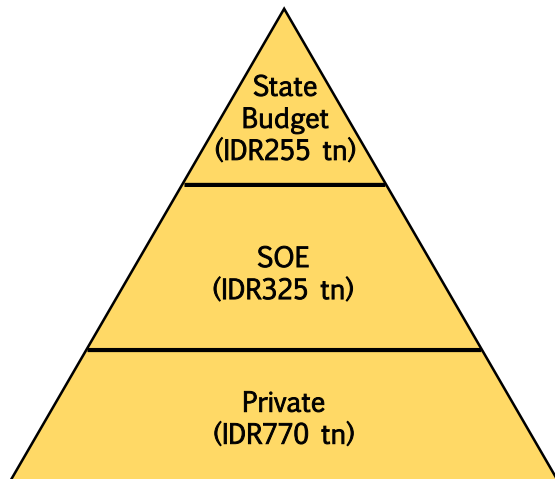
# Progress on 30 Priority Projects



## Progress of 30 Priority Projects (as of May 2017)



## Funding Scheme of 30 Priority Projects



## Recent Milestones



### Patimban Port:

Environment Permit was published. This is a part of the requirements for applying external loan through ODA scheme.



### Cilacap Refinery Revitalization:

KA Andal (environmental impact) decree is going to be published soon by the Ministry of Environment and Forestry.



### Jakarta MRT (South-North Line):

Governor regulation No. 53/2017 regarding the assignment to PT. MRT Jakarta was published.



### West Semarang Water Supply System:

All stakeholders are already agreed on PPP as the financing scheme of the project.

<sup>15</sup> projects reassessed include HVDC; Mine Mouth South Sumatera 8,9,10 Plant; Karangates IV & V, Kesamben and Lodoyo Plants.



# Energy Sector: the Progress of 35.000 MW Program



Average economic growth of 6.7% requires 7,000 MW / year or 35,000 MW / 5 years

(Kepmen ESDM No. 0074/2015 on RUPTL 2015-2024)

## Debottlenecking through regulation:

1. Regulation No.1/2015 concerning electricity supply cooperation & joint utilization of the electrical network among license holders.
2. Regulation No.3/2015, concerning Procedures of Purchasing Electrical Power and benchmark prices for Electrical Power through the Direct Selection & Appointment.

Cabinet Meeting  
Progress of 35,000 MW

Launching 35.000 MW by the President in Goa Beach Sanden DIY

17 Dec '14

Jan '15

Jan '15

16 Mar '15

4 May '15

Cabinet Meeting  
"There's electricity crisis in Indonesia, requires construction of large capacity plant "

The progress so far:

March '17

## 35,000 MW Program Distribution

**Kalimantan**  
PLN: 900 MW  
Private: 1,735 MW  
Transmission: 5,604 ckt.km  
Substation: 3,500 MVA

**Sulawesi**  
PLN: 2,000 MW  
Private: 1,470 MW  
Transmission: 5,275 ckt.km  
Substation: 4,390 MVA

**Papua**  
PLN : 220 MW  
Private: 0 MW  
Transmission: 364 ckt.km  
Substation: 460 MVA

**Sumatera**  
PLN: 1,100 MW  
Private: 8,990 MW  
Transmission: 18,729 ckt.km  
Substation: 35,521 MVA

**Jawa & Bali**  
PLN: 5,000 MW  
Private: 13,697 MW  
Transmission: 9,185 ckt.km  
Substation: 66,265 MVA

**Nusa Tenggara**  
PLN: 670 MW  
Private: 0 MW  
Transmission: 2,347 ckt.km  
Substation: 1,410 MVA

**Maluku**  
PLN: 260 MW  
Private: 12 MW  
Transmission: 653 ckt.km  
Substation: 620 MVA

Source: PLN

No	Phase	MW	%
1	Planning	5,824	16.32
2	Procurement	8,810	24.68
3	Power-purchase Agreement	9,793	27.44
4	Construction	10,561	29.59
5	Commercial Operation Date	706	1.98

Source: KPPIP

# Acceleration of 35.000 MW Program



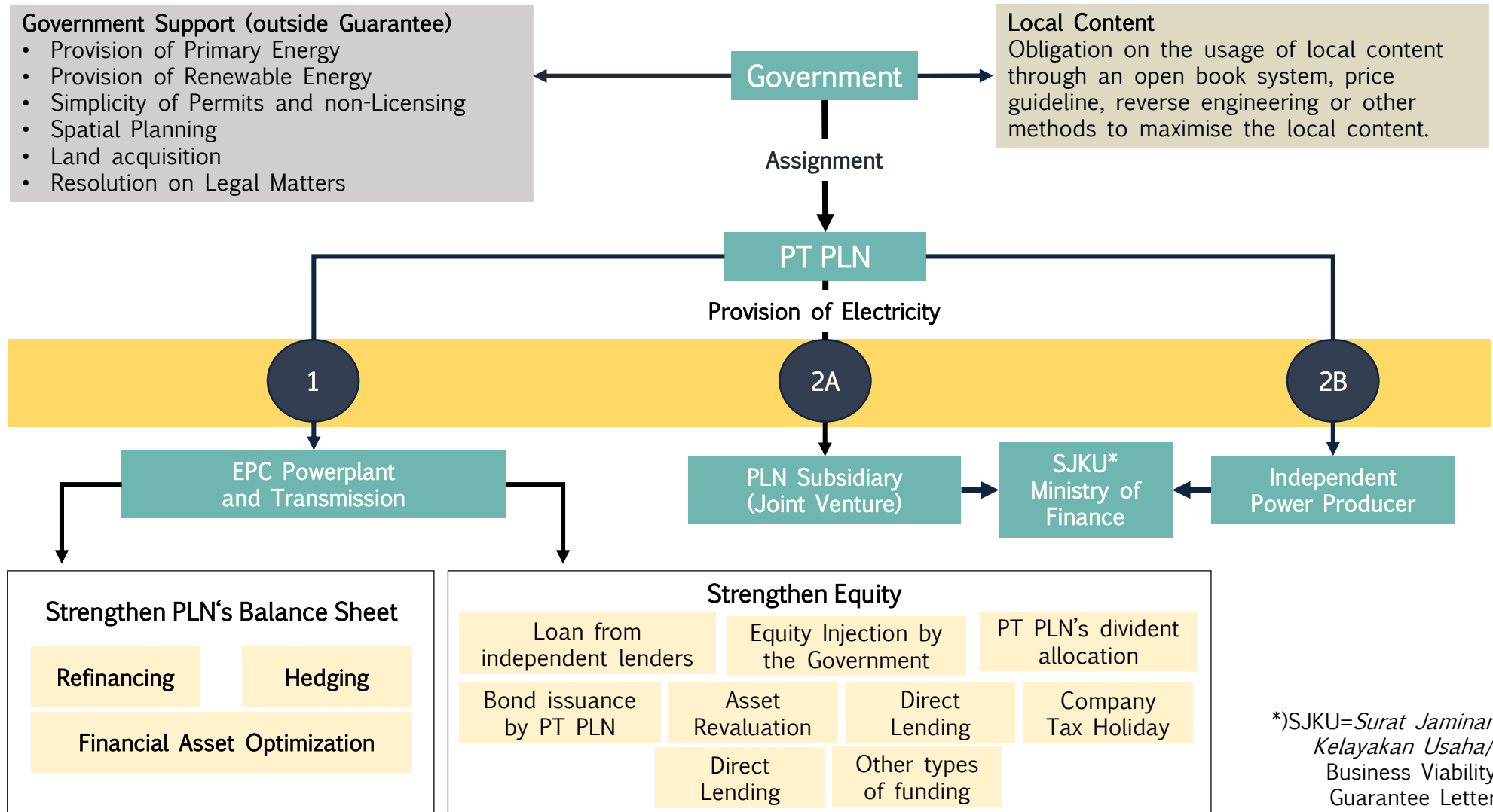
The Government has issued Presidential Regulation No. 4/2016 on Electricity Infrastructure Acceleration to accelerate power projects

## 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.



\*)SJKU=Surat Jaminan Kelayakan Usaha/ Business Viability Guarantee Letter

# Significant Progress on Infrastructure Projects



## Roads



Trans-Sumatra Toll Road



Merah Putih Bridge, Ambon

## Dams



Jatigede Dam (Operational)

## Drinking Water Processing



Umbulan Drinking Water Provision System, East Java

## Transportation



Jakarta MRT Project<sup>2</sup>



Terminal 3 Ultimate Soekarno-Hatta<sup>2</sup>



New Tanjung Priok Port Project<sup>2</sup>



Nop Goliat Dekai, Papua

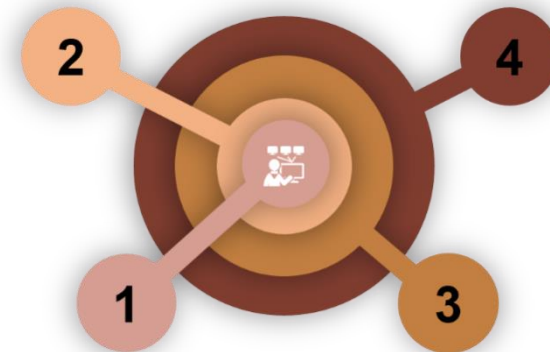
## Improving Monitoring System on Infrastructure Projects<sup>1</sup>

KPIP developed an integrated IT System for monitoring of national strategic and priority projects, providing database on projects' latest status which can be effectively utilized for monitoring and decision-making purposes.

### Database

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

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



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

Record decisions related to projects and **synchronize** the implementation schedule that can be utilized by stakeholders.

<sup>1</sup> Source: Committee for Acceleration of Priority Infrastructure Delivery (KPIP)  
<sup>2</sup> Not funded from National Budget

# Investment in Iron Ore, Alumina and Bauxite Smelter



## Existing Iron Ore Refinery Facility

No.	Company	Product	Ore Input Capacity (ton)	Concentrate Input Capacity (ton)	Investment (USD mn)	Progress	Completion Date
1	PT DPS	Steel	1.100.000	220.000	40	100%	2011
2	PT MJIS	Sponge iron, slab, billet	3.300.000	660.000	150	100%	2013

## Upcoming Iron Ore Refinery Facility

No.	Company	Product	Ore Input Capacity (ton)	Concentrate Input Capacity (ton)	Investment (USD mn)	Progress	Completion Date
1	PT SILO	Sponge iron	6.300.000	4.939.200	170	92%	2017
2	PT SBP	Pig iron	240.000	50.000	120	35%	2017
3	PT MIS	Pig iron	1.200.000	900.000	73	54%	2018
4	PT MMP	Pig iron	6.300.000	5.400.000	86.570	83%	2018
5	PT RS	Sponge iron	3.000.000	600.000	4.394	5%	2018
6	PT QEP	Sponge iron	2.000.000	400.000	8.417	8%	2018
7	PT JMI	Pig Iron	3.000.000	600.000	73	6%	2019

## Existing Alumina and Bauxite Refinery Facility

No.	Company	Product	Input Capacity (ton)	Investment (US\$ mn)	Progress	Completion Date
1	PT Indonesia Chemical Alumina	Chemical Grade Alumina	1,000,000	0,49	100%	2013
2	PT Well Harvest Winning	Smelter Grade Alumina	1,000,000	1,1	Phase 1 : 100% Phase 2 : 0%	2016 (Phase 1) 2017 (Phase 2)

Completed but not operating

Completed and operating

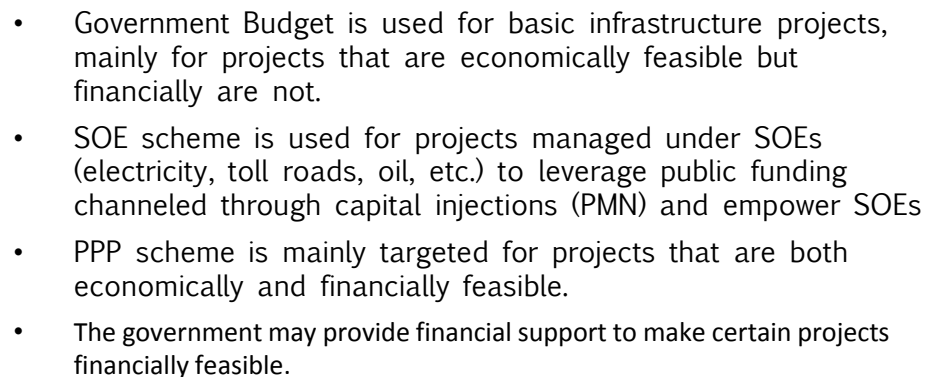


# Investment in Nickel Smelter



No.	Company Name	Product	Input Capacity ('000 ton)	Investment (US\$ Million)	Progress (%)	Completion Date
1	PT Vale Indonesia	Matte (78%Ni)	8,000	845	100	1978
2	PT Aneka Tambang (Pomala)	FeNi	1,450	600	100	2010
3	PT. Fajar Bhakti Lintas Nusantara	NPI (10-16%Ni)	696	174	100	2015
4	PT Sulawesi Mining Investment	NPI (10-15%Ni)	3,000	636	100	2015
5	PT Gebe Industry Nickel	NiOH (99%Ni)	1,100	150	100	2015
6	PT Cahaya Modern Metal Industri	NPI (10-15%Ni)	900	50	100	2014
7	PT Macika Mineral Industri	NPI (10-15%Ni)	360	61	100	2015
8	Indoferro	NPI	1,500	160	100	2012
9	Century Metalindo	FeNi	600	5	100	2013
10	Indonesia Guang Ching Nikel and Stainless Steel	NPI	7,500	1020	100	2016
11	Bintang Timur Steel	NPI (>10% Ni)	292	215	100	2015
12	Titan Mineral	NPI (10% Ni)	530	300	100	2016
13	Heng Tai Yuan	NPI	1,100	363	95	2016
14	Bintang Smelter Indonesia	NPI (10% Ni)	700	231	90	2017
15	Virtu Dragon	FeNi	3,000	500	90	2016
16	Kinlin Nikel Industri	NPI	500	165	90	2017
17	PT Megah Surya Pertiwi	FeNi	1,600	320	83	2016
18	Huadi Nikel Alloy Indonesia	NPI (10% Ni)	530	300	80	2017
19	PT COR Industri Indonesia	NPI (10-15%Ni)	855	400	60	2018
20	PT Karyatama Konawe Utara	NPI (8-10%Ni)	500	45	50	2016
21	PT FeNi Haltim (ANTAM)	FeNi (8-10%Ni)	2,500	1700	30	2018
22	PT First Pasific Mining	FeNi	300	200	29	2018
Total			37,513	8,440		
Total Investment Post 2009			28,063	5,258		

## General criteria for financing schemes



Source: Ministry of Finance

## Financial Facilities Provided to SOEs Infrastructure Projects

- The government may appoint certain SOEs to assign specific infrastructure projects
- To support the infrastructure provision through the SOEs, the government provide a number of financial facilities, such as:
  - Capital Injection (PMN)
  - Lending
  - Credit Guarantees
  - Guarantees for SOE Direct Lending
  - Business Viability Guarantees



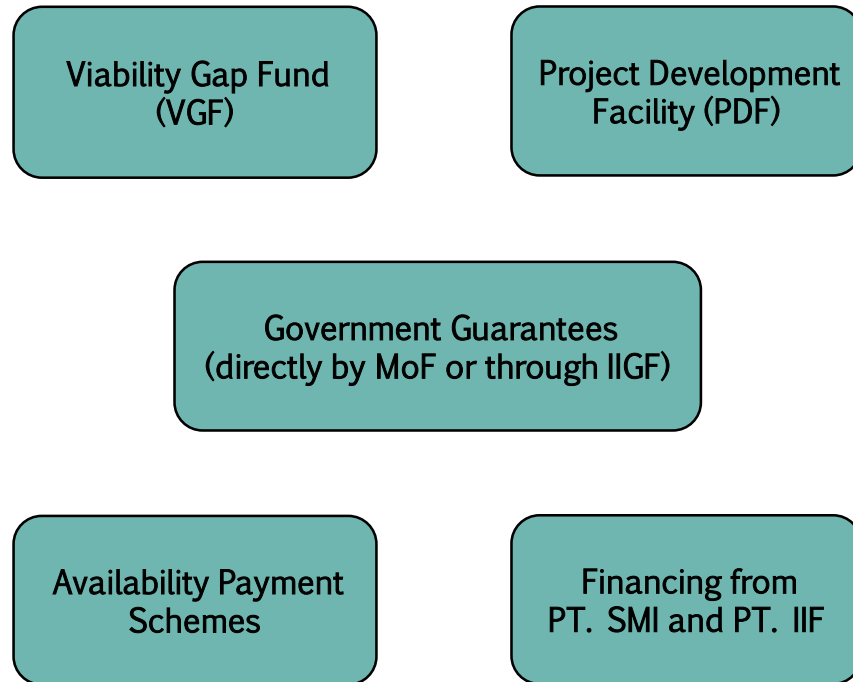
## PPP scheme and facilities provided to PPP Projects



# Government Financial Facilities for PPP Projects



## Financial Facilities to Attract More Private Participation



Those financial facilities were instrumental in supporting the execution of PPP projects, indicated by the signing of financial close of the following PPP projects:

## More Funding Schemes are on the Pipelines

### LCS (Limited Concession Scheme)

Project Financing **funded by the private sector** through the granting of concessions for an operating asset owned by the Government/SOE (based on the policy of the Government) to the private sector to be operated & managed.

#### Scheme Characteristics

- Asset is owned by public sector
- Operating asset, not greenfield project
- Records positive cash flow for the last several years
- Predicted revenue

### PINA (Non-Government Budget Infrastructure Financing)

Project Financing **funded by any source of funds** 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. Supported & facilitated by National Development Planning Ministry/Bappenas.

#### Scheme Characteristics

- Asset is owned by private sector
- Greenfield / brownfield / operating projects

# Progress of PPP Infrastructure Projects



## Successful Projects Reaching Financial Close in 2016 and 2017

No	Project Name	Project Cost (IDR tn)	Financial Facilities	Status
1	Central Java Power Plant	40	Guarantee (MoF & IIGF)	FC on June 6 <sup>th</sup> , 2016; Construction 23%
2	Palapa Ring – West Package	1.28	PDF, IIGF Guarantee & AP	FC on August 11 <sup>th</sup> , 2016; COD target: February 2018
3	Palapa Ring – Central Package	1.38	PDF, IIGF Guarantee & AP	FC on September 29 <sup>th</sup> , 2016; COD target: March 2018
4	Palapa Ring – East Package	5.13	PDF, IIGF Guarantee & AP	FC on March 29 <sup>th</sup> , 2017; COD target: September 2018
5	Umbulan Water	2.1	PDF, VGF & IIGF Guarantee	FC on August 30 <sup>th</sup> , 2016

## Signed PPP Projects in 2016 and 2017

No	Project Name	Project Cost (IDR tn)	Financial Facilities	Status
1	Batang–Semarang Toll Road	11	IIGF Guarantee	PPP & guarantee contracts signed on April 27 <sup>th</sup> , 2016
2	Manado–Bitung Toll Road	5.1	IIGF Guarantee	PPP & guarantee contracts signed on June 8 <sup>th</sup> , 2016
3	Samarinda–Balikpapan Toll Road	9.9	IIGF Guarantee	PPP & guarantee contracts signed on June 8 <sup>th</sup> , 2016
4	Pandaan–Malang Toll Road	5.9	IIGF Guarantee	PPP & guarantee contracts signed on June 8 <sup>th</sup> , 2016
5	Serpong–Balaraja Toll Road	6.0	-	PPP contracts signed on June 8 <sup>th</sup> , 2016
6	Jakarta–Cikampek Toll Road	14.8	Co guarantee (MoF & IIGF)	PPP & guarantee contracts both signed on December 5 <sup>th</sup> , 2016 and February 22 <sup>nd</sup> , 2017
7	Krian–Legundi–Krian Toll Road	9.0	Co guarantee (MoF & IIGF)	PPP & guarantee contracts both signed on December 5 <sup>th</sup> , 2016 and February 22 <sup>nd</sup> , 2017
8	Serang–Panimbang Toll Road	5.3	Co guarantee (MoF & IIGF)	PPP & guarantee contracts signed on February 22 <sup>nd</sup> , 2017
9	Cileunyi–Sumedang–Dawuan Toll Road	8.2	Co guarantee (MoF & IIGF)	PPP & guarantee contracts signed on February 22 <sup>nd</sup> , 2017



# New Guarantee Schemes for Non-PPP Projects



## Guarantee on SOE Direct Lending from International Financial Institutions (IFIs)

The Government had issued **Presidential Regulation No 82/2015** and **Ministry of Finance Regulation No 189/2015** to provide guarantee for SOE Direct Lending from IFIs for the Development of Infrastructure Projects.

The objective of this guarantee is to provide credit enhancement in terms of low interest rate and long tenor financing, with 3 main principles:

State finance soundness

Fiscal sustainability

Best practice of fiscal risk management

## Guarantee for Regional Infrastructure Financing Provision

Based on **Government Regulation No. 95/2015** and **Ministry of Finance Regulation No. 232/2015**, Minister of Finance assigns PT SMI (*Sarana Multi Infrastruktur*) to carry out functions in providing loan to local government, as previously carried out by PIP (Government Investment Center).

The Government had issued **Ministry of Finance Regulation No 174 of 2016** to provide guarantee to PT SMI on the assignment of regional infrastructure financing provision, by loan to local governments that is transferred from PIP to PT SMI, and new loan channeled by PT SMI to the local government.

The objective is to give stimulus to the acceleration of local infrastructure development through the ease of access to infrastructure financing and to boost local economic growth, as well as to provide alternative financing schemes in order to meet local infrastructure development needs and to reduce reliance on state/local budget.

# Progress of SOE's Projects



## Progress of Projects Benefiting from Guarantees on SOE Loans

The Government issued government guarantees to loans of PT. Hutama Karya in the development of Trans-Sumatera Toll Road, as comprise as follow:

No	Sections	Length (Km)	Project Cost (IDR bn)	Status (as of March 10 <sup>th</sup> , 2017)
1	Medan-Binjai	17	2.74	Construction progress: 54.18% Land Acquisition: 89.91%
2	Palembang-Indralaya	22	3.30	Construction progress: 52.68% Land Acquisition: 97.68%
3	Bakauheni-Terbanggibesar	140	16.79	Construction progress: 23.88% Land Acquisition: 78.14%
4	Pekanbaru-Dumai	131	16.21	Construction progress: 41.02% Preparation for DED
5	Terbanggibesar-Pematangpanggang	100	11.86	Preparation
6	Pematangpanggang-Kayuagung	85	10.08	Preparation
7	Kisaran-Tebingtinggi	60	6.99	Survey and Planning
8	Palembang-Tanjungapiapi	90	14.29	Survey and Planning

# Progress of SOE's Projects



## Progress of Projects Benefiting from Guarantees on SOE Direct Lending

No	Project Name	Project Cost (IDR mn)	Lender	SOE	Status
1	Sumatera Power Transmission and Distribution	600	ADB	PT. PLN	Guarantee is effective
2	Sumatera Power Distribution	500	World Bank	PT. PLN	Guarantee is effective
3	The Enhancement of Electricity Grid	330	IDB	PT. PLN	Preparation of guarantee issuance (recommendation to the Minister of Minister for Approval)

## Other Guarantees That Have Been Provided to SOE Projects

No	Program	Guarantee Committed (IDR bn)	SOE	Number of Guarantees
1	Fast Track Program 1	6.98	PT. PLN	36
2	Fast Track Program 2	11.91	PT. PLN	12
3	Clean Water Supply Program	0.02	PDAM	10