

Basic Concept & Implementation

Government Cooperation and
Business Entity (KPBU) In
Infrastructure Provision



Basic Understanding of Infrastructure

- Definition

A physical structure in the form of a system which is a basic facility to support operational **community activities**. • It is the government's obligation to provide

services. • Involves the provision and management of **assets**. • Examples •

Civil buildings such as roads and train tracks • Can be machines (equipment)

such as buses or trains • A complete system such as SPAM or electricity and internet networks

Why Infrastructure is “Special”



- **Expensive**, long lasting, immovable, **limited** in number and used for general (public) purposes
- It is **essential**
 - Will have an impact on the economy and social conditions
- **Strategic** in nature
 - Increasing networks and forming mutual economic agglomerations related
- Provides wider **benefits**
 - Increasing productivity and economic growth • Driving trade and investment climate



Source Financing Infrastructure





Infrastructure Financing Mechanism

Minister of Finance Regulation No. 130 of 2019 concerning Management of Physical Special Allocation Funds

Transfer
From the Center
To region

**Loan
and Grants
Overseas**

- PP 10 of 2011 concerning Procedures Procurement of Foreign Loans and Acceptance of Grants
- PMK No. 195 of 2019 concerning Procedures Withdrawal of Loans and/or External Grants Country

Minister of Finance Regulation No. 111 years old 2012 and amendment number 180 of 2015 concerning Procedures for Issuance and Accountability of Regional Bonds.

**Bond
Area**

**Cooperation
Government
and Body
Business**

- Presidential Regulation no. 38 of 2015 regarding Government Cooperation With Business entity
- VAT Ministerial Regulation no. 2 of 2020
- LKPP Regulation no. 15 of 2019

Involving Business Entities in Infrastructure Provision

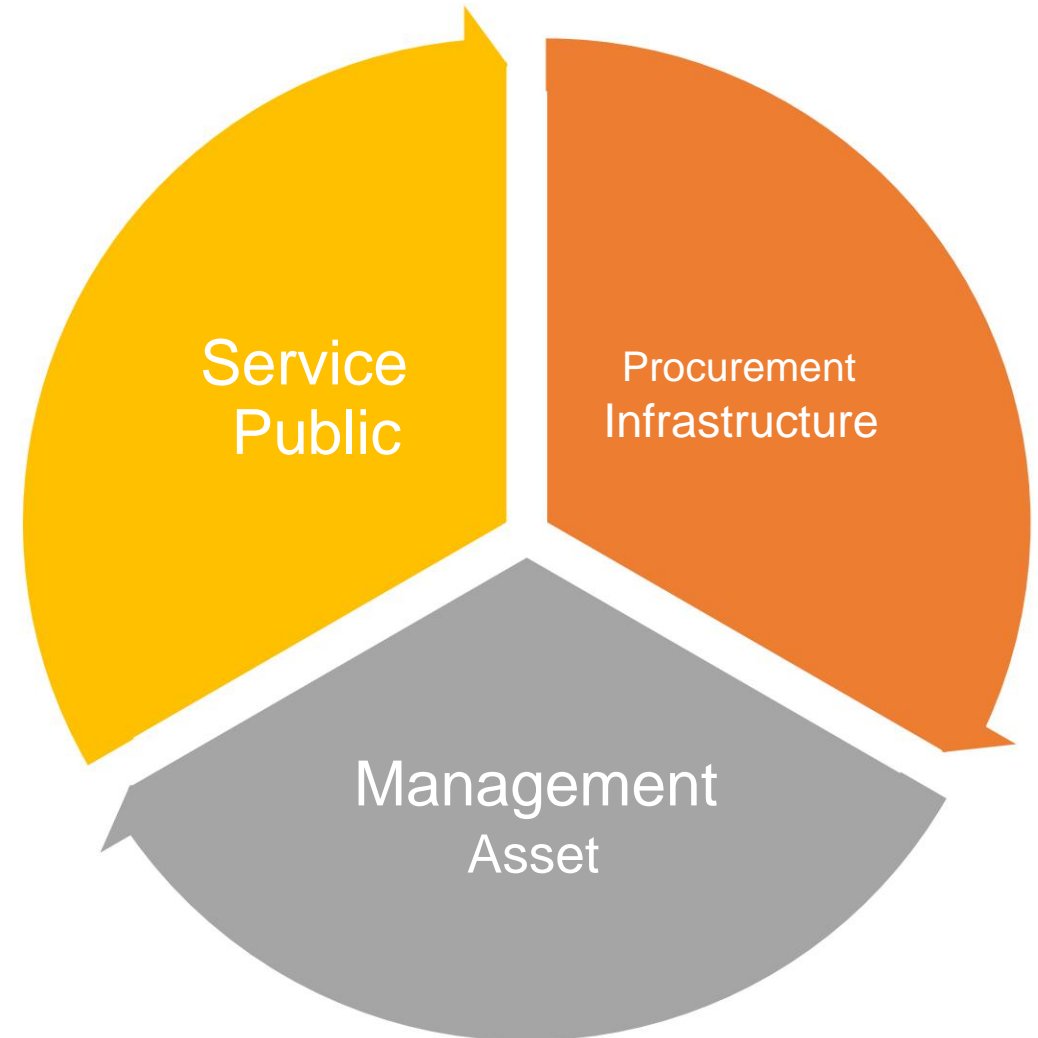
Through the PPP Mechanism

GENERAL UNDERSTANDING

PPP in Infrastructure Provision in international understanding

Methods of **procuring** and providing **public assets**, dedicated to public use or related to the provision of **public services**.

layanan publik



General Definition

PPP is a collaboration between the Government and Business Entities in **providing infrastructure services** for public interest **based on an agreement** between both parties taking into account the principle of **risk sharing**.

(Presidential Decree No. 38/2015)



Legal protection

Presidential Decree

No.38/2015 concerning PPP

LKPP Regulation No 29 of 2018

Concerning Agency Procurement Procedures
Provision Implementation Efforts
Infrastructure through the above PPP
Minister/Head Initiative
Institution/Regional Head

VAT Ministerial Decree/

Ka.Bappenas No. 4/2015

Regarding Implementation Procedures
PPP in Infrastructure Provision

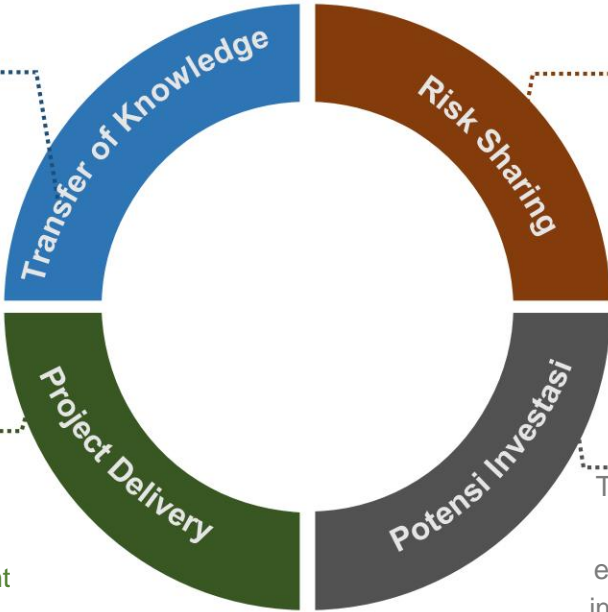
Benefits of the PPP Scheme

Transfer of Knowledge

Through the PPP, it is hoped that there will be a transfer of knowledge and technology from the private sector to the Regional Government.

Project Delivery

Period specific targets construction making parties private sector completes project according to agreement so avoid it *multiyear* budget cycles .



Risk Sharing

There is risk allocation for both parties (private and government) which will also increase project attractiveness.

Investment Potential

The success of an area holding a PPP can be an entry point investment for the private sector other.



What forms of infrastructure provision can be implemented using PPP?

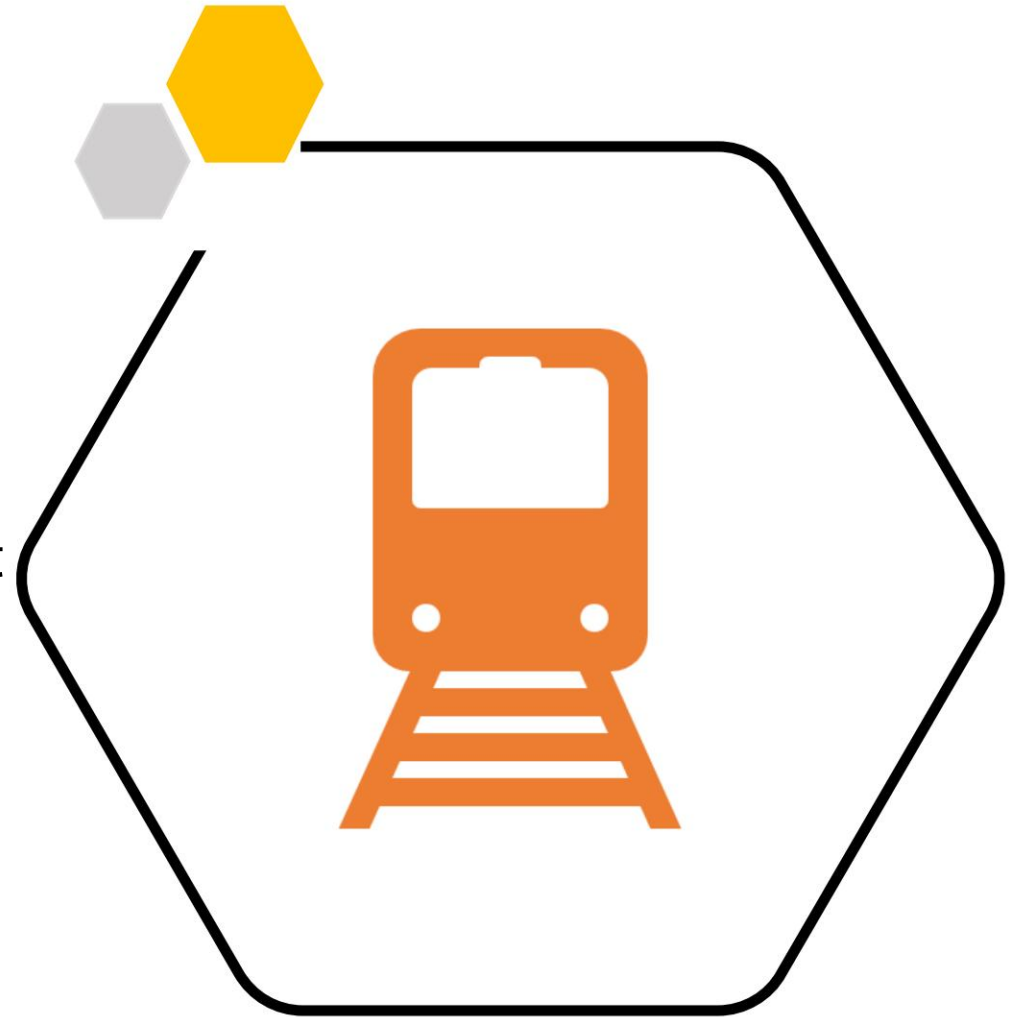
- Building New Infrastructure
- Repair or upgrade existing infrastructure
- Manage government assets
- Operate or provide services

Difference between PPP and Third Party Collaboration

- Long term contracts (> 10 years) •

Business Entities bear significant investment costs (> 50%)

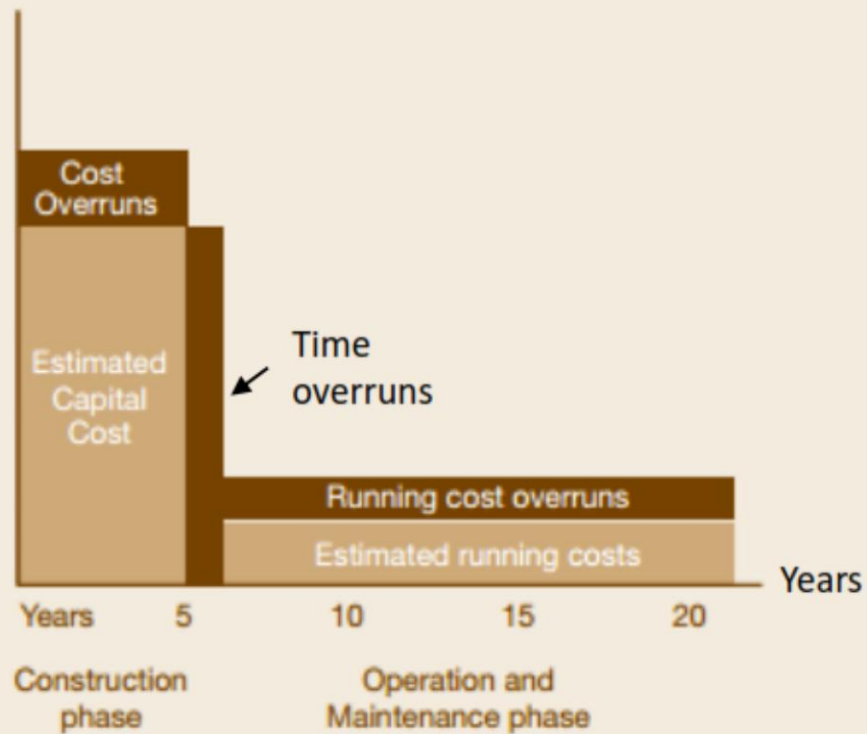
- Performance based pay • Risk sharing



PPP vs Government Procurement of Goods/Services

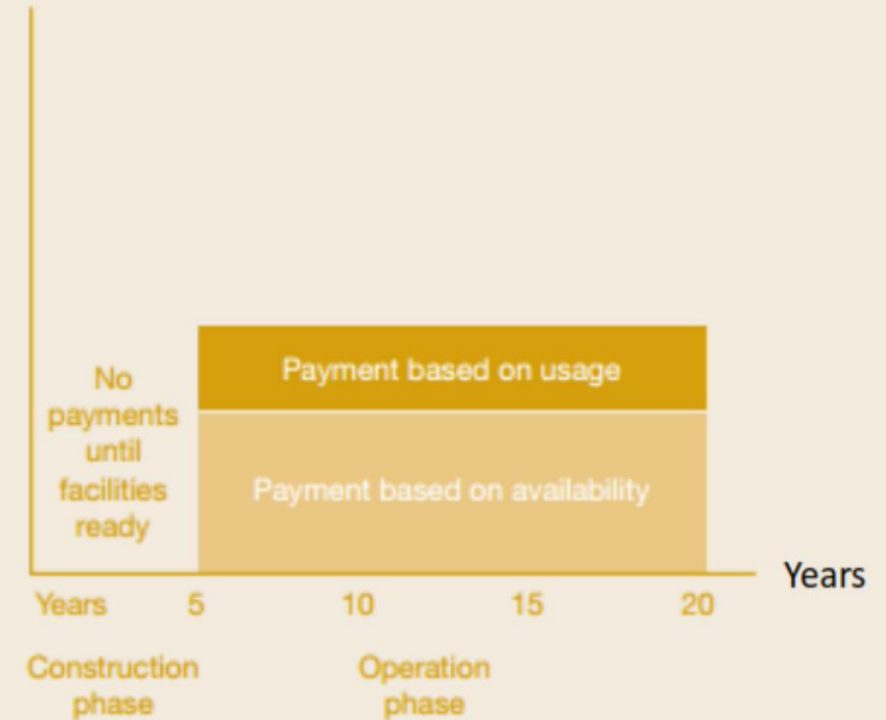
Traditional Government procurement

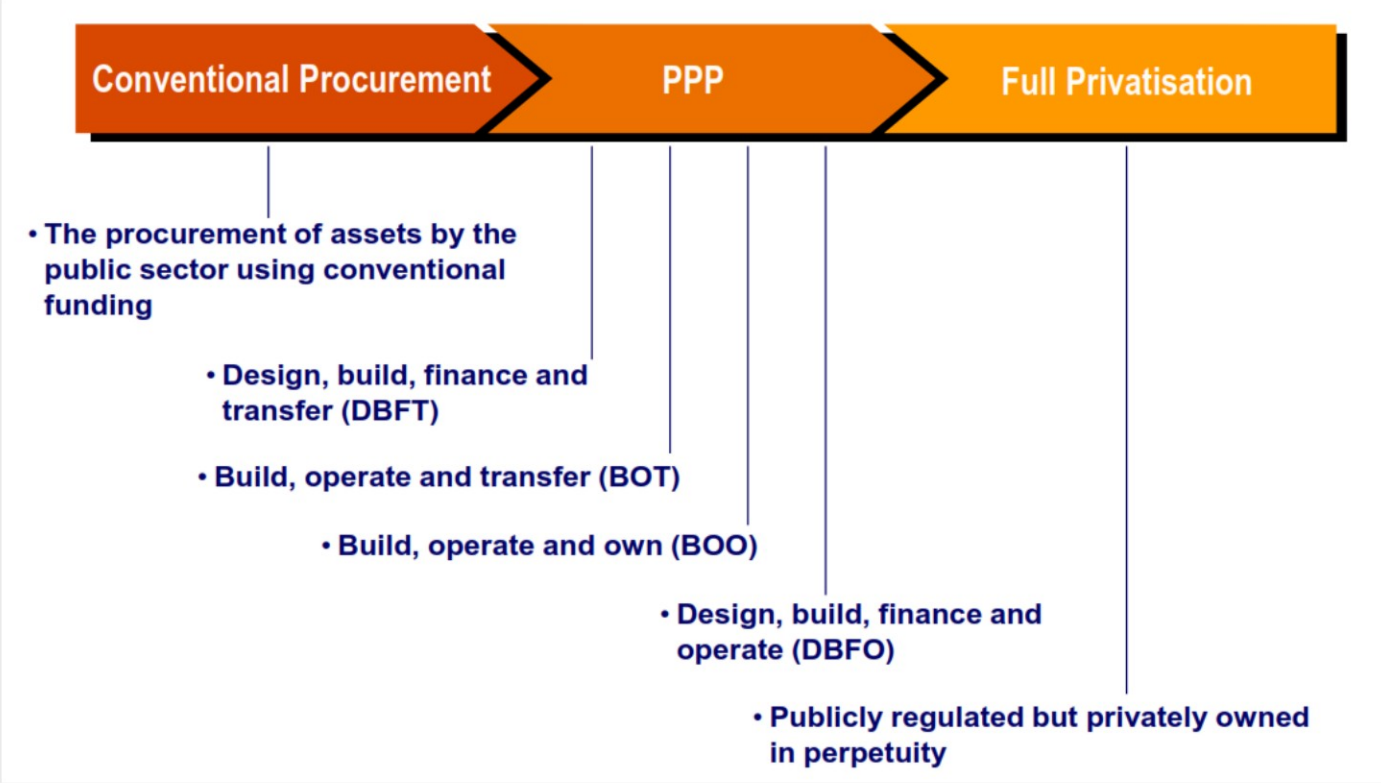
Payment profile can be depicted as follows:



PPP procurement

Payment profile for the public sector





What Can Attract Business Entities to Invest in Infrastructure Provision?



Policy



Regulation
Invitational
legislation



Funding and
Financing



Environmental
and Social

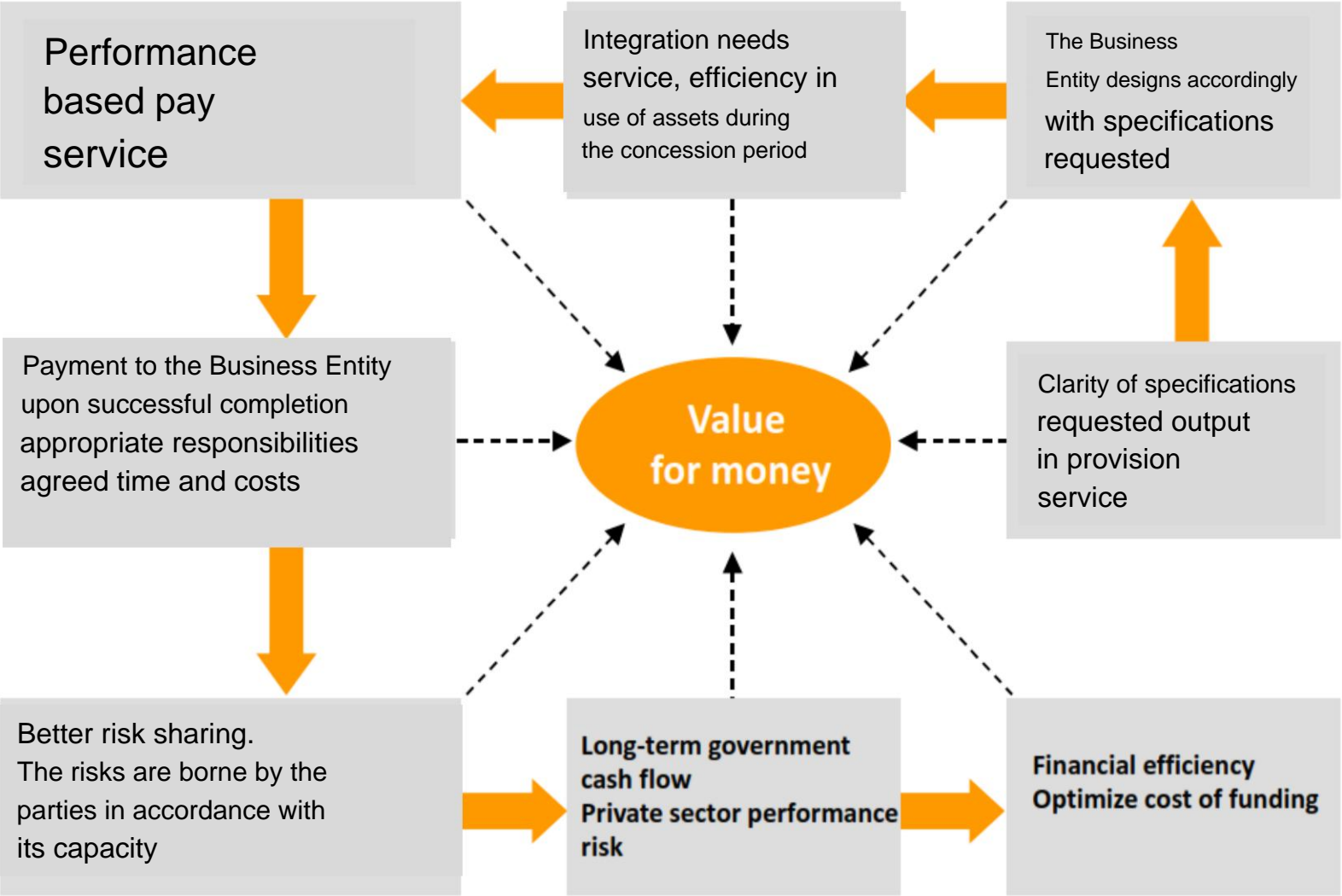


Capacity
Government



Ciri Khas Skema KPBU

Create *Value for Money*





Risk Sharing

Typical Procurement

Design
Construction
Service provision
Maintenance and renewal
Quality of service
Volume
Force majeure
Obsolescence
Residual value
Regulation/ policy

Private Sector Participation

Design
Construction
Service provision
Maintenance and renewal
Quality of service
Volume
Force majeure
Obsolescence
Residual value
Regulation/ policy

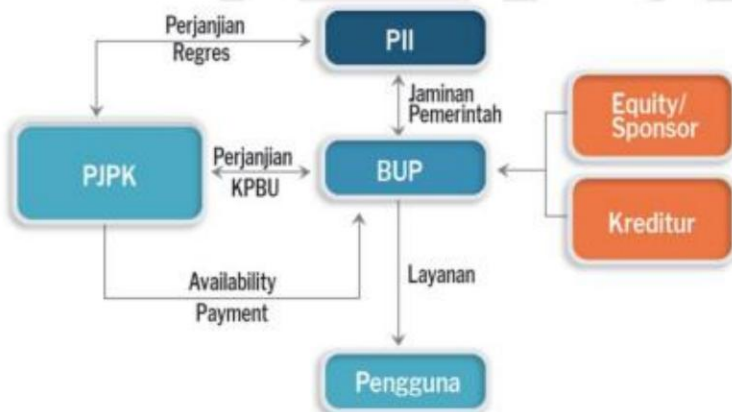
 Private sector  Government  Shared

Investment Return Scheme



Pembayaran Ketersediaan Layanan (Availability Payment)

Pembayaran **secara berkala** oleh Menteri/Kepala Lembaga/Kepala Daerah kepada Badan Usaha Pelaksana **atas tersedianya layanan infrastruktur** yang sesuai dengan kualitas dan/atau kriteria sebagaimana ditentukan dalam perjanjian KPBU.



→ Perlu untuk diperhatikan terkait kapasitas fiskal dari PJP.

Pembayaran Tarif Layanan (User charge)

Pengembalian investasi yang bersumber dari **pembayaran oleh pengguna** atas tarif layanan yang besarnya ditetapkan oleh Pemerintah.



→ Perlu untuk dipastikan adanya demand dari pengguna proyek.

Pengembalian Bentuk Lainnya

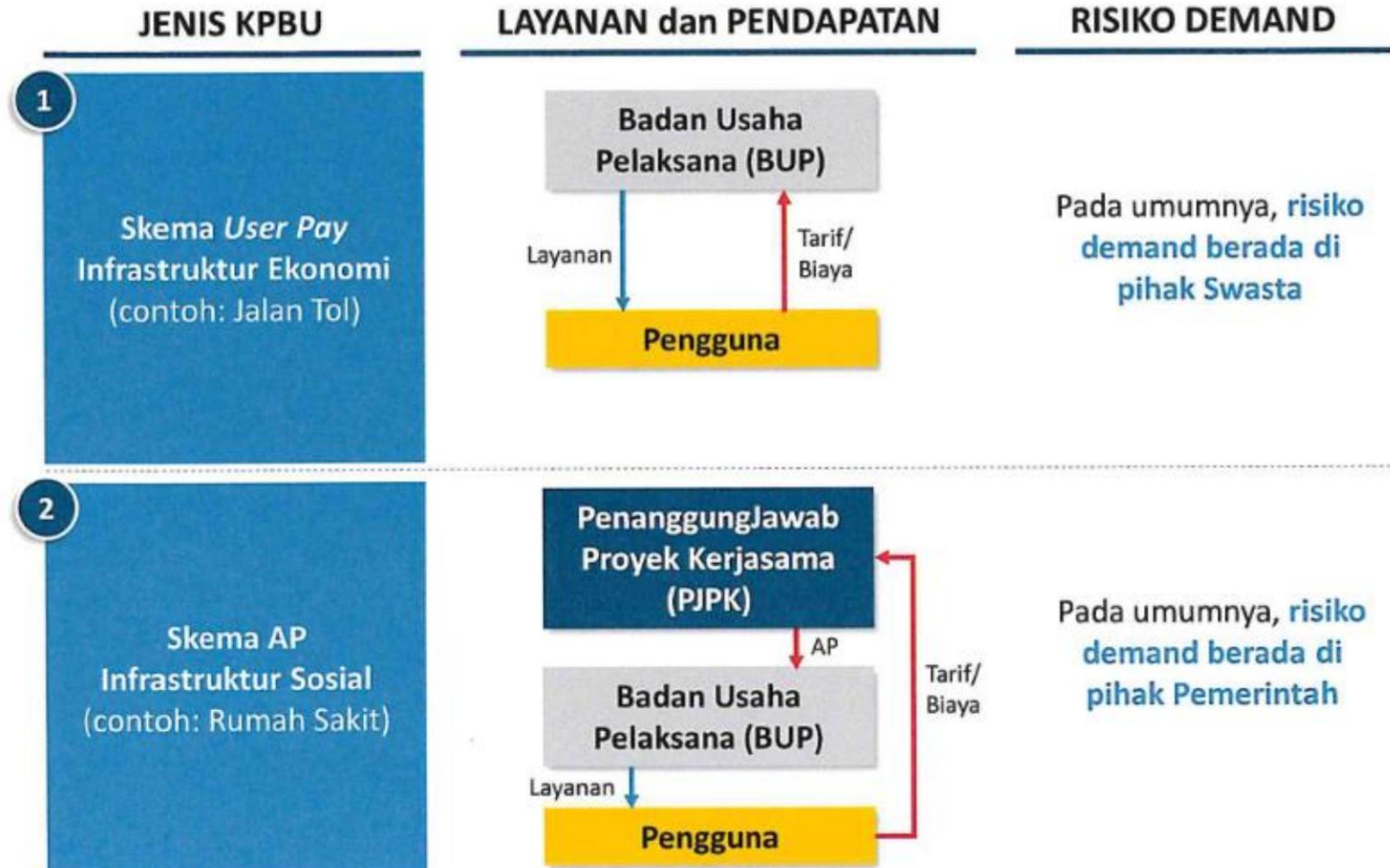
Pengembalian investasi dengan **bentuk lainnya sesuai peraturan perundang undangan.**

Contoh: Rest Area pada Proyek KPBU Jalan Tol.

→ Perlu untuk dipastikan terkait potensi pendapatan serta ketersediaan demand.



Risk Allocation According to PPP Type





PPP PROJECT FEASIBILITY ASSESSMENT

KEY CRITERIA

5 KEY PROJECT CRITERIA THAT CAN BE APPROVED (PPP KNOWLEDGE LAB)

Economic Feasibility of the Project

- Ensure that projects comply with National and sectoral development strategies. Then a technical feasibility assessment is carried out, and ensuring the technology is available. In addition, ensuring justification of the economic and social benefits of the project.

Commercial Feasibility

- Projects can attract sponsors by providing a reasonable rate of return.

The Benefits of Money (Value for Money)

- Ensure that procurement options via PPP can provide the best value for money. (In several countries that have advanced in implementing PPP, the value of monetary benefits between PPP procurement and conventional procurement is compared quantitatively)

Fiscal Capability

- Ensure the capacity of paying users (in this case it can be direct users or the Government) to pay for services infrastructure.

Project management

- Ensure that the Person in Charge of Cooperation Projects (PJPK) has the authority and fiscal capacity to prepare and tender projects and manage the contract during implementation.

Preparing PPP Projects

And examples of its application

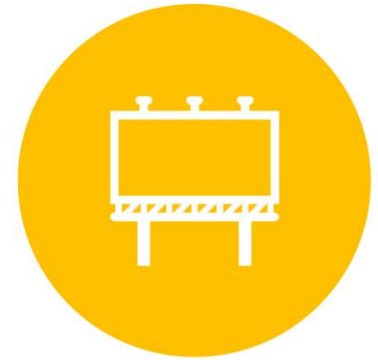
2. Identify Sources of Income



Revenue from tickets
facility users
infrastructure;



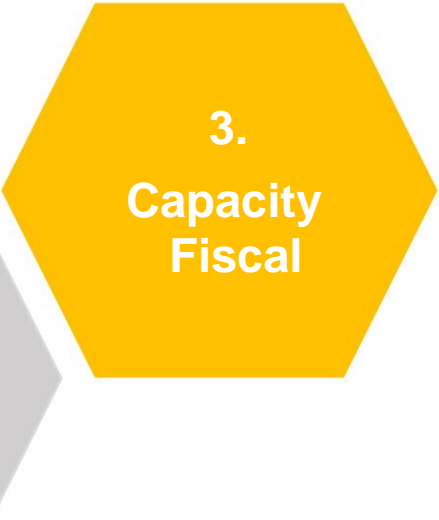
Income from subsidies,
Public Service Obligations
(PSO), and sources
income from the government
other



Other income is appropriate
with forms of cooperation,
such as from income from
integrated advertising
with transportation facilities,
business space rental and
others.



Capacity

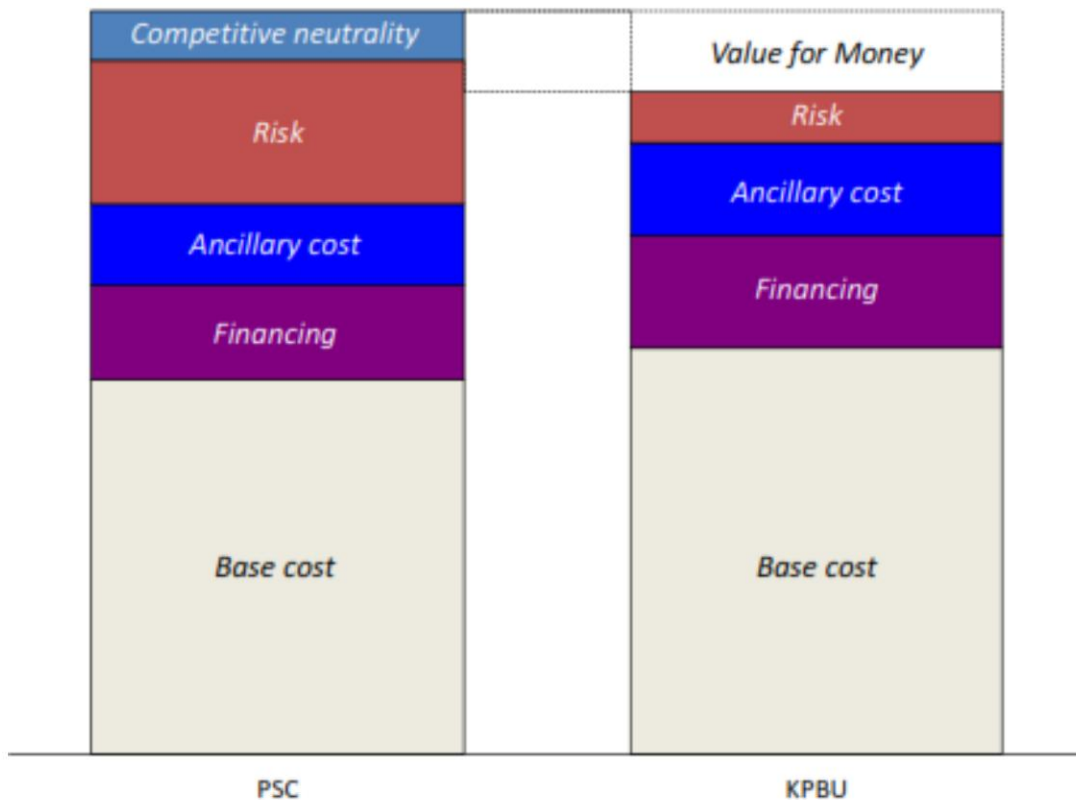


	Realization of Audited FY 2020
Income	
Locally-generated revenue	Rp. 18,521,882,178,042.30 Rp.
Balancing Fund	15,910,828,461,271.00 Rp. Rp.
Other Central Government Transfer Funds	-
Other Provincial Government Transfer Revenues	-
Others Legitimate income	Rp. 71,565,066,005.00 Rp.
Total Income	34,504,275,705,318.30
Income whose use has been determined	
Cigarette Tax	Rp. 3,189,509,530,015.00 Rp.
Tobacco Excise Revenue Sharing Fund	118,051,524,000.00 Rp.
Natural Resources Profit Sharing Fund Reforestation Fund	-
Physical Special Allocation Fund	
Non-Physical Special Allocation Funds	IDR 10,853,697,316,005.00
Special Adjustment and Autonomy Fund	Rp -
Additional Infrastructure Funds	Rp -
Yogyakarta Special Region Special Fund	Rp -
The amount of income whose use has been determined	Rp 14,161,258,370,020.00
Certain shopping	
Employee Shopping	Rp. 6,097,572,592,290.00 Rp .
Flower Shopping	-
Profit Sharing Shopping	Rp. 7,212,501,291,449.00 Rp.
Specific Shopping Amount	13,310,073,883,739.00
Regional Fiscal Capacity	IDR 7,032,943,451,559.30

Source: Minister of Finance Regulation no. 130 Years
2020 concerning Fiscal Capacity Calculations and Maps
Regions in 2020



4. *Value for Money* Analysis



1. Perhitungan Biaya Dasar (*Base Cost*)

Menguraikan perbandingan biaya yang dibutuhkan antara PSC dan KPBU untuk menyediakan infrastruktur dan pelayanan yang sama.

Untuk PSC : CAPEX dan OPEX

Untuk KPBU : CAPEX, OPEX, dan profit

2. *Financing*

Menguraikan perbandingan antara total pembiayaan KPBU dengan PSC. Biasanya total pembiayaan KPBU lebih tinggi daripada PSC karena Badan Usaha memperoleh pinjaman dengan suku bunga yang lebih tinggi.

3. *Ancillary cost*

Menjelaskan biaya lain-lain yang timbul dari pelaksanaan proyek namun tidak terkait langsung dengan proyek, seperti biaya manajemen proyek dan biaya transaksi.

4. *Risk*

Sub-bab ini menguraikan risiko-risiko yang ditanggung oleh Pemerintah. Pada PSC seluruh risiko ditanggung oleh Pemerintah sedangkan pada KPBU sebagian risiko ditransfer kepada Badan Usaha.

5.
Identification
Risk

#	Risk Type	Level Risk	Impact	Proposed Mitigation Efforts	Information
1	Regency/municipal government cannot fulfill waste input due to limited means transportation	tall	Electricity production does not optimal; BU income is reduced; Penalty from PLN	Vehicle procurement waste carrier	Integration with WB loan for Citarum program
2	Regency/municipal governments cannot fulfill waste input despite the conditions ideal	currently	Electricity production does not optimal; BU income is reduced; Penalty from PLN	PKS between district/city governments and Provincial Government determine the district/municipal government keep paying the promised tipping fee	
3	Regency/municipal governments cannot afford it pay a tipping fee to the Provincial Government	tall	TF source to be paid Provincial government is reduced	PII Guarantee or use of provincial government reserve funds	
4	The provincial government is not capable pay tipping fee (portion provincial government)	currently	The provincial government failed pay TF to BU	PII Guarantee or use of provincial government reserve funds	
5	The provincial government is incapable pay the entire amount tipping fees	currently	The provincial government failed pay TF to	PII Guarantee	

#	Types of Risk	Level Risk	Impact	Proposed Mitigation Efforts	Information
1.	The Provincial DPRD does not agree to the project plan and/or mandatory burden borne by the provincial government	currently	Backward auction; The PPP project failed	Approach the DPRD immediately done	Target approval on DPRD for the current period
2.	PKS between the Provincial Government and The city/district government did not reach it	currently	reverse auction, The PPP project failed	Discussion with the district/city government immediately carried out referring to the MoU; Work The same is stated in the PKS	PKS is signed with DPRD approval
3.	The Ministry of Finance does not agree VGF proposal	low	BU and Regional Government burden increase; Project PPP failed	Fulfillment of all VGF prerequisites; The provincial government communicates intensively with DJPPR Ministry of Finance/Committee VGF	
4.	No interested BU candidates	Low	Backward auction; The PPP project failed	Market Sounding will implemented by JICA is monitored to present competent BU candidates	Invite candidates Foreign companies
5	Failed auction	Currently	Backward auction; The PPP project failed	Auctions are carried out according to regulations	Involving LKPP
6.	The PKS between the Provincial Government and BU was not achieved	Low	Construction backwards; auction repeated		
7.	BU won the auction not able to achieve Financial Close	Currently	Construction backwards; auction repeated	The provincial government carries out strict selection in the auction process; Provincial Government assisting the Financial Close process, especially the loan portion	Transparent auction without intervention from the parties anywhere; The provincial government is joining in looking for cheap funds

Factors to Pay Attention to

In Selecting Collaboration Partners



THANK YOU



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