PUBLIC-PRIVATE PARTNERSHIPS

Reghi Perdana

Deputy Director of Public-Private Partnerships and Financial Engineering
Ministry of National Development Planning / National Development Planning Agency
Strategy on Infrastructure Development 2015-2019

Fulfillment of Basic Needs
- 100% Drinking Water access
- 100% sanitation access
- 96.6% electrification ratio
- Livable housing access
- Border & underdeveloped regions accessibility
- Transportation Safety & Security

Infrastructure to support Leading Sectors
- Connectivity
  - Maritime Highway +
  - Intermodal
  - Regional Development/Growth Center
  - Marine Highway
  - Regional Development/Growth Center
  - Under-Developed Area
- Broadband Development:
- Energy Development: 35 GW
  - Target 1,200 kWh/Capita in 2019 (current facts: Vietnam 1,300 kWh/Capita, Malaysia 4,400)

Leading Sector
- Agriculture
- Manufacturing
- Service and Tourism

Urban Transport
- Development of Road, Rail Based Mass Transport System & intermodal
- Improve the capacity and quality of the urban road network
- Urban Transport Development Concept
  - Avoid
  - Shift
  - Improve
  - Network to Support Efficiency Journey
  - Increased share of Public Transport
  - Increased utilization Technology
- Develop sustainable urban transport
- Transportation Institutional integration

Transportation Institutional integration
Private Participation: US$ 131.1Bn (36.5%)

Total Value of Investment Required in Infrastructure 2015-2019:

US$ 359.2Bn (IDR 4,796.2Tn)

SOE: US$ 79.8Bn (22.2%)

Private Participation: US$ 131.1Bn (36.5%)

The Differences of Conventional and PPP Scheme

**Conventional Scheme**
- All risks are burdened to the Government
- Increase in Construction Cost
- Increase in Operational Cost
- Land Acquisition
- Construction Risk

**PPP Scheme**
- Allocated Risks to the Government
- Financing
- Design
- Increase in Construction Cost
- Increase in Operational Cost
- Construction Risk

**Infrastructure Financing Scheme in Indonesia**

**Investment in Infrastructure**

- Government Budget: US$ 148.2Bn (41.3%)
- SOE: US$ 79.8Bn (22.2%)
- Private Participation: US$ 131.1Bn (36.5%)
### PPP Regulations in Infrastructure Provision

#### Subject matter of Presidential Regulation Number 38/2015

<table>
<thead>
<tr>
<th>Aspects</th>
<th>Regulation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Subject of partnership</strong></td>
<td><strong>Government</strong></td>
</tr>
<tr>
<td>1. Minister</td>
<td>1. SOE/ROE</td>
</tr>
<tr>
<td>2. Head of Institution</td>
<td>2. Foreign Business Entity</td>
</tr>
<tr>
<td>3. Head of Region</td>
<td>3. Limited Liability Company</td>
</tr>
<tr>
<td>4. SOE/ROE (mandatory by sector regulation)</td>
<td>4. Cooperation</td>
</tr>
<tr>
<td><strong>Object of Partnership</strong></td>
<td>Economic and Social Infrastructures (19 sectors of infrastructure)</td>
</tr>
<tr>
<td><strong>Government Contribution</strong></td>
<td>1. Government in kind</td>
</tr>
<tr>
<td>2. Government support (i.e. Viability Gap Fund)</td>
<td>2. Availability payment (payment of service availability)</td>
</tr>
<tr>
<td>3. Government guarantee</td>
<td>3. Other forms as long as it doesn’t contravene with the law</td>
</tr>
<tr>
<td><strong>Investment Return for Business Entity</strong></td>
<td>1. User charge (payment by user in the form of tariff)</td>
</tr>
<tr>
<td>2. Availability payment (payment of service availability)</td>
<td></td>
</tr>
<tr>
<td>3. Other forms as long as it doesn’t contravene with the law</td>
<td></td>
</tr>
<tr>
<td><strong>Phases</strong></td>
<td>1. Planning phase</td>
</tr>
<tr>
<td>2. Preparation phase</td>
<td>2. Preparation phase</td>
</tr>
<tr>
<td>3. Transaction phase</td>
<td>3. Transaction phase</td>
</tr>
</tbody>
</table>

- **Presidential Regulation Number 38/2015**
  - Ministry of National Development Planning Regulation Number 4/2015 regarding PPP General Guidelines
  - Provision of Business Entity
    - Head of Government Procurement of Goods and Services Agency Regulation Number 19/2015
    - Procurement of Goods and Services Agency Regulation Number 29/2018
  - **AVAILABILITY PAYMENT:**
    - Minister of Finance Regulation Number 260/PMK.08/2016
    - Minister of Home Affairs Regulation Number 96/2016
  - **GOVERNMENT GUARANTEE**
    - Presidential Regulation Number 78/2010
    - Minister of Finance Regulation Number 260/PMK.011/2010 jo. Minister of Finance Regulation Number 8/PMK.08/2016
  - **GOVERNMENT SUPPORT**
    - Minister of Finance Regulation Number 223/PMK.11/2012 (VGF)
  - Presidential Regulation Number 28/2018 regarding Local Government partnership
19 Sectors of PPP Scheme in Indonesia

Transportation
- Seaport
- Airport
- Railway
- Road

Electricity
- Power Plant
- Transmission

Energy Conservation
- Street Lighting

Telecommunications and Informatics
- Fiber Optic
- e-Gov

Urban Facilities
- Centralized Waste Water Management
- Localized Waste Water Management
- Urban Facility
- Public Housing
- Traditional Market

Water Supply
- Water Resources and Irrigation

Waste Management System

Social Facilities
- Tourism
- Education Facilities
- Sports, Art, and Culture Facility
- Penitentiary
- Health

Connectivity

Urban Connectivity

Could be a combination of 2 sectors where the GCA is determined based on their roles and responsibilities.
Indonesian Government Facilities in PPP Scheme

**Govt Facilities**
- *Viability Gap Fund* (VGF)
- Government Guarantee (IIGF)
- Infrastructure Financing (PT SMI and IIGF)
- Government in-Kind

**Investment Return Scheme**
- Tariff (User Fee)
- Availability Payment
- Other legal forms

**Diagram**
- **PPP Agreement**
- **Regress agreement**
- **Agreement signing**
- **Financier**
- **Equity Sponsor**
- **DEBT**
- **EQUITY**
- **PPP Project Special Purpose Company (SPC)**
- **USER**
- **MoF**
  - regulation of the utilization of state owned asset
Solicited Scheme
2 under operation project, 13 under construction projects, and 40 on progress projects
Unsolicited Scheme
2 under construction projects and 14 on progress projects

1. Tanjung Jabung Bridge (US$ 13.5 million)
2. Karimun Bridge (US$ 13.3 million)
3. Semanan – Balaraja Toll Road
4. Karian Bridge (US$ 13.3 million)
5. Kamal – Teluknaga – Rajeg Toll Road
6. TOD Poris Plawad (US$ 128.5 million)
7. Patimban Port Access Toll Road
8. Gedebage – Tasikmalaya – Cilacap Toll Road
9. Balikpapan – Penajam Paser Utara Toll Bridge
10. Solo – Yogyakarta – NYIA Kulon Progo Toll Road

Total: US$ 10,204 million

Evaluation Criteria:
- Technically integrated with the sector’s master plan
- Economically and financially viable
- The business entity that proposes the initiative has adequate financial capability to finance the project.

*The unsolicited project is when the project is initiated by the private sector.
Coordination and Facilitation According to Authority:

- Ministry of National Development and Planning / Bappenas: Project selection and identification
- Ministry of Finance / Kementerian Keuangan: Fiscal facilitation
- National Public Procurement Agency / LKPP: Procurement – transaction probity
- Indonesia’s Investment Coordinating Board / BKPM: Market sounding and market value
- Ministry of Home Affairs / Kementerian Dalam Negeri: Advisory in Regional Availability Payment
- Coordinating Ministry for Economic Affairs / Kemenko Perekonomian: Debottlenecking
- Indonesia Infrastructure Guarantee Fund / PT.PII: Government Guarantee

Capacity Building
ATTACHMENT
WATER SUPPLY PPP PROJECT
Legal Base Related to Water Supply in Indonesia

- **Article 28 H of the 1945 Constitutional Law**
- **Government Regulation number 122 Year 2015 regarding Drinking Water Supply System**
- **MPWH Regulation number 27 Year 2016 regarding The Implementation of Drinking Water Supply Systems**

Everyone has the right to live in physical and spiritual prosperity, to live, and to get a good and healthy environment and the right to receive health services.

Water Supply System is held to provide drinking water services to the community to fulfill people's rights to drinking water.

The foundation for the implementation of Water Supply System consists of Water Supply Policy and Strategy and Water Supply Master Plan.

- Law No. 11 Year 1974
- Government Regulation No. 121 Year 2015
- Government Regulation No. 122 Year 2015
- MPWH Regulation No. 19 Year 2016
- MPWH Regulation No. 25 Year 2016
- MPWH Regulation No. 27 Year 2016
- MPWH Regulation No. 1 Year 2016

- Law on Limited Liability Companies; Taxation Law; Investment Law, etc.
- Government Regulation 50/2007 regarding Regional Cooperation
- Presidential Regulation 38/2015
- Cross-Sector Regulations
- Sector Regulations

- PPP Regulations
- Local Regulations
- Legal Base of Water Supply
Scope of Partnerships Related to Water Supply in Indonesia

Partnerships of Water Supply (Government Regulation 122/2015)

1. **Build Operate Transfer (BOT)**
   - i. Partial BOT
   - ii. Rehabilitation Operate Transfer (ROT)
   - iii. Rehabilitation Uprating Operate Transfer (RUOT)

2. **Turn Key Project**

3. **Performance Based Contract**

**Raw Water Unit**
*Article 5 Par. 1*

The raw water unit is a means of taking and / or providing Raw Water

**Production Unit**
*Article 7 Par. 1*

The production unit is an infrastructure that can be used to process raw water into drinking water through physical, chemical and / or biological processes

**Distribution Unit**
*Article 8 Par. 1*

Distribution unit is a means of Drinking Water pipeline from reservoir to service units.

**Service Unit**
*Article 9 Par. 1*

The service unit is the point of drinking water intake
1. **Build Operate Transfer (BOT)**
   - Business entities establish and manage Raw Water Units and Production Units
   - The business entity sells water to the Regional Water Company (PDAM)
   - Regional Water Companies (PDAMs) build and manage distribution units
   - Assets that are built and managed by the business entity will be handed over to the PDAM in the end of concession period

2. **Turn Key Project**
   - Private business entities invest in distribution units
   - The distribution unit that has been built will then be operated and managed by a SOE or ROE
   - SOE or ROE will pay installments to privates after the asset handover

3. **Performance Based Contract**
   - Private business entities make technology investments in operation and maintenance in the context of effective and efficient procurement of Water Supply
   - Privates will receive benefits based on the results of the performances
   - Examples of collaboration: energy saving technology, reduction of Non Revenue Water (NRW)

_Sumber: PP 122 Year 2015 tentang SPAM Pasal 56 (3)
Roles Related to PPP in Water Supply

**Government**

- The **Ministry of Public Works** is the regulator for sector strategies and policies
- The **GCA** has the authority to contract with the private sector and together with the **Regional Representative Council (DPRD)** issues a local regulation that supports the implementation of the contract.
- With a regulation that **SOE / ROE** can cooperate with the privates, the SOE / ROE will **act as the GCA**, with the project provisions not requiring fiscal support from the Government.
- **Independent Regulatory Body** which has the authority to oversee the rules of the partnerships and protect the interests of the private and public / consumers
- Etc.

**Private**

- **Special Purpose Company** (can be a Single Business Entity or Consortium)
- **Investors** who become the project’s main sponsor
- **EPC contractor** as infrastructure builder
- **Operators** responsible for infrastructure operations
- **Consultants** as designer and advisor
- **Banking** as a lender
- Etc.
Description:
The Umbulan Water Supply Project aims to increase the water supply capacity to meet the demand in the East Java Province. The capacity of the drinking water is 4,000 L/s at Gresik Regency, Surabaya City, Pasuruan City, Pasuruan Regency and PDAM (Industrial Area) connecting approximately 320,000 households.

Investor(s):
Consortium of Bangun Cipta Kontraktor and Medco Energy International

Financier:
PT IIF and PT SMI (Persero)

Project Status:
Under Construction

Government Contracting Agency: Government of East Java
Contact Person: Lili Soleh Wartadipradja
E-mail: lili_soleh@yahoo.com
Estimated Concession Period: 25 years

Estimated Project Cost: US$ 140.7 million

Financial Feasibility:
FIRR: 14.00%
NPV: US$ 34.2 million

Indicative Government Support & Guarantee:
The project was supported by VGF from the Ministry of Finance as big as 49% of the project cost, financial project support from the Ministry of Public Works and Housing and the Government of East Java, also a guarantee from IIGF.

Implementation Schedule:
2. Land Acquisition: 2016-2017
3. Construction: 2017-2019
4. Operation: 2020
**BANDAR LAMPUNG WATER SUPPLY**

**LOCATION:** Lampung

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**Description:**
Bandar Lampung Water Supply project is a joint project between government and business entity in order to increase the coverage of drinking water services for society in Bandar Lampung from 20% (2015) to 46% (2024) and improving environmental sanitation, living standards, and public health. This project gets Viability Gap Fund from Ministry of Finance.

**Investor(s):**
Bangun Cipta Contractor – Bangun Tjipta Sarana

**Project Status:**
Under Construction

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**Sector:** Water Supply

**Sub-Sector:** Water Supply

**Government Contracting Agency:**
Way Rilau Regional Water Supply Company (“PDAM”)

**Preparation Agency:**
PT SMI through PDF from Ministry of Finance

**Contact Person:**
Mr Supardji (Technical Director of PDAM)
+62-721-483855; e-mail: kpbuspam@pdamwayrilau.com

**Estimated Project Cost:**
US$ 82.6 million

**Estimated Concession Period:**
25 years

**Financial Feasibility:**
- FIRR: 15.30%
- NPV: US$ 20.7 million

**Indicative Government Support & Guarantee:**
This project got a VGF in the amount of US$ 18.8 million from the Ministry of Finance, financial project support from the Ministry of Public Works and Housing and the City Government of Bandar Lampung, and a guarantee from IIGF.

**Implementation Schedule (ETA):**
1. Preparation: 2017
2. Contract Signing: 2018
3. Financial Close & Construction: 2019
4. Operation: 2020

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**Indicative Project Structure**

Data per 12/09/2018
West Semarang Water Supply project is built with a capacity of 1,000 liters per second. The service area is planned to serve three (3) subdistricts divided into five (5) service zones. This project gets Project Development Fund from Ministry of Finance for Final Business Case Preparation and Transaction Advisor Support.

**Government Contracting Agency**: PDAM Tirta Moedal, Municipal Government of Semarang

**Contact Person**: Muhammad Farchan (Director of PDAM Tirta Moedal); +62248315514; e-mail: smgwater@gmail.com

**Estimated Concession Period**: 27 years

**Estimated Project Cost**: US$ 34.0 million

**Financial Feasibility**:
- **FIRR**: 16.00%
- **NPV**: US$ 1.8 million


**Implementation Schedule**:
1. Preparation : 2017
2. Land Acquisition : 2018
3. PPP Agreement Signing : November 2018
4. Financial Close : April 2019
5. Construction : 2019 - 2020
6. Operation : 2021

**Indicative Project Structure**

**Business Opportunity**: Bidder/financier

**Project Status**: Project is currently on PPP Agreement Signing phase

Data per 21/01/2019
The purpose of Pekanbaru Water Supply is to provide reliable drinking water infrastructure and to support economic activities in Pekanbaru City. The project includes rehabilitation and uprating existing WTP and reservoir to reach 500 lps and construction of a new intake facility, TWP, and reservoir with capacity of 250 lps. With total coverage of 61,000 connections for 7 districts in Pekanbaru.

Government Contracting Agency: Director PDAM Tirta Siak Pekanbaru
Contact Person: Kemas Yuzferi (Director of PDAM); +62-761-23825 or +62-813-6440-1776
e-mail: pdamts.kpbu@gmail.com
Estimated Concession Period: 25 years

Estimated Project Cost: US$ 37.6 million

Financial Feasibility:
IRR: 15.00%
NPV: US$ 9.2 million


Project Timeline:
- Q4 2018: Final Business Case (FBC)
- Q2 2019: Pre-Qualification
- Q2 2019: Request for Proposal
- Q3 2019: Bid Award
- Q4 2019: Contract Signing
- Q1 2020: Financial Close
- Q1 2020: Construction

Data per 22/01/2019
Description: Jatiluhur Regional Water Supply is a drinking water facility with 5,000 L/s outflow generated. This water supply system (Karawang Regency, Bekasi Regency, Bekasi City, and DKI Jakarta) covers the construction of intake, transmission pipeline, water treatment plant (WTP), and main development network.

Business Opportunity: Bidder/financier

Project Status: Project is currently on Procurement phase

JATILUHUR REGIONAL WATER SUPPLY I (UNSOLICITED PROJECT)

LOCATION: DKI Jakarta – West Java

Sector: Water Supply

Sub-Sector: Water Supply

Government Contracting Agency: Director of Perum Jasa Tirta 2
Contact Person: Djoko Saputro (Director of Perum Jasa Tirta 2)
+62-264-201972; e-mail: pjt2@jasatirta2.co.id
Estimated Concession Period: 30 years

Estimated Project Cost: US$ 142.2 million

Financial Feasibility:
FIRR: 13.62%
NPV: US$ 29.8 million

Indicative Government Support & Guarantee:
For Unsolicited Project, the project initiator will get a benefit to choose the compensation (additional 10% point on the procurement score, right to match, or purchasing initiative ideas by GCA).

Implementation Schedule:
1. Preparation: 2016-2018
2. Land Acquisition: 2016
3. Construction: 2018
4. Operation: 2021

Indicative Project Structure

Data per 21/01/2019