



PPP Projects in Indonesia: Issues and Challenges

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PT Sarana Multi Infrastruktur (Persero)

Fiscal Support from Ministry of Finance (MoF) to Attract More Private Participation through PPP

**Viability Gap
Fund (VGF)**

**Project
Development
Facility (PDF)**

**Government
Guarantee**
(Directly by MoF or
through IIGF)

**Availability
Payment
Schemes**

Those financial facilities are fiscal tools in supporting the execution of PPP projects, indicated by the signing of financial close of the following PPP projects:

No	Project Name	Project Cost	Financial Facilities	Financial Close
1	Central Java Power Plant	IDR40 Trillion / USD 3.03 Billion	Government Guarantee (MoF & IIGF)	6 June 2016
2	Palapa Ring-West Package	IDR1.28 Trillion / USD 97 Million	PDF, IIGF Guarantee & Availability Payment	11 August 2016
3	Palapa Ring-Central Package	IDR1.38 Trillion / USD 105 Million	PDF, IIGF Guarantee, Availability Payment, Financing from PT. SMI & PT. IIF	29 August 2016
4	Umbulan Water Supply	IDR2.10 Trillion / USD 159 Million	PDF, VGF, IIGF Guarantee, Financing from PT. SMI & PT. IIF	30 December 2016
5	Palapa Ring-East Package	IDR5.09 Trillion / USD 386 Million	PDF, IIGF Guarantee, Availability Payment, Financing from PT. SMI & PT. IIF	29 March 2017

Fiscal Support from Ministry of Finance (MoF) to Attract More Private Participation through PPP

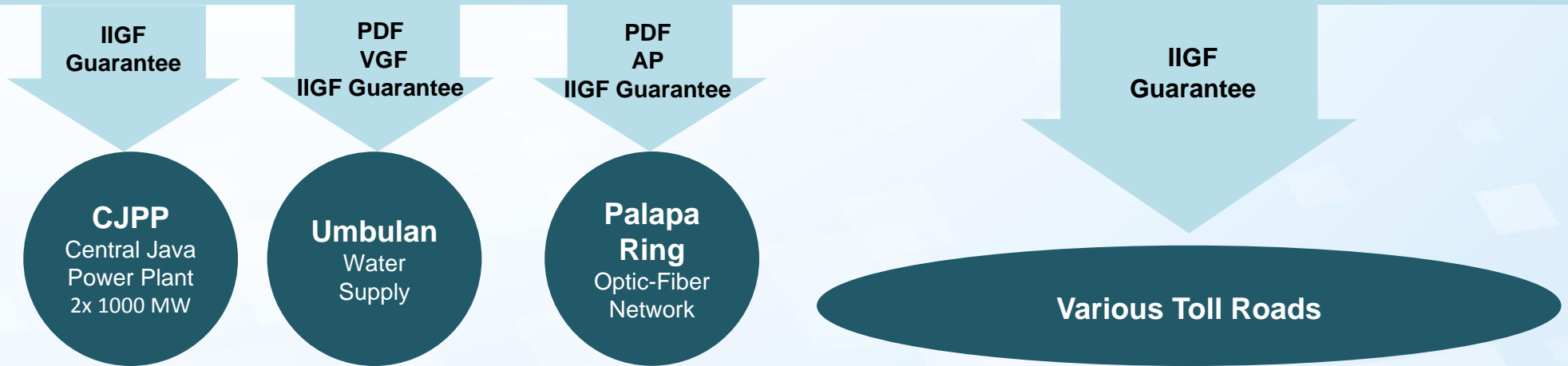
Project Development Facility (PDF)

Viability Gap Fund (VGF)

Government Guarantee
(Directly by MoF or through IIGF)

Availability Payment Schemes (AP)

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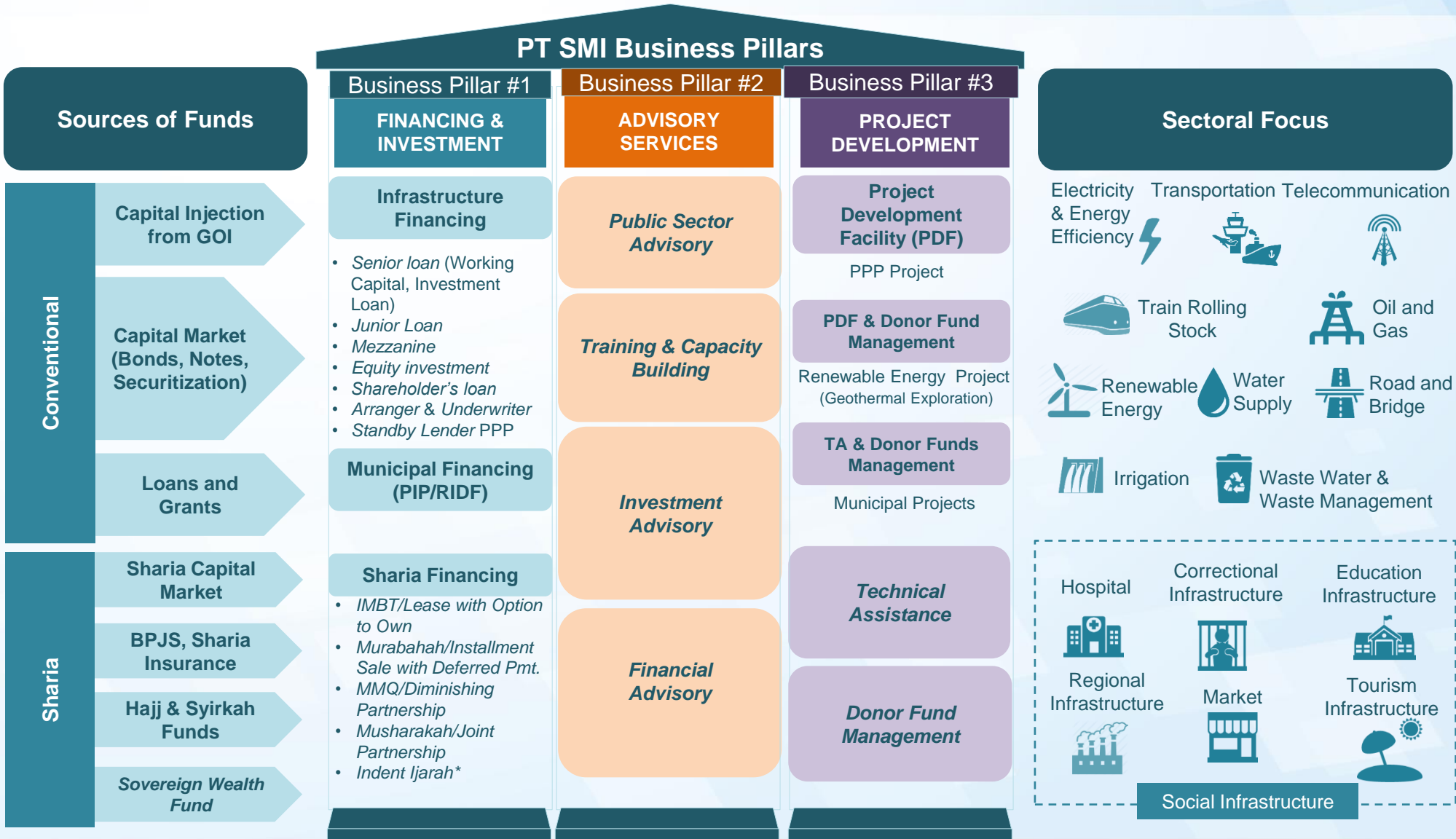
These Support Has Made PPP is Happening as one of the option for the Acceleration of Infrastructure Development in various sectors across Indonesia

List of PPP Awarded Projects in Indonesia

No	Projects	Sector	Estimated Project Cost	Facilities / Support	Signing	Status
1	Manado-Bitung	Toll Road	Rp 5.1 trillion/ USD 386 Million	IIGF Guarantee	8 June 2016	Construction
2	Balikpapan-Samarinda	Toll Road	Rp 9.9 trillion/ USD 750 Million	IIGF Guarantee	8 June 2016	Construction
3	Pandaan-Malang	Toll Road	Rp 5.9 trillion/ USD 447 Million	IIGF Guarantee	8 June 2016	Construction
4	Krian-Legundi-Manyar	Toll Road	Rp 9.02 trillion/ USD 683 Million	Government Guarantee (MoF and IIGF)	5 December 2016 (Guarantee 22-Feb-17)	Construction
5	Jakarta-Cikampek II Elevated	Toll Road	Rp 16.4 trillion/ USD 1,242 Million	Government Guarantee (MoF and IIGF)	5 December 2016 (Guarantee 22-Feb-17)	Construction
6	Batang-Semarang	Toll Road	Rp 11 trillion/ USD 833 Million	IIGF Guarantee	27 April 2016	Construction
7	Serpong-Balaraja	Toll Road	Rp 9.9 trillion/ USD 455 Million		8 June 2016	Construction
8	Umbulan Water Supply	Water Supply	IDR2.10 Trillion / USD 159 Million	PDF, VGF, Financing from PT. SMI & PT. IIF & IIGF Guarantee	30 December 2016	Construction
9	Central Java Power Plant	Power Plant	IDR40 Trillion / USD 3.03 Billion	Government Guarantee (MoF & IIGF)	6 June 2016	Construction
	Palapa Ring-West		IDR1.28 Trillion / USD 97 Million		11 August 2016	
10	Palapa Ring-Central	Telecom- munication	IDR1.38 Trillion / USD 105 Million	IIGF Guarantee, Financing from PT. SMI & PT. IIF & Availability Payment	29 August 2016	Construction
	Palapa Ring-East		IDR5.09 Trillion / USD 386 Million		29 March 2017	
11	Cisumdawu	Toll Road	Rp 8.21 trillion/ USD 622 Million	Government Guarantee (MoF and IIGF)	22 February 17	Financial Close
12	Serang-Panimbang	Toll Road	Rp 5.33 trillion/ USD 404 Million	Government Guarantee (MoF and IIGF)	22 February 17	Financial Close

Assigned by Ministry of Finance, PT SMI Serves as the Enabler in the PPP Project Preparation through PDF*

PPP Project		Contracting Agency	Project Value	Government Support	Status
Palapa Ring	West Package	Ministry of Communication and Informatics	Rp 1.28 Trillion (~USD 96.05 Million)	<ul style="list-style-type: none"> Govt Guarantee through IIGF 	Construction
	Middle Package		Rp 1.38 Trillion (~USD 103.55 Million)		
	East Package		Rp 5.09 Trillion (~USD 381.93 Million)		
Water Supply System Umbulan		East Java Province	Rp 2.05 Trillion (~USD 183.52 Million)	<ul style="list-style-type: none"> Viability Gap Funding (VGF) Govt Guarantee through IIGF 	Construction
Water Supply System Lampung		City of Bandar Lampung	Rp 700 Billion (~USD 52.52 Million)	<ul style="list-style-type: none"> Viability Gap Funding (VGF) Govt Guarantee through IIGF 	Bid Evaluation
City Transportation Medan		City of Medan	Rp 6.40 Trillion (~USD 479.51 Million)	<ul style="list-style-type: none"> Viability Gap Funding (VGF) Potential Govt Guarantee through IIGF 	FBC Drafting
Regional Public Hospital Sidoarjo		Sidoarjo District	Rp 251,00Billion (~USD19.02 Million)	<ul style="list-style-type: none"> Potential Govt Guarantee through IIGF 	FBC Drafting
Water Supply System Pekanbaru		City of Pekanbaru	Rp 478,00Billion (~USD36.21 Million)	<ul style="list-style-type: none"> Potential Govt Guarantee through IIGF 	FBC Drafting
Toll Road of Surabaya-Madura Bridge		Ministry of Public Works	Rp 1.3 Trillion (~USD 1 00 Million)	<ul style="list-style-type: none"> Potential Govt Guarantee through IIGF 	MOF Principle Approval
Sam Ratulangi Teaching Hospital		Ministry of Research and Higher Education	Rp 387,23Billion (~USD29.01 Million)	<ul style="list-style-type: none"> Potential Govt Guarantee through IIGF 	MOF Principle Approval



IMBT= Ijarah Muntahia Bittamlik

MMQ= Musyarakah Mutanaqisah

* under development

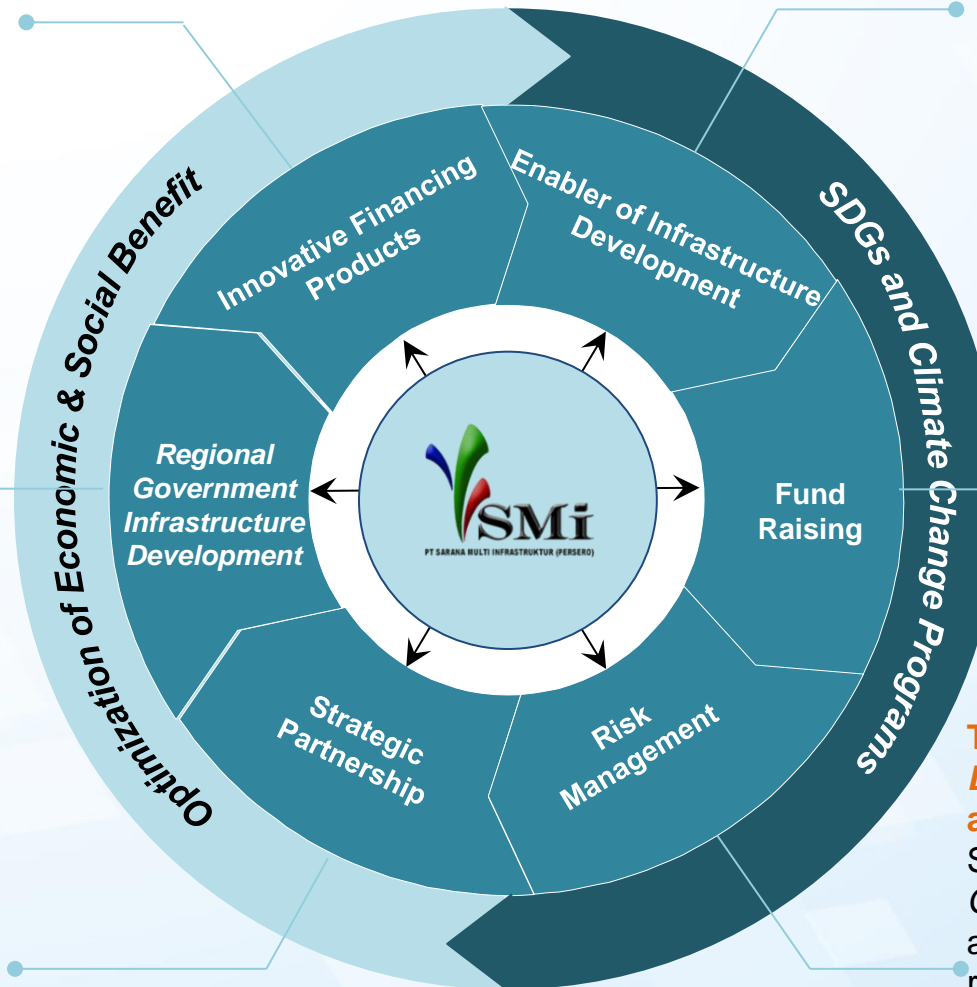
PT SMI Has a Mandate to Become a Catalyst to Support Infrastructure Development

Various & Flexible Financing Products

To close the gap; e.g. senior loan, mezzanine, shareholder's loan and equity investment

Financing facility for regional government to **accelerate infrastructure development**

Optimization of Strategic Partnership and Technical Assistance from bilateral/multilateral organizations



Enabler to accelerate infrastructure development
Providing advisory services, project development, capacity building

Fund Raising Optimization (leveraging) from capital market, conventional & sharia banking, bilateral and multilateral organization

To Support Sustainable Development Goals (SDGs) and Climate Change programs
Setting up a special division, Green Climate Fund (GCF) accreditation, ESMF guidelines, renewable energy promotion



PT SMI's Mandate

Long-term financing

Innovative Financing Product

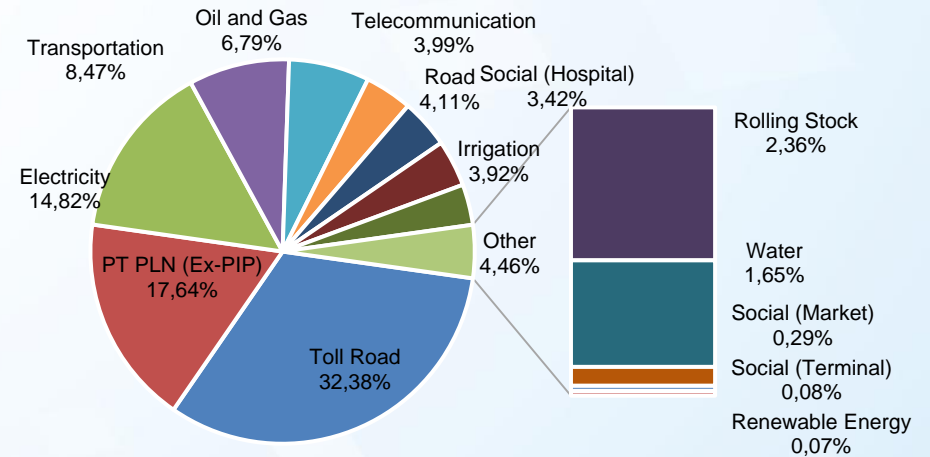
Flexible Financing Scheme

Large Multiplier effect

Competitive interest rate



Financing Sectors



Multiplier Effect

Total Project Cost
IDR 270.1 Trillion

Multiplier Effect
5.3 times to Financing Commitment

9.5 times to Paid-up Capital



Long-term and Flexible Scheme

Maturity Up to 25 Years

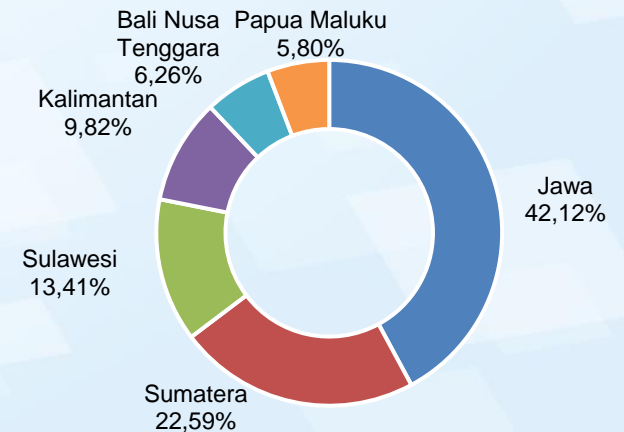
Grace Period Up to 15 Tahun



Example: Toll Road Financing of Palembang - Indralaya

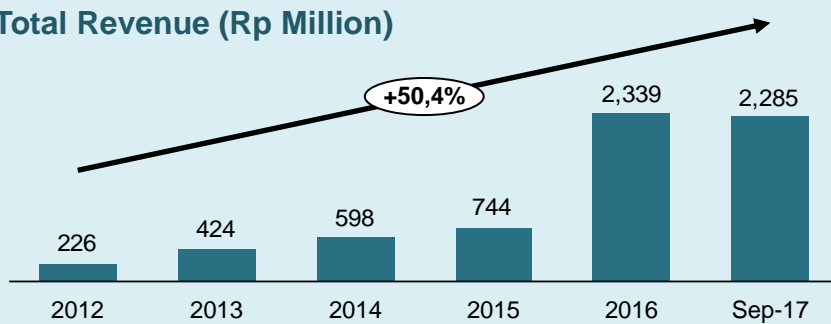


Project Location Mix

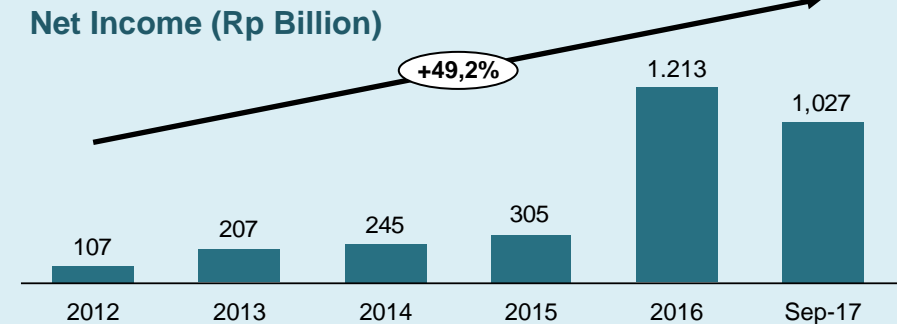


	2012 (Audited)	2013 (Audited)	2014 (Audited)	2015 (Audited)	2016 (Audited)	Sep-2017 (Unaudited)
Financial Statements Opinion	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion	-
Soundness Level	AA	AAA	AAA	AAA	AAA	-
Corporate Rating	AA/Stable (Fitch Ratings)	AA+/Stable (Fitch Ratings)	AA+/Stable (Pefindo & Fitch)	AA+/Stable (Pefindo & Fitch)	AAA/Stable (Pefindo)**	AAA/Stable (Pefindo)

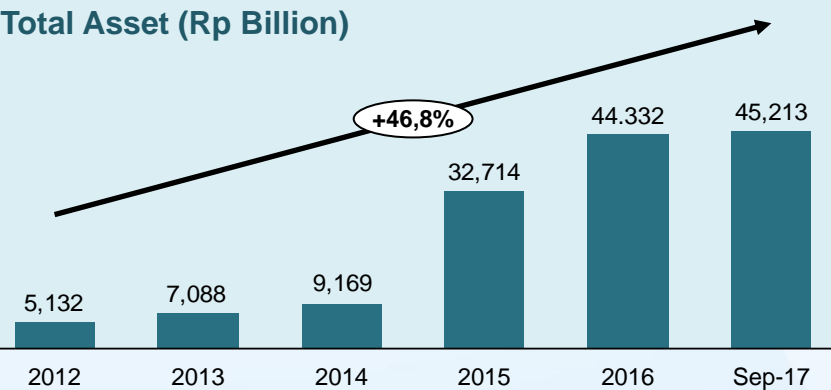
Total Revenue (Rp Million)



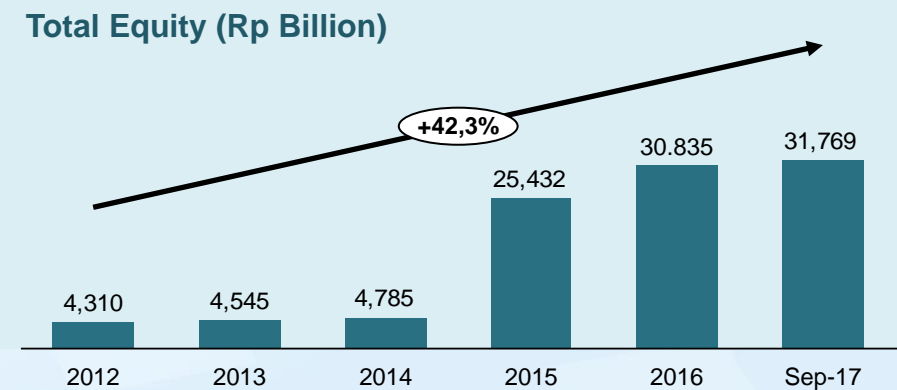
Net Income (Rp Billion)



Total Asset (Rp Billion)



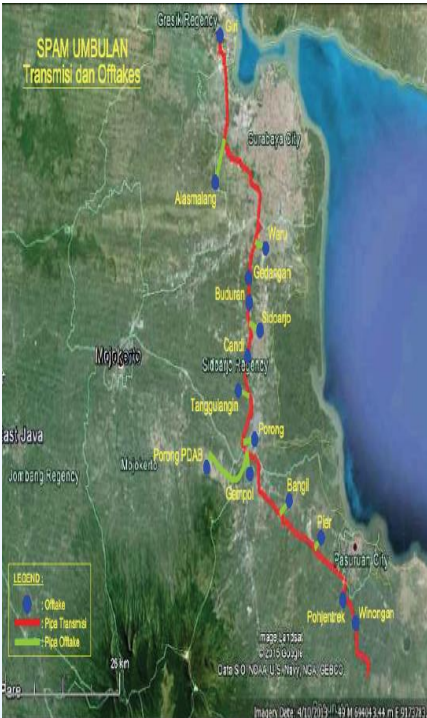
Total Equity (Rp Billion)



1 Umbulan Water Supply

2 Palapa Ring

3 Lesson Learnt



COOPERATION STRUCTURE

Govt Contracting Agency	East Java Provincial Government
Offtakers	5 Local Water Enterprises (PDAMs): Pasuruan City, Pasuruan Regency, Sidoarjo Regency, Surabaya City, Gresik Regency
Private Entity Role	Build Operate & Transfer of New Facilities (Production, Transmission, & Offtake System)
PDAMs Role	Build & Operate Distribution system to end user connection (will serve \pm 1,3 million people)
East Java Water Enterprise (PDAB) Role	Aggregator (receive water from private entity & supply water to PDAMs) & Offtaker for 200 liter/second

PPP FACILITIES

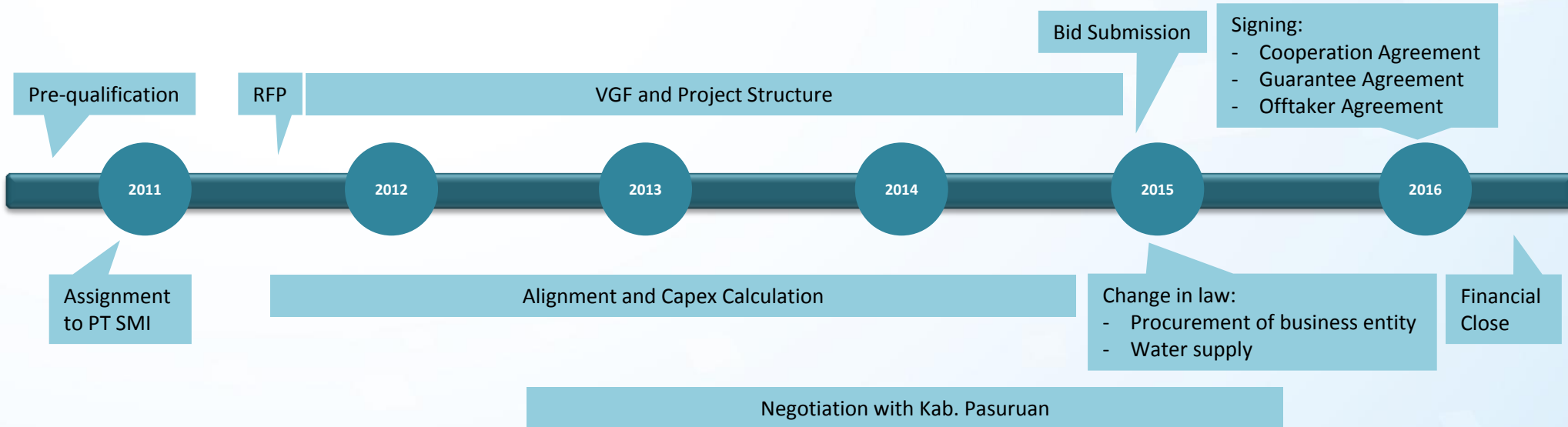
1. Production System	4.000 liter/second
2. Transmission System	\pm 93 km piping transmission system
3. Offtake System	16 Tapping Pipe & Water Meter Systems in 5 different local govt administrative areas

PROJECT INFO SUMMARY

Project Value	\pm IDR 2,3 Trillion
Construction Period	2 years from the Effective Date of the PPP Agreement
Concession Period	25 years from the Commercial Operation Date (COD)
Viability Gap Fund (VGF) from MoF	IDR 818,01 Billion



Umbulan Water Supply Project Milestone



First PPP Project with Viability Gap Fund



First PPP Project with Combination of Government Support & Guarantee



First PPP Project in Water Sector



PPP Project in Provincial Level (consists of 5 municipal areas)



GCA

- GCA's commitment
- GCA's capacity

- Lack of commitment from the GCA to make the project going forward
- Understanding/knowledge of PPP



Regulatory Framework

- Overlapping and complexity of regulations

- Unclear implementation of regulations
- Multiple interpretations of regulations



Multiple Stakeholder

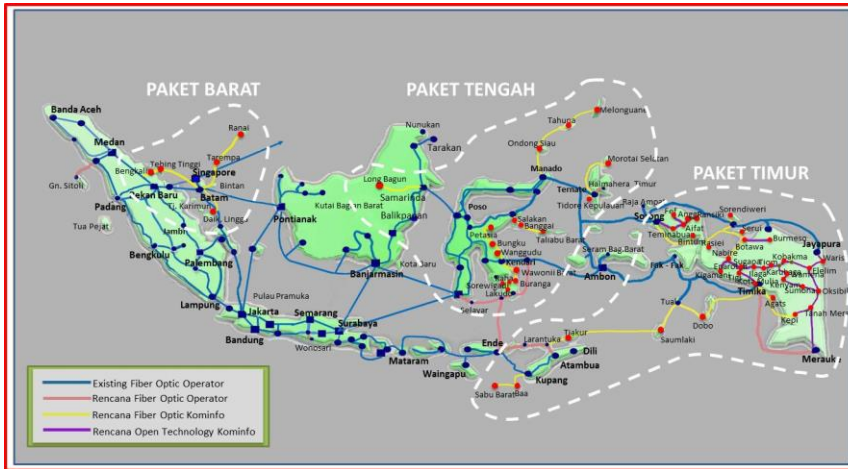
- There are more than 70 related stakeholders
- Capacity gap among stakeholders

- Different mind set and knowledge capacity gap among stakeholder need extra effort in managing stakeholder
- Different commitment among stakeholder
- Project championship

1 Umbulan Water Supply

2 Palapa Ring

3 Lesson Learnt



ECONOMIC AND FINANCIAL ASPECT

Capital Cost Estimates	West Package: USD 92.504.000 ≈ Rp 1,28 Triliun Middle Package: USD 99.250.000 ≈ Rp 1,38 Triliun East Package: Rp 5.097.926.900.000,- *USD 1 ≈ Rp 13.800
Contract Period	± 18 months construction and 15 years for operational for each package
Post Tax WACC Target	- West and Middle Package: 12,5% (DER 80:20, Equity Return 20%, Senior debt rate 14%) - East Package: 12,5% (DER 80:20, Equity Return 25%, Senior debt rate 12,3%)

PROJECT RATIONALE

National Target	National Project included in National Long Term Plan 2015-2019
Telecommunication needs	National backbone network
Project Target	Remote region with geographical challenge and small potential user which has not been connected with internet access.

PROJECT STRUCTURE

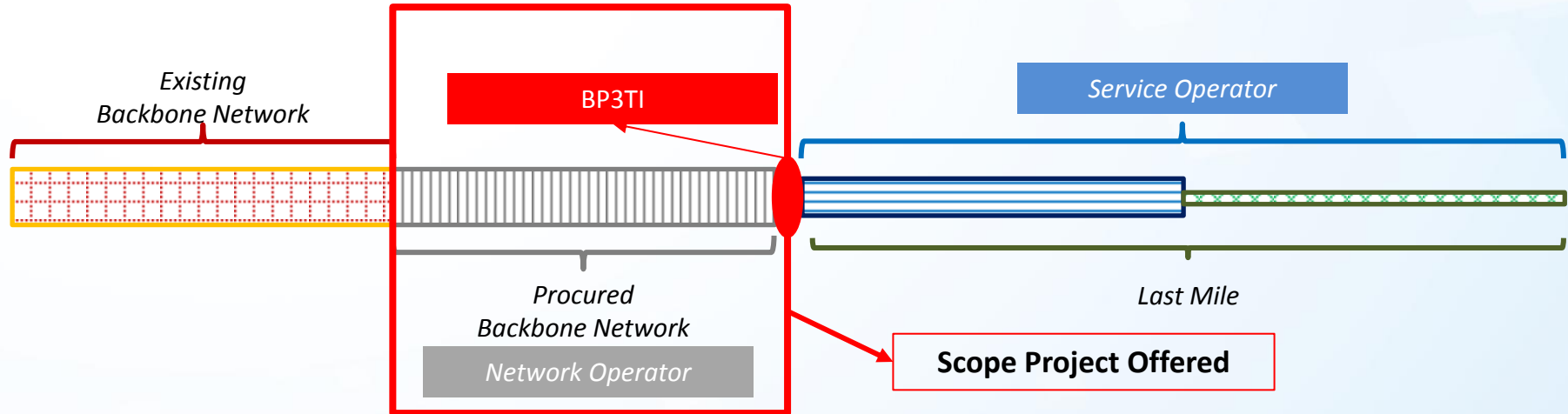
GCA	Ministry of Communication and Information Technology Indonesia
Private Role	<ul style="list-style-type: none"> Engineering design and construction Backbone network provision, operational, and maintenance Project financing

STATUS

Availability Payment	In Principal Approval from MoF obtained on 6 Oktober 2015
Guarantee	In Principal Approval from IIGF obtained on tanggal 20 November 2015 (West and Middle Package) and 20 Mei 2016 (East Package)
Project Status	<ul style="list-style-type: none"> West Package: Financial Close on 11 Agustus 2016 Middle Package: Financial Close on 29 September 2016 East Package: Financial Close on 29 Maret 2017

TECHNICAL ASPECT

Technology	Fiber optic network or microwave if geographical condition challenging
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Project Structure

GCA/Public Role

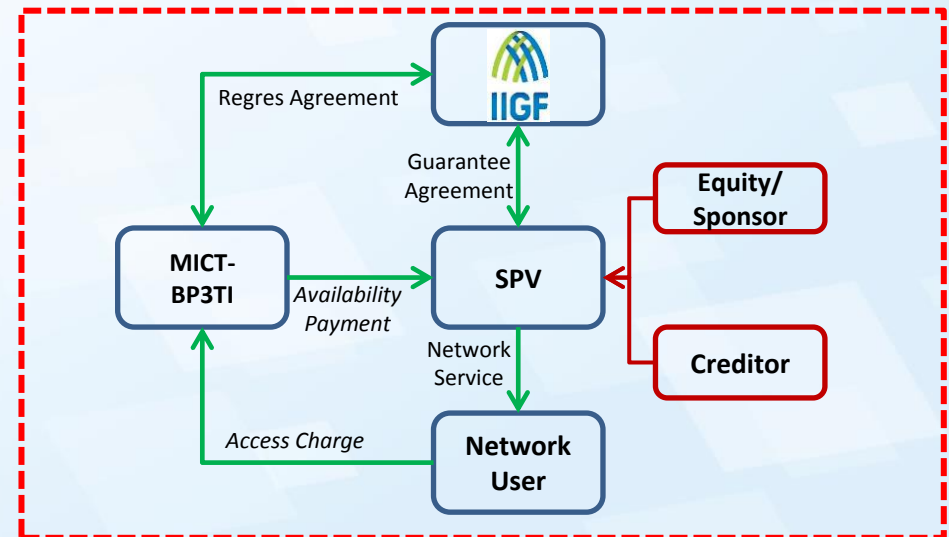
- GCA is Ministry of Communication and Information Technology – BP3TI
- GCA is obliged to give availability payment periodically to SPV based on the service provided

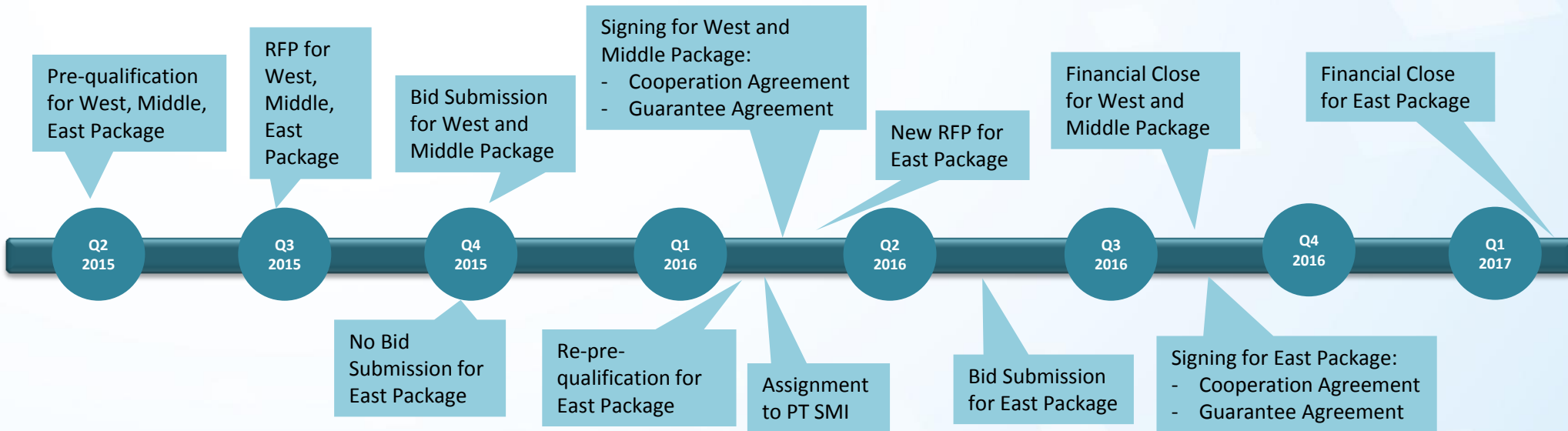
Private Role

- Engineering design and construction
- Backbone network provision, operational, and maintenance
- Project financing

Access Charge

- Access charge received from network users is a revenue for GCA but do not reduce the amount of availability payment
- Demand risk is borne by GCA.





First PPP Project with Availability Payment



First PPP Project in ICT Sector



First PPP Project with Combination of Availability Payment & Guarantee



PPP Project in Central Government Level



GCA

- Project Timeline
- Service Level

- Project timeline set by GCA is tight and aggressive
- GCA decision on service level of the Project



Regulatory Framework

- Incomplete regulation on Availability Payment

- The absence of regulation for Availability Payment procedure

1

Umbulan Water Supply

2

Palapa Ring

3

Lesson Learnt

1



SoE/RoE Capacity

- Improvement of financial and managerial capacity in most Water SoE/RoE in Indonesia.
- Central/Local Government support to enhance capacity of SoE/RoE.

4



Standard Documentation

- Focus on developing templates and standard documentation.
- International based template (common law system) should be adjusted to civil law and local content approach.

2



Land Acquisition

- Implementation of law no. 2 year 2012
- Newly established the State Assets Management Agency to facilitate land acquisition and land banking.

5



Financing structure

- Most local banks and financing institutions in Indonesia do not apply project financing scheme - introducing hybrid or limited recourse type structure

3



Capacity Gap

- Setting new mind set and capacity building for government stakeholders on PPP Process.

6



Stakeholders Management

- Established of Priority Infrastructure Project Acceleration Committee to solve stakeholders communication and debottlenecking issues
- Forum for regularly update to the stakeholder
- The need of leadership and commitment from GCA

THANK YOU

Disclaimer

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

Corporate Secretary PT SMI

Tel : +62 21 8082 5288

Fax : +62 21 8082 5258

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.