

Infrastructure projects as the focus of developments in Indonesia

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PPP regulation

The Government of Indonesia (“Government”) issued the new Presidential Regulation No. 38 Year 2015 concerning Public Private Partnership (“PPP”) in Infrastructure Provision (“PR 38/2015”) on 20 March 2015. The partnership between government and business entity in this regulation refers to providing infrastructure for the public interest. It aims to speed up infrastructure development as the focus of development in Indonesia. In this type of partnership, the potential risks and benefits will be shared by the two parties.

In PR 38/2015, the Government has introduced 19 types of infrastructure that can be provided using a PPP scheme.

The 19 types of infrastructure projects are the infrastructure for (1) Transportation; (2) Roads; (3) Water Resources & Irrigation; (4) Drinking Water; (5) Centralized Waste Water Management Systems; (6) Local Waste Water Management Systems; (7) Urban Waste Management; (8) Telecommunication & Informatics; (9) Electricity; (10) Oil, Gas & Renewable Energy; (11) Energy Conservation; (12) Urban Facilities; (13) Educational Facilities; (14) Sport & Cultural Facilities; (15) Industrial Estates; (16) Tourism Facilities; (17) Health Facilities; (18) Correctional Institution Facilities; (19) Low Income Housing.

Infrastructure projects 2015-2019

For the implementation, the National Development Planning Agency (“Bappenas”) issued the Infrastructure Projects Plan 2015-2019 (“Projects Plan”) in May 2015. Understanding that there many infrastructure projects are waiting to be implemented, the Projects Plan categorizes the list of infrastructure projects into (1) Ready to Offer Projects; (2) Prospective Projects; and (3) Potential Projects, describing the sectors, project names & locations and the project costs.

Beside the above list of infrastructure projects, the Projects Plan also gives preliminary information on each project, among others: (1) Project Location (2) Project Description; (3) Procurement Approach; (4) Private Partner’s Role; (5) Project’s Economic Significance; (6) Project’s Partnership Structure; (7) Government Support & Government Guarantee; (8) Project’s Technical Profile; (9) Initial Environmental Examination Findings; (10) Land Acquisition & Resettlement Action Plan; (11) Indicative Project Implementation Schedule.

Facilitation, incentives and support for infrastructure projects

As the latest update of the regulation, the PR 38/2015 affirms that government and private entities working together in partnership will make the realization of infrastructure projects easier through incentives and support.

Under PR 38/2015, the government will procure land using the government, local governments and/or state owned enterprises budget. The cost of land procurement could, subject to the financial feasibility of the relevant infrastructure projects, be wholly or partially reimbursable by the infrastructure projects.

Moreover, some infrastructure projects (as will be mentioned in their tender documents), will be entitled for Government Support in the form of Feasibility Support and/or Tax Incentives, which will be issued by the Ministry of Finance. The government or the local government may also provide other forms of Government Support.

PR 38 also states that the government may provide Government Guarantees for infrastructure projects (as will be mentioned in their tender documents), in the form of Infrastructure Guarantees to be given by the Ministry of Finance through a special purpose entity for infrastructure guarantees, which will among others guarantee the financial capability of the government institutions responsible for the financial obligations related to specific infrastructure projects.

This updating of the regulations in PR 38/2015 shows the Indonesia government's commitment in its focus on infrastructure development to encouraging private parties to be involved in projects.

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