



Macet - no more. With almost US\$ 27 billion, more than half of the infrastructure project funds will be spend on toll road construction.

Investing in infrastructure

Indonesia offers 100 Public Private Partnership projects in the field of infrastructure

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Growth, economic as well as social, requires a stable and well developed infrastructure - especially in an aspiring island nation like Indonesia. The Indonesian government is now seeking investments from the private sector for several infrastructure projects.

Indonesia is planning to improve public infrastructure in cooperation with the private sector. At the conference Infrastructure Asia 2010 the National Development Planning Agency (Bapennas) introduced a total of 100 projects which will be implemented between 2010 and 2014 within the framework of the Public Private Partnership (PPP) program. The conference was organised on the initiative of the United Nations' Economic and Social Commission for Asia and the Pacific (ESCAP) and supported by the Asian Development Bank (ADB) and the World Bank. Since its own means are limited Indonesia wants to collaborate with the private sector in order to realize several ambitious projects for the development of its public infrastructure.

The Indonesian government knows about the importance of the upcoming projects. "Despite our fiscal healthiness, our capacity to finance large amounts of infrastructure is far short of what is required. With that in mind we have been working hard to reduce hurdles to private investment in general and in infrastructure in particular," Vice President of Republic of Indonesia, Dr. Boediono emphasizes.

Besides capital, private investors can also bring modern technologies and management experience to the projects. Hence, there could be interesting openings for consultancy, planning, engineering and construction service providers in these projects. Furthermore, a considerable increase in the demand for modern equipment and technology is also expected

to ensue. Manufacturers of construction machines and building material in particular can look forward to a surge in demand. In fact, one of the undisputed profiteers of this development - the cement industry - is already focussing on upgrading its present capacities.

The Indonesian government is offering 100 projects within the parameters of the PPP programme in the period 2010 - 2014 with a total investment of US\$ 47.3 billion: a significant increase compared to 2009 in terms of the number of projects as well as their net worth (87 projects, US\$ 34.4 billion). Among other projects the government also proposes to hand over the entire construction of 20,000 kilometers of motorways and express highways as well as the setting up of power plants with an overall capacity of 15,000 megawatts over the next five years to the private sector.

US\$ 47.3 billion to improve Indonesian infrastructure

Presently there are two major PPP projects in the fields of energy and transport on the table which are clearly making some headway. According to Bapennas seven companies and consortiums have meanwhile prequalified for the 2,000 megawatts coal power plant in Pemalang (Central Java) which will be built at an estimated cost of US\$ 3 billion. The shortlisted companies include Shenhua Energy, CNTIC and Guangdong Yudean from China, Korean Electric Power, Japan's Marubeni and Mitsubishi and the French GDF Suez. In addition, ten companies are extremely interested in investing in a coal

Project Distribution 2010 - 2014

PROJECTS	SECTOR	AMOUNT [million US\$]
7	AIR TRANSPORT	1,557
2	LAND TRANSPORT	274
12	SEA TRANSPORT	2,895
9	RAILROAD	9,547
35	TOLL ROAD	26,852
24	WATER SUPPLY	1,849
6	SANITATION & WASTE MANAGEMENT	277
5	ENERGY	4,045

railway project in Central Kalimantan according to the National Development Planning Agency. The 185 kilometer long rail connection between Puruk Cahu and Bangkuang will transport 10 million tonnes of coal annually and cost US\$ 1.5 billion. The ten companies - including Itochu Corporation from Japan, the China Harbour Engineering Company and the local PT Jasa Power Indonesia - have already obtained the prequalification documents for this project.

One of the PPP projects on the anvil is the construction of a 29 kilometer long suspension bridge (Sunda Strait Bridge) connecting the islands of Java and Sumatra. The project's costs have been estimated at about US\$ 10 billion. Construction will start in 2012 if the outcome of a feasibility study commissioned by Bappenas is positive. Yet another mega project entails the construction and running of a harbor terminal for cruise liners in Bali.

Investors mention two significant shortcomings in the PPP program: inadequate regulations concerning the allocation of land and insufficient control of government guarantees in the case of projects with limited or disputed economic viability. So far several projects have been blocked, at least temporarily, because of the lack of clear regulations. In most cases the immediate reason is a delay in the payment of compensation for expropriated land. Often the legal battle with property owners over compensation lasts several months. Highway projects (toll expressways) which account for more than half of all investments planned in the PPP program are particularly hard hit by such long winded litigation.

At Infrastructure Asia 2010 the city of Jakarta alone presented seven urban expressway projects for easing inner-city traffic. The estimated costs of about US\$ 4.4 billion will be distributed on these projects.

According to Hatta Rajasa, the Coordinating Minister for Economic Affairs, the government will pass a Land Acquisition Law by the end of 2010 to remove the legal obstacles hindering investments. The law, which will consider the interests of the investors as well as the property owners, is expected to come up with solutions to facilitate a rapid implementation of projects. Rajasa also promises to dismantle other administrative obstacles expeditiously. Meanwhile Presidential Decree number 13/2010 declared at the beginning of 2010 that no PPP project would henceforth be offered without a prior clarification of the property issue. ●

Jakarta Toll Road Projects

Route	Length (km)	Amount (million US\$)
Kemayoran - Kampung Melayu	9.7	695
Sunter - Rawa Buaya - Batu Ceper	22.9	976
Ulujami - Tanah Abang	8.3	426
Pasar Minggu - Casablanca	9.6	572
Sunter - Pulo Gebang - Tambelang	25.7	738
Duri Pulo - Kampung Melayu	11.4	596
Tanjung Priok Access Toll Road	16.7	390

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