

Country Name	The Project for Public Private Partnership Network Enhancement
Republic of Indonesia	

I. Project Outline

Background	The Government of Indonesia (GOI) estimated that USD143 billion of infrastructure development was required over the 5-year period from 2010 to 2014, of which USD51 billion was expected to be covered by public sector and the rest by the private sector. To promote private investment, the GOI developed and revised Public Private Partnership (PPP) related laws and regulations and established institutions to finance and guarantee PPP projects. The major issues were lack of appropriate government direct support mechanism for private investors to consider PPP projects as “bankable” and lack of clear mechanisms and capacity to prepare “bankable” PPP projects. Coordination and consistent decision making among PPP related institutions was missing, too. (Figures at the time of ex-ante evaluation)										
Objectives of the Project	<p>The project aimed at operationalization of PPP network¹ in Indonesia to realize continuous flow of bankable PPP project through establishment and operationalization of direct support mechanism, strengthening capacity of PPP network players and improvement of project preparation process, and agreement of master plan and roadmap to speed up PPP implementation among PPP network players, thereby having PPP project implemented to promote necessary infrastructure development for continuous economic development of Indonesia.</p> <ol style="list-style-type: none"> Overall Goal: PPP project implementation will promote necessary infrastructure development for continuous economic development of Indonesia. Project Purpose: PPP network will be operationalized to realize continuous flow of bankable PPP projects. 										
Activities of the Project	<ol style="list-style-type: none"> Project Site: Indonesia Main Activities: (i) to establish new mechanism on PPP direct support into government operations, to propose incentive mechanisms for GCA and improve GCA's project screening and preparation, to support appraisal of direct support by MOF for 2012: (ii) to support preparation of model projects² under Project Development Facility (PDF) Japan Window and to strengthen PPP network mechanism: and (iii) to support joint working team between BAPPENAS, MOF, BKPM, and key GCAs to develop and implement a master plan and road map, etc. Inputs (to carry out above activities) *As of Terminal Evaluation in November 2013 <table style="width: 100%; border: none;"> <tr> <td style="width: 50%;">Japanese Side</td> <td style="width: 50%;">Indonesian Side</td> </tr> <tr> <td>1) Experts: 20 persons</td> <td>1) Staff Allocated: BAPPENAS, MOF RMU, BKPM, IIF, IIGF, PIP, PT.SMI, Indonesia State Electricity Company, Ministry of Energy and Mining Resources</td> </tr> <tr> <td>2) Local cost: 20 local consultants, etc.</td> <td>2) Facilities: office space</td> </tr> <tr> <td></td> <td>3) Local cost: office management cost</td> </tr> </table>			Japanese Side	Indonesian Side	1) Experts: 20 persons	1) Staff Allocated: BAPPENAS, MOF RMU, BKPM, IIF, IIGF, PIP, PT.SMI, Indonesia State Electricity Company, Ministry of Energy and Mining Resources	2) Local cost: 20 local consultants, etc.	2) Facilities: office space		3) Local cost: office management cost
Japanese Side	Indonesian Side										
1) Experts: 20 persons	1) Staff Allocated: BAPPENAS, MOF RMU, BKPM, IIF, IIGF, PIP, PT.SMI, Indonesia State Electricity Company, Ministry of Energy and Mining Resources										
2) Local cost: 20 local consultants, etc.	2) Facilities: office space										
	3) Local cost: office management cost										
Project Period	March 2011 - March 2014 (Extended period) September 2013 - March 2014	Project Cost	(ex-ante) 513 million yen, (actual) 604 million yen								
Implementing Agency	National Development Planning Agency (BAPPENAS), Risk Management Unit of Ministry of Finance (MOF RMU), Modal Indonesia Investment Coordination Board (BKPM), PT. Indonesia Infrastructure Finance (IIF), Indonesia Infrastructure Guarantee Fund (IIGF), Government Investment Agency (PIP), Indonesia Infrastructure Finance Company (PT.SMI)										
Cooperation Agency in Japan	PricewaterhouseCoopers Co., Ltd., MAXEED., LLC., KRI International Corp.										

II. Result of the Evaluation

< Constraints on Evaluation >

- Evaluation judgment was made by analyzing the information/data collected by questionnaire and interviews through telephone/email. Site surveys were not conducted under this ex-post evaluation.

< Special Perspectives Considered in the Ex-Post Evaluation >

- The Overall Goal consists of two levels: means (promotion of necessary infrastructure development by implementation of PPP projects) and effects (continuous economic development of Indonesia). In the ex-post evaluation, the former shall be regarded as the “Overall Goal” and the latter shall be treated as the “Super Goal”. This evaluation shall cover the former only.

-Data for Indicator 2 for the Overall Goal (number of projects whose concession was agreed) was not available. As an alternative, the number of projects that reached financial close was collected.

1 Relevance

<Consistency with the Development Policy of Indonesia at the Time of Ex-Ante Evaluation and Project Completion>

The project was consistent with the development policy of infrastructure development as set forth in the Indonesia's “Medium-Term

¹ PPP network institutions are as follows:(i) National Development Planning Agency (BAPPENAS) Directorate of Public Private Partnership Development, (ii) Ministry of Finance (MOF) Risk Management Unit (RMU), (iii) Modal Indonesia Investment Coordination Board (BKPM), (iv) National Land Agency. (v) Indonesia Infrastructure Guarantee Fund (IIGF), (vi) Indonesia Infrastructure Finance Company (PT. SMI) and (vii) Government Contracting Agency (GCA) (PPP divisions of related ministries, local governments, and state-owned enterprises (SOEs)). According to the Project Design Matrix (PDM) of this project, operationalization means that PPP stakeholders make decision and implement project consistently.

² The model projects are as follows: (i) West Semarang Water Supply Project, (ii) South Sumatra Mine Mouth Coal Fired Power Project (Sumsel 9&10) and (iii) Geothermal Fund Implementation Support.

Development Plan (RPJMN)” (2010-2014) at the time of ex-ante evaluation and project completion. In addition, the project was consistent with “the Master-plan of Acceleration and Expansion of Indonesia Economic Development (MP3EI)” (2011-2025) at the time of project completion, which envisions acceleration of the private sector investments and infrastructure delivery throughout the country.

<Consistency with the Development Needs of Indonesia at the Time of Ex-Ante Evaluation and Project Completion >

At the time of ex-ante evaluation, the project’s necessity was high considering the high demand for infrastructure development, part of which had to be covered by the private sector, in Indonesia. At the time of project completion, Indonesia was still behind in building infrastructure, compared to neighboring countries such as Thailand and Malaysia. Therefore, improving the environment surrounding PPP to attract private investment activities was still urgently needed.

<Consistency with Japan’s ODA Policy at the Time of Ex-Ante Evaluation>

The project was consistent with the Country Assistance Program for the Republic of Indonesia (2004), which includes improvement of comprehensive skills in operating economic infrastructure, including human resources training in formulating policy and working out plans as assistance to be considered to realize “Sustainable Growth Driven by Private Sector”.

<Evaluation Result>

In light of the above, the relevance of the project is high.

2 Effectiveness/Impact

<Status of Achievement for the Project Purpose at the time of Project Completion>

The Project Purpose was partially achieved by the time of project completion. At the time of ex-post evaluation, PPP network stakeholders shared a common understanding of bankable projects, but the network was partially operationalized. Although they shared knowledge about the measures to make PPP projects bankable, they were not able to make decisions and implement the projects consistently since necessary regulations to enable the government to provide fiscal/non-fiscal support for PPP projects were not in place (Indicator 1). The annual number of the ready-for-tender projects was not constant enough to realize continuous flow of PPP projects. Out of three model projects, Sumsel 9 &10 (coal fired power project) became ready for tender in 2012 and West Semarang Water Supply Project (WSWSP) in 2013, but Geothermal Fund was not operationalized because of the GCA’s concern over the financial viability. In addition, the tender process of WSWSP was suspended in 2013 due to political intervention and unavailability of the necessary regulations. (Indicator 2).

<Continuation Status of Project Effects at the time of Ex-post Evaluation>

The project effects have been partially continued since the project completion. Revitalization of the National Committee for the Acceleration of Infrastructure Provision (KKPPI), which the project had undertaken and recommended to continue after its completion, led to establishment of the Committee for Acceleration of Priority Infrastructure Delivery (KPPIP) in 2014 through a Presidential Regulation. The PPP network stakeholders continue to share the common understanding of bankable projects, but the network is not fully operationalized. Now that some necessary regulations to enable the government to provide fiscal/non-fiscal support for PPP projects are in place, the finance-related stakeholders such as IIGF, IIF, and PT. SMI make decisions of and implement the PPP projects consistently. However, GCAs sometimes have faced difficulty to do so due to political intervention. Further, the annual number of ready-for-tender projects has been decreased³. According to MOF, the number of ready-for tender projects is limited because of insufficient capacity of GCAs for preparation of PPP projects.

<Status of Achievement for Overall Goal at the time of Ex-post Evaluation>

The Overall Goal is partially achieved at the time of ex-post evaluation. The number of PPP projects put into tender was increased (Indicator 1). The number of PPP projects that reached financial close, however, did not increase (alternative indicator to Indicator 2). In fact, it decreased. According to MOF, the number is limited due to insufficient project preparation activities by GCAs and lack of skills and experiences of GCAs for implementation of PPP projects. Whether the number of the completed project was increased or not could not be confirmed due to lack of exhaustive data (Indicator 3).

<Other Impacts at the time of Ex-post Evaluation>

The project has not had negative impacts on the natural and social environments.

<Evaluation Result>

In light of the above, through the project, the Project Purpose was partially achieved at the time of project completion, the project effect was partially continued, and the Overall Goal was partially achieved at the time of ex-post evaluation. Therefore, the effectiveness/impact of the project is fair.

Achievement of Project Purpose and Overall Goal

Aim	Indicators	Results
(Project Purpose) PPP network will be operationalized to realize continuous flow of bankable PPP projects.	1. PPP network stakeholders share a common understanding of bankable projects and network is operationalized	Status of the Achievement: partially achieved (partially continued) (Project Completion) -PPP network stakeholders shared a common understanding of bankable projects -The stakeholders could not make decisions and implement the PPP projects consistently due to lack of the necessary regulations (Ex-post Evaluation) -The stakeholders continue to share the common understanding of bankable projects. -Finance-related players make decisions and implement project consistently but GCAs are sometimes exposed to political intervention.
	2. Constant number of annual bankable PPP projects that are ready for tender.	Status of the Achievement: partially achieved (partially continued) (Project Completion) <Annual number of bankable PPP projects that are ready for tender>

³ As for the model projects, WSWSP is yet to be ready for tender but there is a prospect because Semarang City (GCA) is currently revamping it and has secured financial support (PDF support) from MOF. Geothermal Fund is yet to be ready for tender but there is a prospect because MOF refined the regulations (PMK) in 2017 to have more elements of risk taking on the public-sector side (compared to the previous structure where the private sector side would take most of risks for test-drilling) and PT.SMI (GCA) has already secured budget. The tender process for Sumsel 9 & 10, however, has been stopped since 2015 due to policy changes and a delay in a project to construct connecting transmission lines, etc..

	* A bankable PPP project is considered to be 'ready for tender' after the commencement of pre-qualification (PQ) stage.		2011	2012	2013	
		Model projects	0	1	1 (*suspended)	
		Other projects	N.A.	4	3	
		(Ex-post Evaluation) <Annual number of bankable PPP projects that are ready for tender>				
			2014	2015	2016	
		Model projects	0	0	0	
		Other projects	N.A.	7	1	
(Overall Goal) PPP project implementation will promote necessary infrastructure development. * See Special Perspectives Considered in the Ex-Post Evaluation.	1. Increase the number of PPP projects put into tender.	(Ex-post Evaluation) achieved <Annual number of PPP projects put into tender>				
			Baseline (2013)	2014	2015	2016
		Model projects	0	0	0	0
		Others	0	N.A.	22	17
	2. Increase the number of PPP projects whose concession is agreed (Alternative Indicator) Increase the number of PPP projects that reached financial close.	(Ex-post Evaluation) not achieved <Annual number of PPP projects that reached financial close>				
			Baseline (2013)	2014	2015	2016
		Model projects	0	0	0	0
		Others	4	3	2	3
	3. Increase the number of PPP projects that completed the construction	(Ex-post Evaluation) Unverifiable. -No exhaustive data was available.				

Source : Project Completion Report, questionnaire survey and interview to BAPPENAS, MOF and other related organizations, PPP Book 2013-2016 (BAPPENAS)

3 Efficiency

The project period and cost exceeded the plan (ratio against the plan: 118% and 123%). The project period was extended mainly because of addition of PDF activities for model projects requested by the Indonesian side. Therefore, the efficiency of the project is fair.

4 Sustainability

<Policy Aspect>

Infrastructure development continues to be one of the most important development agenda of the government as set forth in RPJMN (2015-2019). Policy environment for promotion of PPP has been strengthened since the project completion. For example, National Strategic Project (PSN) policy was issued in 2016 to speed up government procedures for designated PSN projects.

<Institutional Aspect>

Organizational framework for promotion of PPP has been strengthened since the project completion. As stated in "Effectiveness/Impact", KKPII was evolved to KPPIP and, as its supporting function, Project Management Office (PMO) was established to provide technical assistance to line ministries for improvement of outline business case (OBC). At MOF, RMU, which had been involved in the project, was evolved to create PPP Unit in 2015. PPP is to evaluate the financial risks involved in PPP projects, help project preparation using the PDF and appraise the eligibility of proposed projects to receive direct support, guarantees and other types of financing. Organizational roles of other institutions remain unchanged. BAPPENAS Directorate of PPP Development continuously coordinates the plans related to PPP and promotes project preparation. BKPM provides information related to PPP projects to investors. IIGF provides government guarantees for PPP projects. IIF and PT.SMI, which integrated PIP in (2015), provides investment and loan services and transaction advisory (TA) services for PPP projects. According to KPPIP-PMO, the number of staff engaged in promotion of PPP at the key institutions is as follows: 30-50 at KPPIP (PMO), 15-30 at BAPPENAS (Directorate of PPP Development), 50-100 at MOF (PPP Unit), 15-30 at BKPM, 50-100 at IIGF, and 100-200 at PT.SMI. Neither the quota nor the exact number of staff actually allocated could not be confirmed, but KPPIP-PMO considers that the number is sufficient to promote PPP since the technical/detailed expert work can be outsourced to the third party, such as SOEs and consultants.

<Technical Aspect>

According to KPPIP-PMO, most of the C/Ps remain in the Implementing Agencies. The skill level of the finance-related institutions is sufficient to promote PPP because their staff are hired from the private sector and many of them have previous work experiences in private financial institutions, private infrastructure engineering, etc.. The C/Ps of the government institutions basically maintain the skills and knowledge acquired in the project. For KPPIP and MOF PPP Unit, which were created after the project completion, capacity development has been supported by JICA, through a technical assistance project related to ODA loan "KPPIP Support Facility" (2014-2019). KPPIP-PMO also commented that it is necessary to further enhance the capacity of GCAs for project preparation (OBC, final business case (FBC) and TA) because the number of the PPP projects that became ready for tender/reached financial close is still limited (as shown in "Effectiveness/Impact") despite growing pipeline of PPP project candidates year after year. It is noted that KPPIP, BAPPENAS, and MOF (PPP Unit) have just started the process to establish a structured and sustainable methodology to enhance the capacity of GCAs to deploy experts for project preparation. The PDF toolkits for water supply and mine mouth power plant, developed by the project, have been utilized by GCAs under the PDF toolkit of BAPPENAS.

<Financial Aspect>

Detailed data on the budget and expenditure of the Implementing Agencies could not be confirmed. Nevertheless, it seems that the Implementing Agencies have sufficient budget to promote PPP for the following reasons. For example, the finance-related institutions have received equity injection by MOF to enhance their catalytic role in PPP. BAPPENAS received PPP support from Asian Development Bank in 2014 and 2015, and MOF from the World Bank and Canada. The GCA of the Geothermal Fund, PT.SMI, has also secured budget to implement the fund. Meanwhile, KPPIP has secured its own budget from Coordinating Ministry of Economic Affairs, and 50-80 billion rupiah was annually allocated and spent in 2015 and 2016. It is considered that the budget amount for above institutions are likely to increase because the current government relies heavily on PPP funding and thereby needs to enhance the budget for PPP project

preparation and implementation.

<Evaluation Result>

In light of the above, slight problems have been observed in terms of technical aspects of the Implementing Agencies. In addition, sufficient information to judge financial aspects of the PPP network stakeholders is not available. Therefore, the sustainability of the effectiveness through the project is fair.

5 Summary of the Evaluation

The project partially achieved the Project Purpose (i.e. operationalization of PPP network to realize continuous flow of bankable PPP projects) due to lack of necessary regulations for the network stakeholders provide fiscal/non-fiscal support for PPP projects. The effect of the project has been partially continued, including establishment of KPPIP, and the Overall Goal (i.e. promotion of necessary infrastructure development by implementation of PPP projects) has been partially achieved mainly due to insufficient project preparation activities. Regarding the sustainability, slight problems have been observed in terms of technical aspects and sufficient information to judge financial aspects could not be obtained. As for the efficiency, both the project period and the cost exceeded the plan. Considering all of the above points, this project is evaluated to be partially satisfactory.

III. Recommendations & Lessons Learned

Recommendations for Implementing Agency:

-It is recommended that KPPIP, BAPPENAS, and MOF (PPP Unit) keep promoting their current efforts to establish a structured and sustainable methodology to enhance their capacity for OBC, FBC and TA by taking the following approach by mid 2018: (i) to calculate the number of project pipeline by sector, the amount of necessary funding for OBC, FBC and TA, and amount of funding to be allocated from national budget/state budget, SOEs and international agencies; and (ii) to design sustainable fund and consultant pool mechanism in detail, such as the core process on how the OBC handover (handover of a project from BAPPENAS for the OBC stage to MOF for the FBC stage), FBC assignment and agreement, consultant selection, and funding arrangements that will work in practice, and test it in pilot phases.

Lessons learned for JICA:

-All of the PPP model projects faced preparation/implementation bottlenecks during and after the completion of the project due to political intervention, regulatory changes, policy changes and organization changes. While PPP project preparation is typically an intense study (6-8 months), implementation tends to have a long tail involving various permits, approvals and organizational coordination. Therefore, JICA should consider ways to provide longer-term follow-ups than the implementation period of a single technical cooperation project so that PPP model projects could have a flexible supporting mechanism to follow up on implementation. The following characteristics should be considered: follow up until successful tender results are achieved, lean and long follow up period to cope with political interventions and unforeseen bottlenecks, and provision of short/intense debottlenecking support of implementation as needed.