



EUROPEAN INDONESIAN BUSINESS DIALOGUE INFRASTRUCTURE REVIEW

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Introduction

Infrastructure key to national economic growth and realisation of MP3EI

Pace of infrastructure build out remains slow

Many hundreds of important projects need to be delivered

Investors still face many regulatory and bureaucratic challenges

While FDI maintains satisfactory level, little is focused on infrastructure



- New law enacted in January 2012

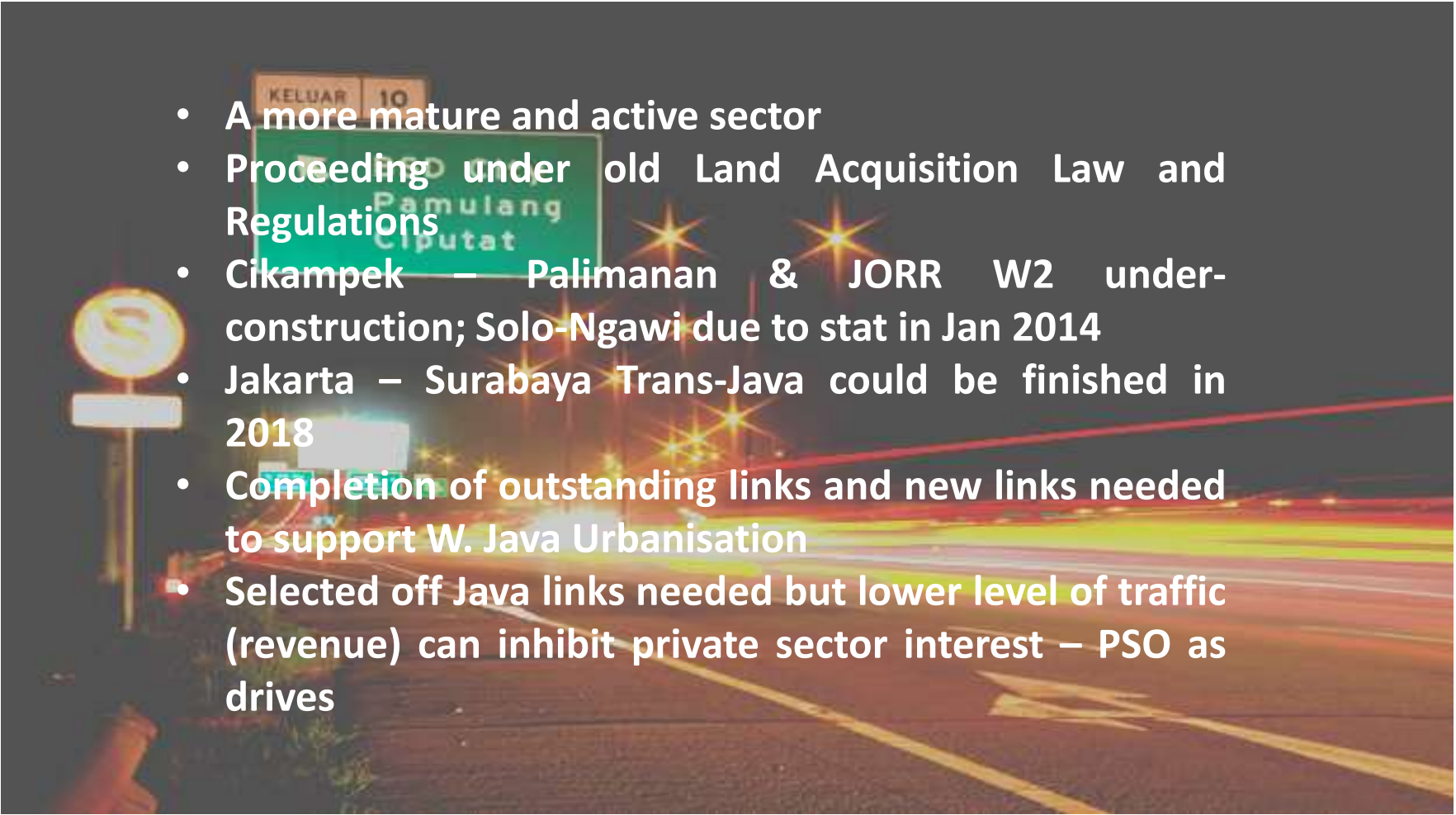
- Implementing regulations proceeding

- Some still remain to be done

- The new law with its in-built time limit on challenges on disputes remain to be applied

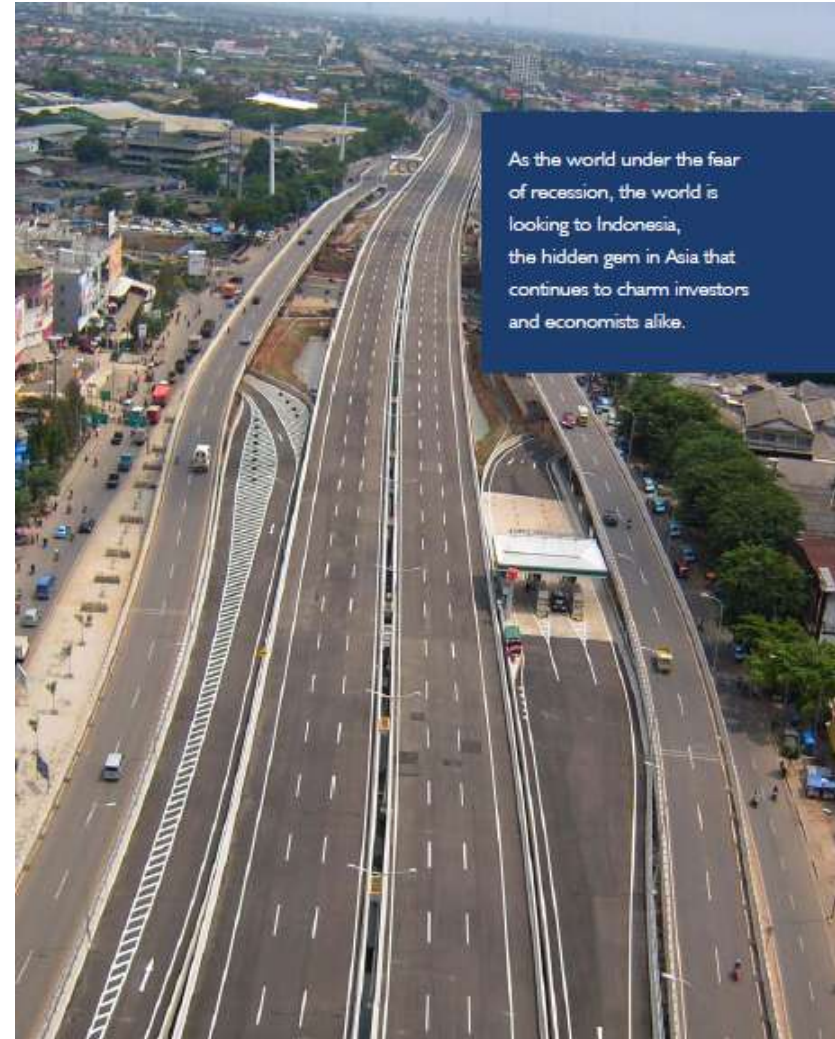
- Infrastructure development still under old law –nearly 2 years on



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- A more mature and active sector
 - Proceeding under old Land Acquisition Law and Regulations
 - Cikampek — Palimanan & JORR W2 under-construction; Solo-Ngawi due to start in Jan 2014
 - Jakarta – Surabaya Trans-Java could be finished in 2018
 - Completion of outstanding links and new links needed to support W. Java Urbanisation
 - Selected off Java links needed but lower level of traffic (revenue) can inhibit private sector interest – PSO as drives

Roads – In General

- 90% of network in regional
- Indonesia has lowest level of road density in Asia
- A further 500,000km required
- Improvements greatly needed to existing network – up to 50% sub-standard; regional issue
- Priority – links to ports



Slow roll out of small number of PPP Projects

Work for waste water treatment and project output well behind MDGs

400 or so regional entities need attention

Recycling activities not yet much beyond discussion stage

Interested parties looking into direct B to B arrangements – only one government entity

MDGs remain delayed



Power Supply

- Java – Bali grid: supply at dangerously low level – little margin for station breakdown
- 200MW new Batam, Central Java plant delayed further year to 2018
- Off Java – many areas remain unprovisioned
- Considerable interest in renewable sources , but regulatory structure (eg. Feed-in tariffs) remain to be made clear
- One hydro and one pumped storage project to be completed by 2014/ 2015



Transportation



First stages of new Jakarta container terminal (New Priok) underway. Terminal I at construction. Terminal 2&3 to be awarded before year end


Air travel – double digit domestic and international growth

New airports (eg. for Greater Jakarta) and upgrading of existing needed

Airport rail project high priority

Jakarta MRT and monorail projects now getting underway

Summary of Issues

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1. Resolution of outstanding legal certainty matters
 2. Testing of the new Land Acquisition law
 3. Remaining conflicting regulations between central and regional governments
 4. Continued efforts over facilitation fees for permits, etc.
 5. Direct appointment of SOEs to key projects without due advertised tender process



Infrastructure spending as % of GDP remains low

Funds allocated disproportionately focused on non-contractor outputs

Disbursement annually is slow

Lack of enforcement of quality

Strain on overworked existing facilities, eg. ports



**Across all issues
In order to accelerate
Infrastructure build out**



Thank You