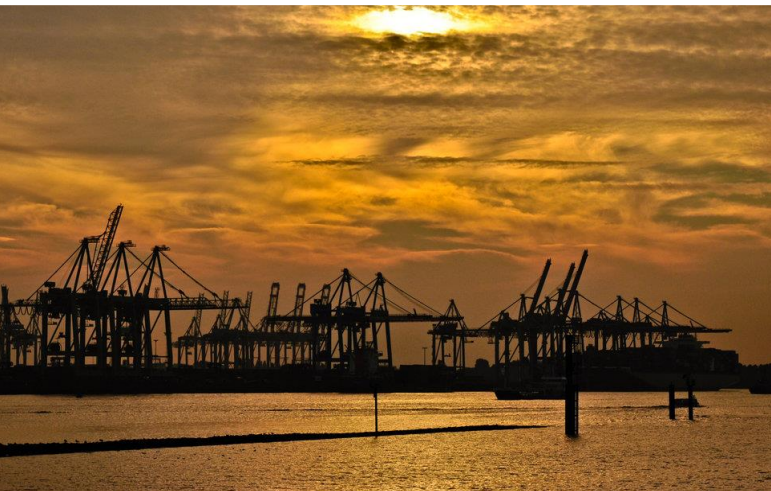


INDONESIA COUNTRY REPORT

By Indonesian Contractors Association



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Overview

Indonesia is one of the ASEAN countries with a large volume of economic activities and a stable political and social condition. Indonesia wants to keep growing by providing equally quality infrastructure hence spurring growth in construction activities throughout the nation. Current government under President Joko Widodo is fully committed to intensify the infrastructure development especially aimed to enhance the connectivity across the nation. This country report aims to update the current status on Indonesian infrastructure especially the ongoing and planned projects in the near future.

On technical matters, Indonesia is considered capable on executing most of infrastructure projects by local expertise and experience. Indonesia has tons of experiences in constructing roads, buildings, airports and water related infrastructures. A number of Indonesian constructors even spread their wings into international market. The issue hampering government ambitions on infrastructure now is the limited financing capabilities of the state budget to fund all the projects. As one of the solution, foreign loan is administered to a number of projects such as the Light Rail Transit (Japanese Loan) and Karian Dam (Korean Loan).

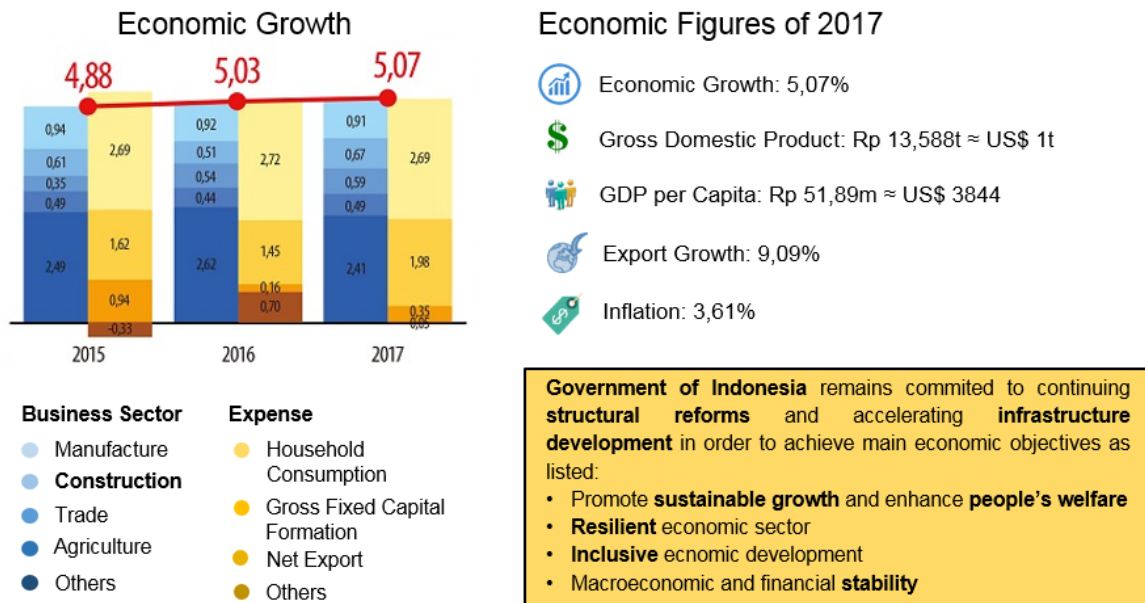
Public-Private Partnership (PPP) is another solution to infrastructure financing issue in Indonesia. The government of Indonesia started to turn their attention to the private sector to be engaged in infrastructure development. This scheme has come under strong legal basis and has been set to be applied to a number of infrastructure projects. Indonesia will benefit from the accelerated development and enhanced quality of infrastructure through the PPP scheme. More detailed discussion is provided further in this report.

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Macro Economic Overview

Indonesia is one of well performing economies even in around the globe scale with its huge amount of economic activities reflected by the Gross Domestic Product that reaches USD 1 trillion in the year of 2017. The year on year growth 2017 is 5.07% just slightly below the expected figure. Household consumption is still the biggest contributor to the country's economic activities with contribution from construction counted as much as 12% of total value.



Source: Statistics Indonesia (BPS) Publications & G20 Growth Strategy

Figure 1. Important Parameters on Indonesian Economy in 2017

The USD 1 trillion GDP has made a new milestone for Indonesia making it join the trillion dollar club. However when this compared to the country population, Indonesia has a low GDP per capita, that is USD 3844, even below the world mean line. The purchasing power and prices had been kept balanced with average inflation of 3.61%.

The Government of Indonesia has the objectives of promoting sustainable growth, enhance people's welfare along with resilient, inclusive and stable economy. One of the strategy is to boost infrastructure development which in turn will support the growth of industrial sector. The downstream policy is also one strategy to increase economic value of national product even more and reduce the independency of the Indonesia export to the raw commodities export.

National Construction

The government under President Jokowi is committed to boost infrastructure development reflected in the budget allocation which is estimated to be around IDR 5000 Trillion or USD 370 million within his 5 years tenure only for infrastructure. The figure of 12% GDP mentioned earlier is an increase of 6,8% from the year 2016. A

number of ambitious projects has been set up and planned to operate within the president's term. Presented below the allocated state budget for construction which reaches USD 28 billion out of USD 145 billion. Also, some of notable projects are outlined in below in this report.

Funds Allocated to Infrastructure Spending in the Government's Annual State Budgets:

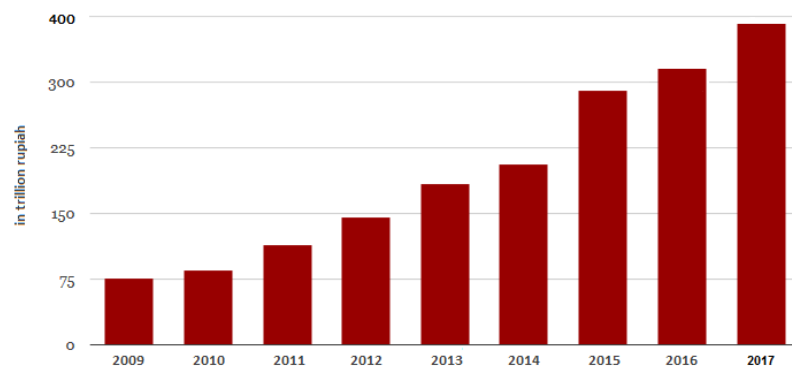


Figure 2. Allocated State Budget for Construction.

1. Light Rail Transit

The first one being the Rail based Mass Transport running from inside and out Jakarta and its surroundings which is called Light Rail Transit (LRT) Jabodebek or Greater Jakarta. This monumental project is expected to tackle the chronic traffic problem in the Capital. This transportation mode will help around 10million people to commute to and from Jakarta to the surrounding area to the south, which covers Depok, Cibubur and Bogor and to the east, that is Bekasi.

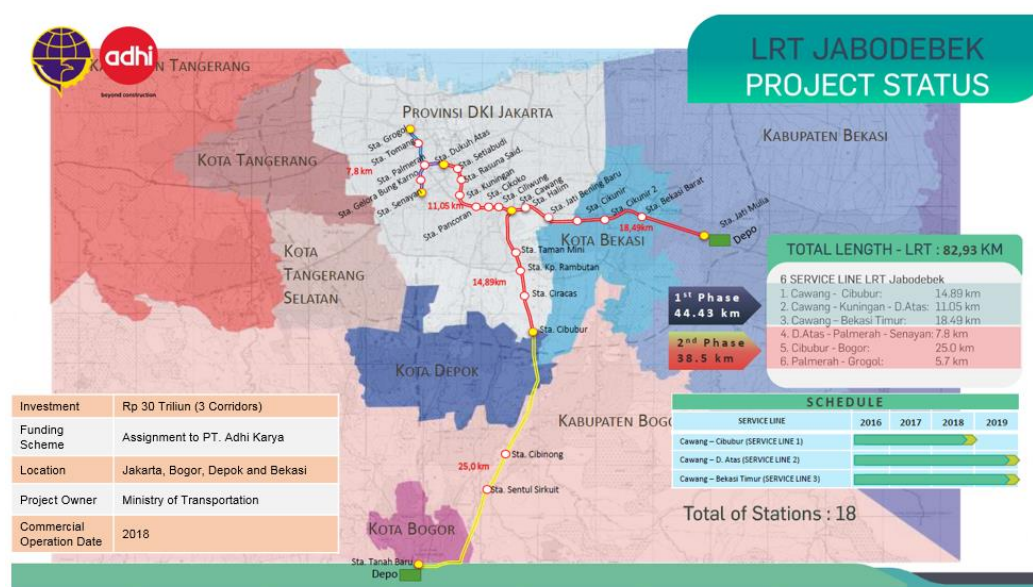


Figure 3. Jabodebek Light Rail Transit Map and Road Map.



Figure 4. Aerial Photograph of LRT Progress.

LRT is considered the most suitable mode of public transport that is able to carry such number of passenger with reliable travel time. The structure itself is made uniquely using the U-Shape Girder which gives strong but light upper structure plus reducing the total height of the structure and the trains. The height becomes one issue when the construction enters the city centres where elevated motorways criss-cross one another. The U-Shape girder construction tackles this issue very efficiently with further advantages of reducing requirement for lower structures.

The Current LRT Construction follow the phase I line plan which runs from Cibubur and East Bekasi to Cawang, and from Cawang to Dukuh Atas in the city Centre. The Phase One Line has a total length of 44.4 km with a total investment of USD 2 billion. The project funding comes from national capital injection to PT KAI and PT Adhi Karya with the latter acting also as the Main Contractor. This facility is hoped to be completed in 2018 so that it is ready to be used in the event of Asian Games 2018.

2. Mass Rapid Transit



Figure 5. Mass Rapid Transit Development in Jakarta.

Next big project is still related to the Public Transportation, but this one currently concentrated to the inner city connection. The mode is called Jakarta Mass Rapid Transit (MRT), currently developed to run from south Jakarta to the central roundabout at Hotel Indonesia. This project is funded through the combination of State, Provincial Budget and Japanese Loan. MRT Construction is currently managed and supervised by PT MRT and will be available for operation in 2019.

3. Trans Sumatera Toll Road

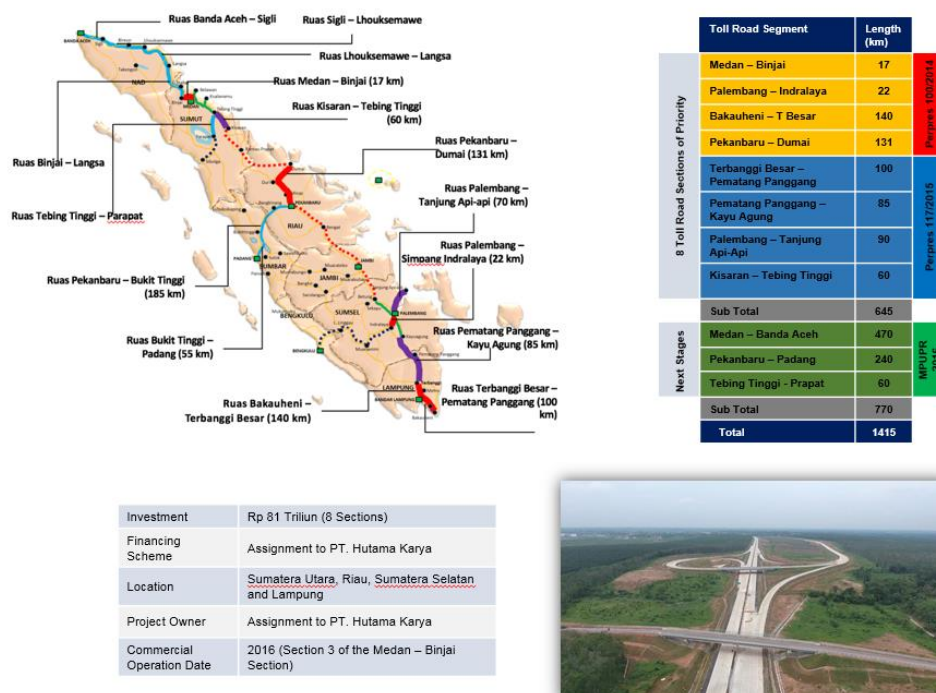


Figure 6. Trans Sumatera Toll Road Development.

Moving to the west, a pioneer toll road projects have been initiated in Sumatra. It is called the Trans Sumatra Toll road and will run along the island of Sumatra totaling of 1400 km. The current construction focuses on 8 sections in North Sumatra, Riau and Southern part of Sumatra. This project is financed through assignment to PT Hutama Karya with current total investment of USD 6 billion. This toll road development is expected to boost economic activities in Sumatra.

4. Gelora Bung Karno Sport Complex

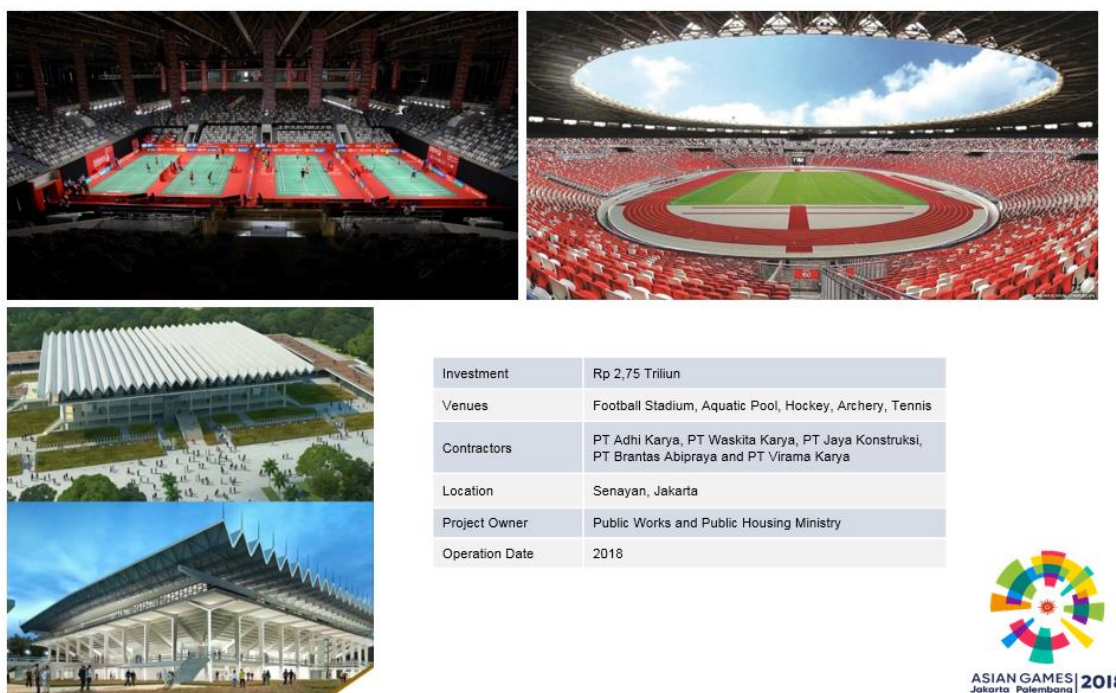
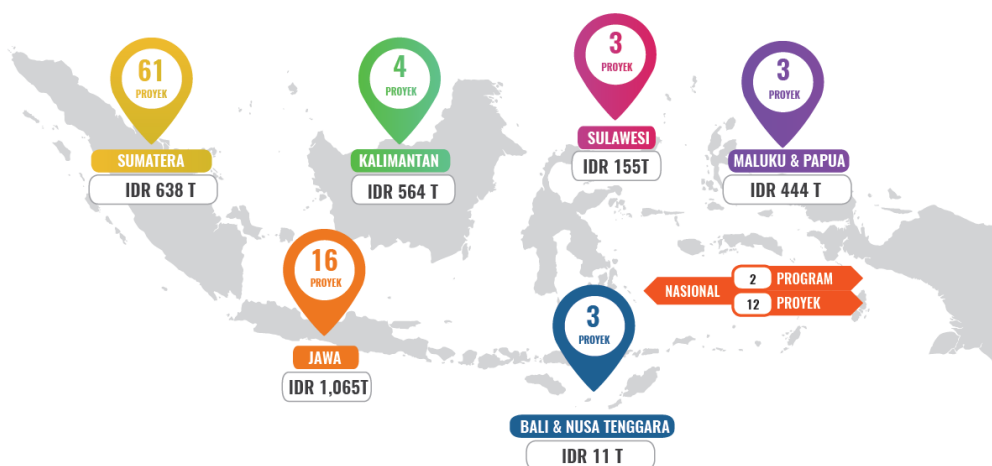


Figure 7. Gelora Bung Karno Sport Complex Renovation.

In preparation to host the Asian games 2018 in Jakarta and Palembang. Sport venues renovation has been completed with a total cost USD 200 million in Jakarta alone that is a Sport Complex called Gelora Bung Karno. There, located the largest football stadium in Indonesia Gelora Bung Karno Stadium which has turned into beautiful international scale stadium. Moreover, other sport venues like Aquatic pool, hockey, archery and tennis have also been renovated under a number of contractors supervised by the Public Works and Public Housing Ministry.

National Strategic Projects

Commitment of the government to boost infrastructure development is implemented in the designation up of the National Strategic Project (PSN) as the following up action to the 2015-2019 Mid Term Development Plan of the Country which directs the development to focus on basic infrastructure and connectivity. The National Strategic Projects comprise of 245 Projects and 2 Programs which narrow down to 37 Projects with high urgencies in infrastructure, energy and telecommunication sectors.



This project covers 15 project sectors and 2 program sectors

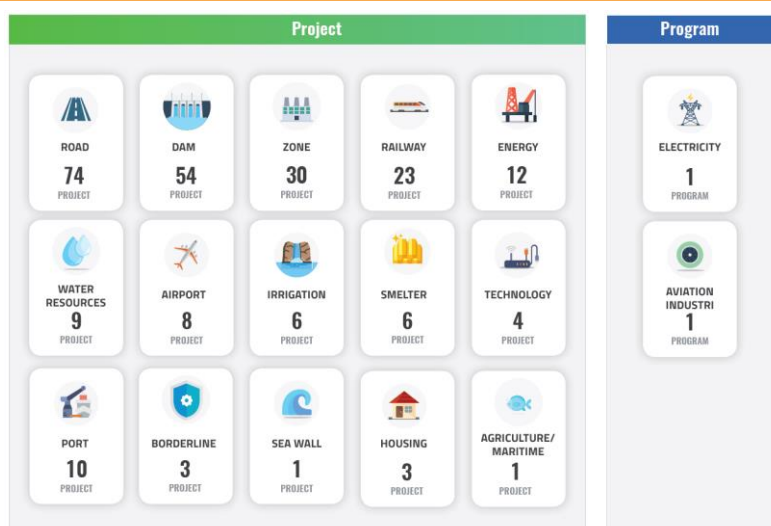


Figure 8. The National Strategic Projects and its Sectors.

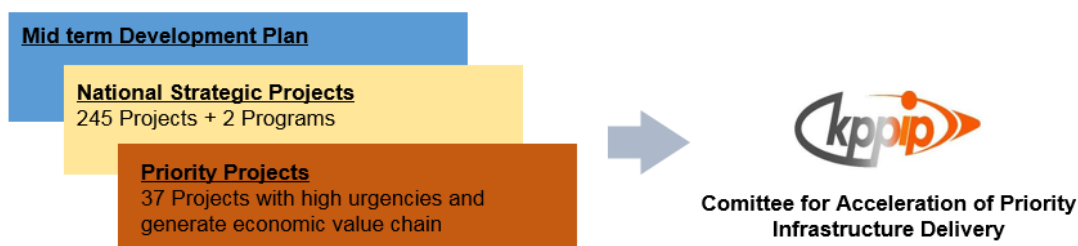


Figure 9. Structural Scheme of National Strategic Projects.

The national Strategic projects come about under the legal umbrella of the Presidential Regulation No. 58 year 2017 on the revision of the Presidential Regulation No. 3 year 2016 on the Acceleration of National Strategic Projects Delivery in which listed the 245 projects plus 2 programs. These ambitious plan is estimated to cost as much as USD

300 billion. Prepared state budget is as much as USD 40 billion, complemented by financing from State Owned Enterprises and Private Sectors.

The PSN focuses heavily on the basic infrastructure sector, especially on the connectivity issue, which reflected in the numbers of projects in Toll Roads, Railways, Ports and Airports. This is in line with the President's vision to improve the country's connectivity. Apart from these, other significant facilities will also be delivered such as irrigation and agriculture, industrial area, energy, and technology. An independent Committee for Acceleration of Priority Infrastructure Delivery (KPPIP) is established to coordinate the decision making processes to encourage settlement of issues arising from the lack of effective coordination between various stakeholders. KPPIP acts as the point of contact to facilitate coordination in debottlenecking efforts for National Strategic Projects and Priority Projects.

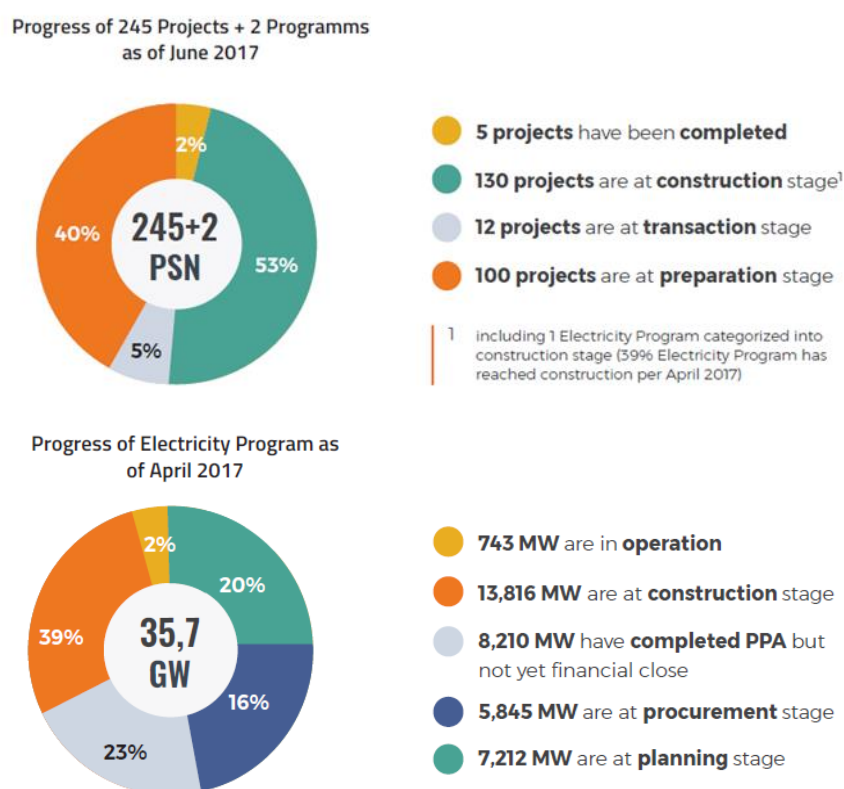


Figure 10. Progress of the National Strategic Projects and Programs.

The current progress of PSN, more than 50% at the construction stage, with 5 projects have been completed. The President also urges to provide electricity power generation across the country by establishing 35GW Electricity Program, in which 743 MW has been in operation.

Public Private Partnership

The background of Public Private Partnership (PPP) scheme is the limited ability of the State Budget to finance all the PSN which will totally cost around IDR 5000 trillion or USD 360 billion. This scheme is aimed to fill the gap between the Investment Requirement and the State Budget availability.

The PPP Scheme gains its legal basis from the Presidential Regulation 67/2015 which derives into the National Development Planning Ministry Regulation and Ministry of Finance Regulation. Moreover, this scheme also allows for quality advancement in infrastructure through knowledge and experience sharing with the Private sectors. Furthermore, government support will come into the project implementation in the form of Government Guarantee and Possibly Viability Gap Funding for Projects with high urgency but doesn't meet the Financial Feasibility.

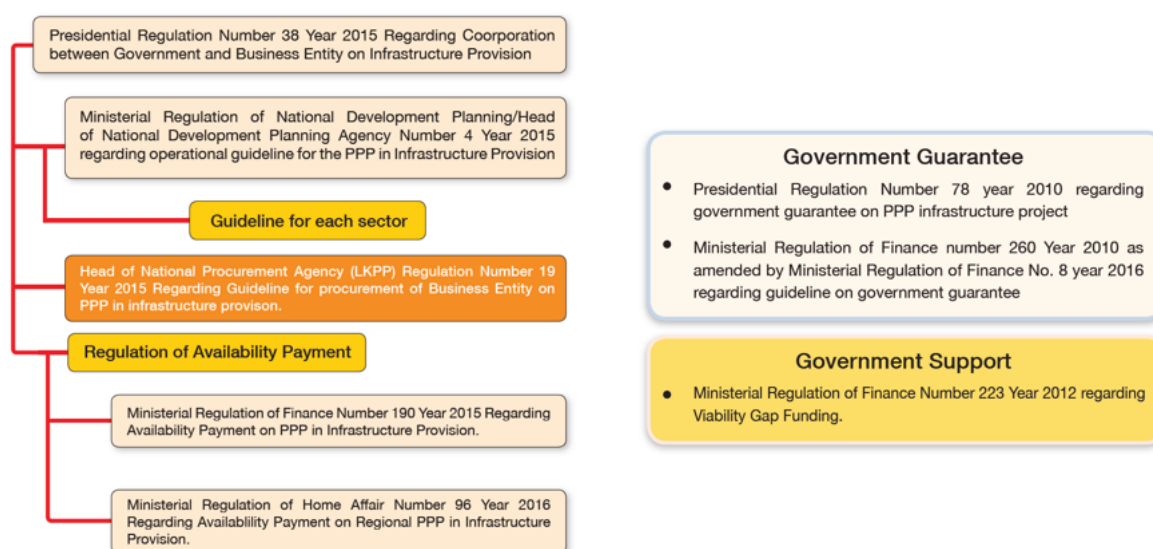


Figure 11. Public Private Partnership Regulatory Framework.

The PPP Project Cycle starts with identification of needs and requirement followed with selection and Prioritization from the Government through the respective ministries. Feasibility Study has to be carried out to shed light on the benefit of the projects on every aspect. The last phase deals with Procurement Process, Agreements and Financial Close. This process can be initiated by the private sector through the Unsolicited Proposals in which normally they have to pass Government assessments and tender process of the appointment as Project Initiator. Some documents need to be prepared in this stage including Pre-FS and the approval from Government.

Proposed Projects have to meet Eligibility Criteria stated in the National/regional Mid term Development Plan also suitability of the location to the Land Utilization Plan and relating inter sector regulation. Next stage qualification includes technical compliance,

market interest, and environment impact assessment. Government Support has to be proposed in this stage.

In the past, there were barriers for investors to put their money to Indonesia especially due to intricate regulations and weak coordination between government institutions. It is worsen by unclear land acquisition regulation, risk sharing agreement, and weak support.

However, in the present time, investment in Indonesia has been eased by establishing a coordinating committee on the acceleration of priority infrastructure development; task assignment to Bapenas to provide facility of project preparation and ultimately the employment of PPP Scheme. This in turn will help the governemtn of Indonesia to achieve the planned development for the benefit of People.

Strategic effort to lure investment includes ease of licensing, land acquisition, bundling project, governemnt support and the establishment of Institutional investment support like PT SMI and PT PII that support infrastructure financing.

PPP Projects: Kuala Tanjung Port

Kuala Tanjung Port will serve as the international hub port for the western part of Indonesia which will facilitate high traffic from east-west world trade route in Malacca Strait in which the site is originally a natural deep seaport. The port area will cover 9500m long Quay, 320 Ha Container Yard and Office area of 5 Ha.



Figure 12. Kuala Tanjung Port Development Project.

Implementation of the Kuala Tanjung Port Project is divided into 5 Development Phase in which 2km wharf is provided in the first phase and progressively extended to total length of 9.5 km. Container yard will be constructed as wide as 70Ha in the first phase

and will be progressed into 320 Ha total area. No dredging required in the first phase but will be required in the next phases. Port equipments will follow the progressive development as the traffic demand rises.

From the total 3.67m USD investment, the first phase has disbursed around USD 1 million investment, which carried out by a consortium consisting of PT Pelindo 1, PT Pembangunan Perumahan and PT Waskita Karya. The port is expected to be ready for operation in 2018.

Building Material Prices and Labor Rates

The Material Price in Indonesia remains in relatively stable condition for concrete blocks, cement and steel bar. However, we might notice slight increase in sand price from time to time and some fluctuation in the price of Ready mix price. Concerning the labor price, slight fluctuation happened during the last three years being Heavy equipment operator and welder the two most costly labor.

No	Description	Price
1	Steel Rebar	USD 490 - 510 / ton
2	Portland Cement 50kg bag	USD 3.7 – 4.0 / bag
3	Cement Mortar 50kg bag	USD 2.7 – 2.9 / bag
4	Aerated Concrete Blocks	USD 40 / m3
5	General Timber	USD 180-200 / m3
6	Sand	USD 15-18 / m3

Table 1. List of Current Building Material Prices.

No	Description	Price (man.day)
1	Non Skilled General Worker	USD 7.3 – 7,8
2	Carpenter	USD 8.6 – 10
3	Bricklayer	USD 8.6 – 9.3
4	Steel Bar Worker	USD 8.6 – 9.3
5	Plumber	USD 8.6 – 9.3
6	Heavy Equipment Operator	USD 11 – 12.6
7	Welder	USD 8.6 – 11.1
8	Electrician	USD 8.7 – 9.3

Table 2. List of Current Labor Rates in Indonesia .