Opportunities and challenges
for Indonesia EU cooperation
and investment in the transport

29 September, Jakarta, Indonesia

UCL


# Capturing and Creating Value in Transport Investments

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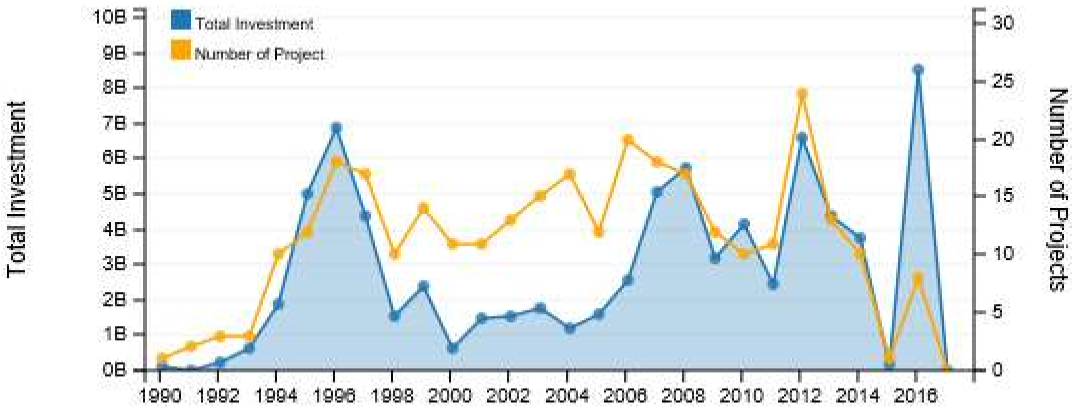
# PPPs in Indonesia



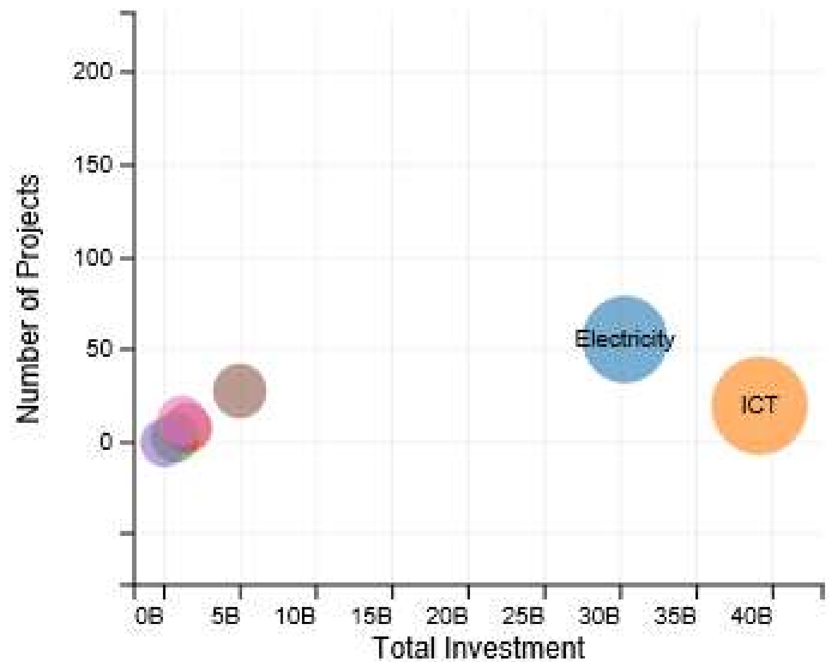

**Total Investment:**
**USD 77.795 Billion**

**Total Number of Projects: 124**

**Transport Sector:**
Tot. Investment: 6.491 Billion; N. Projects: 35

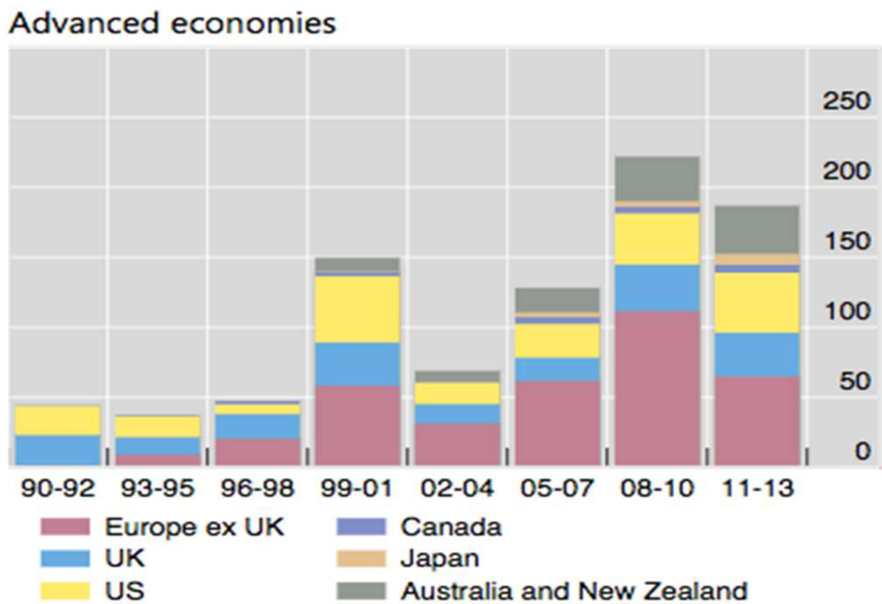
**Road Sector:**
Tot. Investment: USD 4.972 Billion
N. Projects: 28

**Ports:**
Tot. Investment: USD 1.519
N. Projects: 7

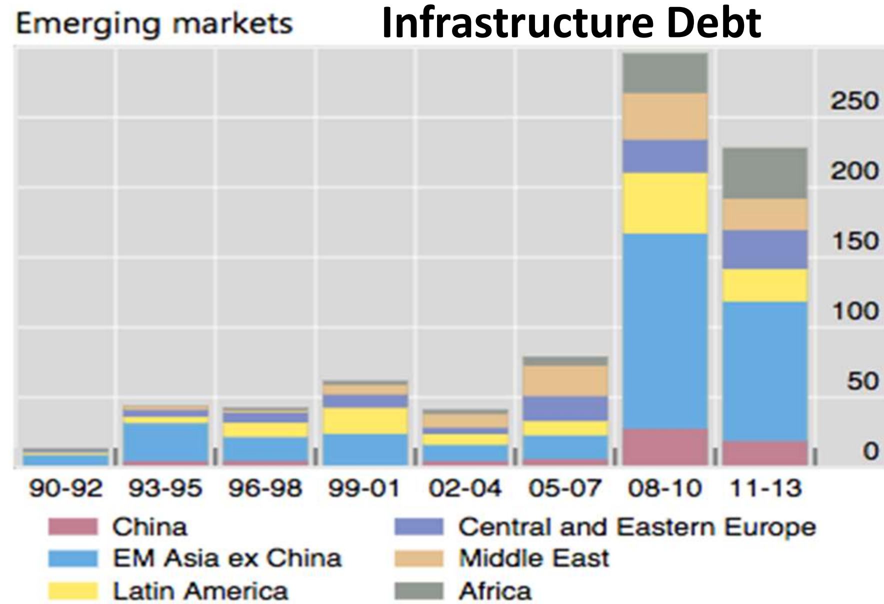



Source: The World Bank

# PPPs in World



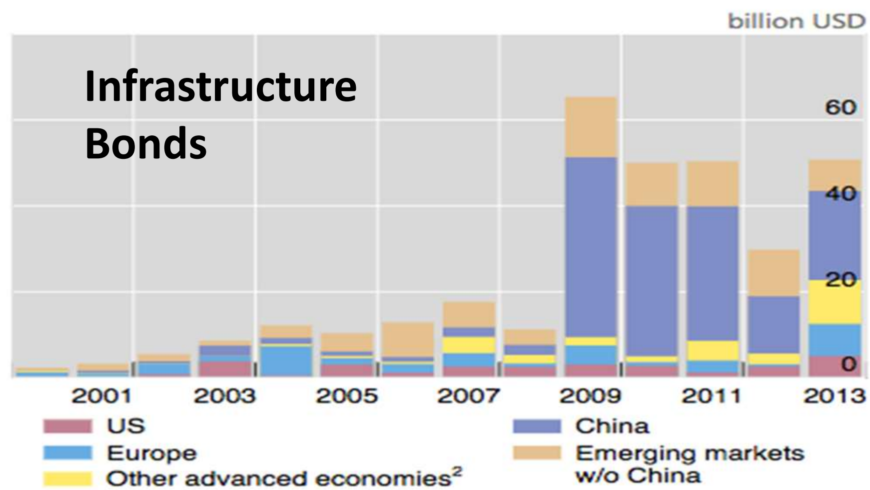

Infrastructure Debt




Source: Bank for International Settlements

Over the last 25 years more than **7000** PPP projects have been developed
Transport projects are the largest number of projects.

The OECD estimated global infrastructure requirements to 2030 is around **USD 50 Trillion**




# Benefits and Limitations of PPPs in Transport

PPPs are a means to extend or leverage better budget funding **through efficiency gains**

**Sharing** of investment, risk, responsibility, and reward

Achieve better **value for money** of the project

**Increase efficiency** in provision and operation (competition and contestability features)

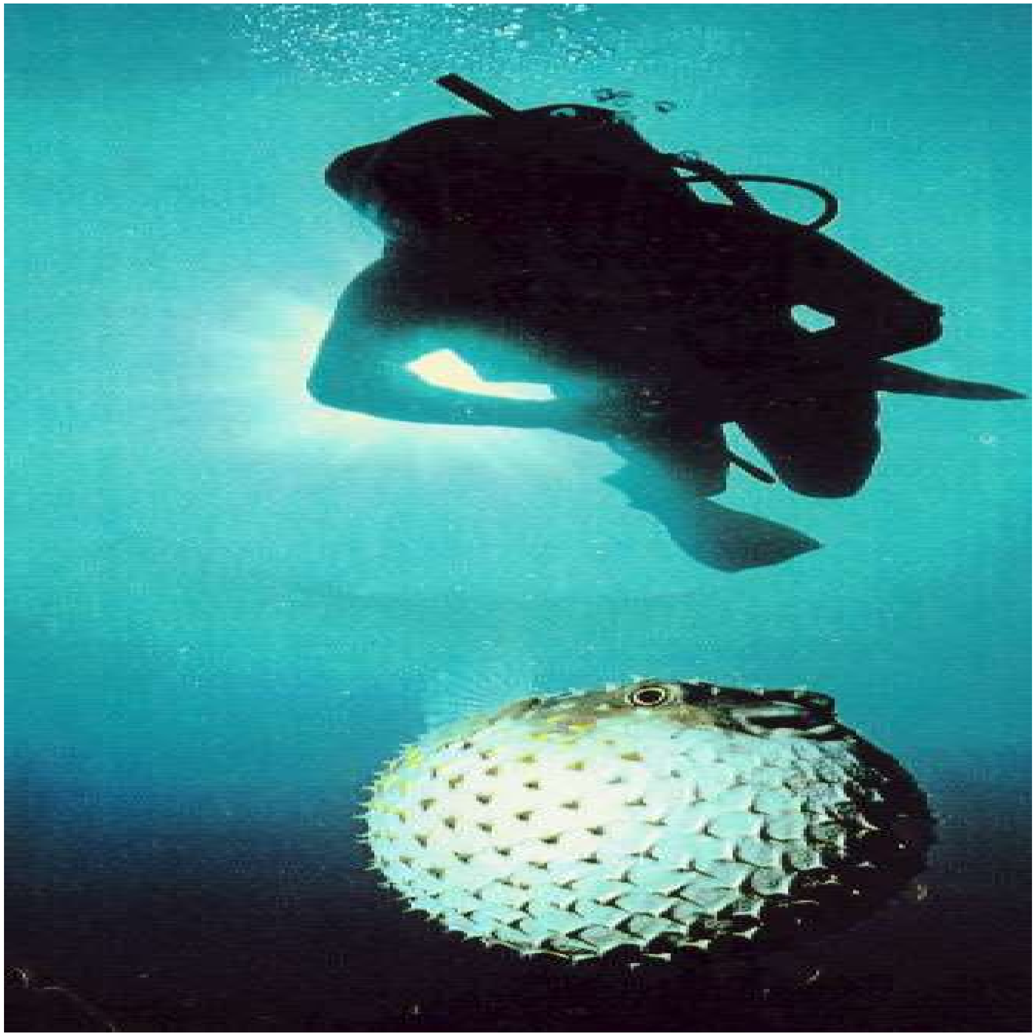
**High costs** for contracts and risk transfer in relation to the capital cost of the project

Private sector will do **what it is paid to do and no more**

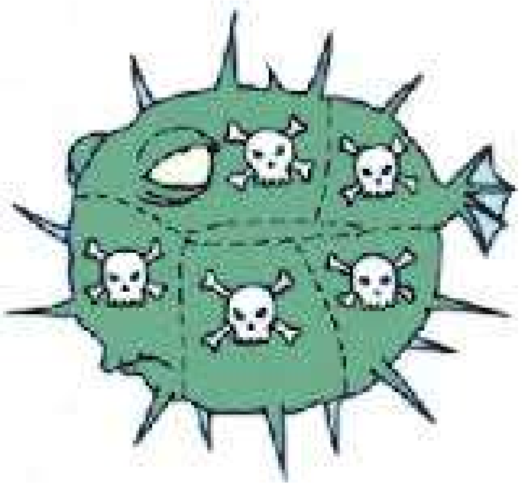
Difficulty internalising positive externalities (**more brownfield projects than greenfield**)

Complex and innovative projects with high risk and uncertainties, exposed to **renegotiation**

# Fish Paradigm



In general, public and private financial deals do not kill, but they must be well-structured, otherwise they can cause considerable “pain” to careless public promoters.



# THE ROLE OF THE PUBLIC SECTOR

Government's role no longer consists simply of close supervision and control, define and contractually stipulate the tasks for the private sectors and intervene if the private sector fails to meet its obligations


The Government must shape the framework conditions for the investment and development of transport in such a way that collaboration and cooperation between public and private sectors operate smoothly under high ethical and integrity conduct

# NEW FORMS OF PUBLIC AND PRIVATE COLLABORATION

The rationel and needs of PPP agreements differ from project to project and from country to country

**ALLIANCE CONTRACTING**

**COMPETITIVE DIALOGUE**

**INTEGRATED PROJECT DEVELOPMENT**

**LAND VALUE FINANCE**

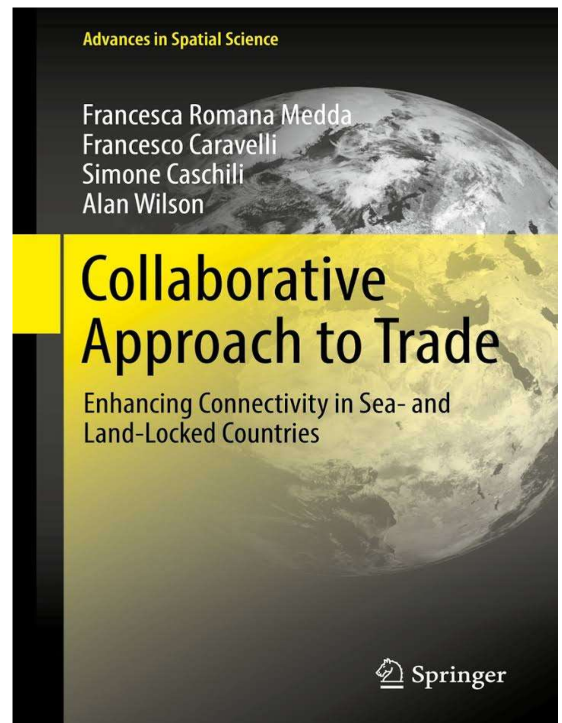
**MARKET FINANCE** (pensions funds, sovereign wealth funds, insurance companies, mutual funds etc.)

**MULTILATERAL DEVELPOMENT BANKS** (EIB, WB, EBRD, ADB)

# COLLABORATIVE APPROACH

**Collaborative approach of transport finance** as a way to pool resources, improve efficiency and productivity and economies of scale, and deliver the best and most innovative infrastructure to our society.

We can identify through the presence of **6 Cs** what we interpret as a collaborative approach:




1) **Cooperation;**
2) **Competition**;
3) **Contestability;**
4) **Coordination**;
5) **Communication/Connection;**
6) **Co-creation and co-sharing.**


INVESTMENT PLAN FOR EUROPE
EU guarantee
European Investment Bank
€16 bn*
€5 bn
EUROPEAN FUND FOR STRATEGIC INVESTMENTS
€21 bn
Possible other public and private contributions***
€16 bn
€5 bn
x 15
x 15
Long-term investments
circa €240 bn
SMEs and mid-cap firms
circa €75 bn
circa €315 bn**
total extra over 2015/17

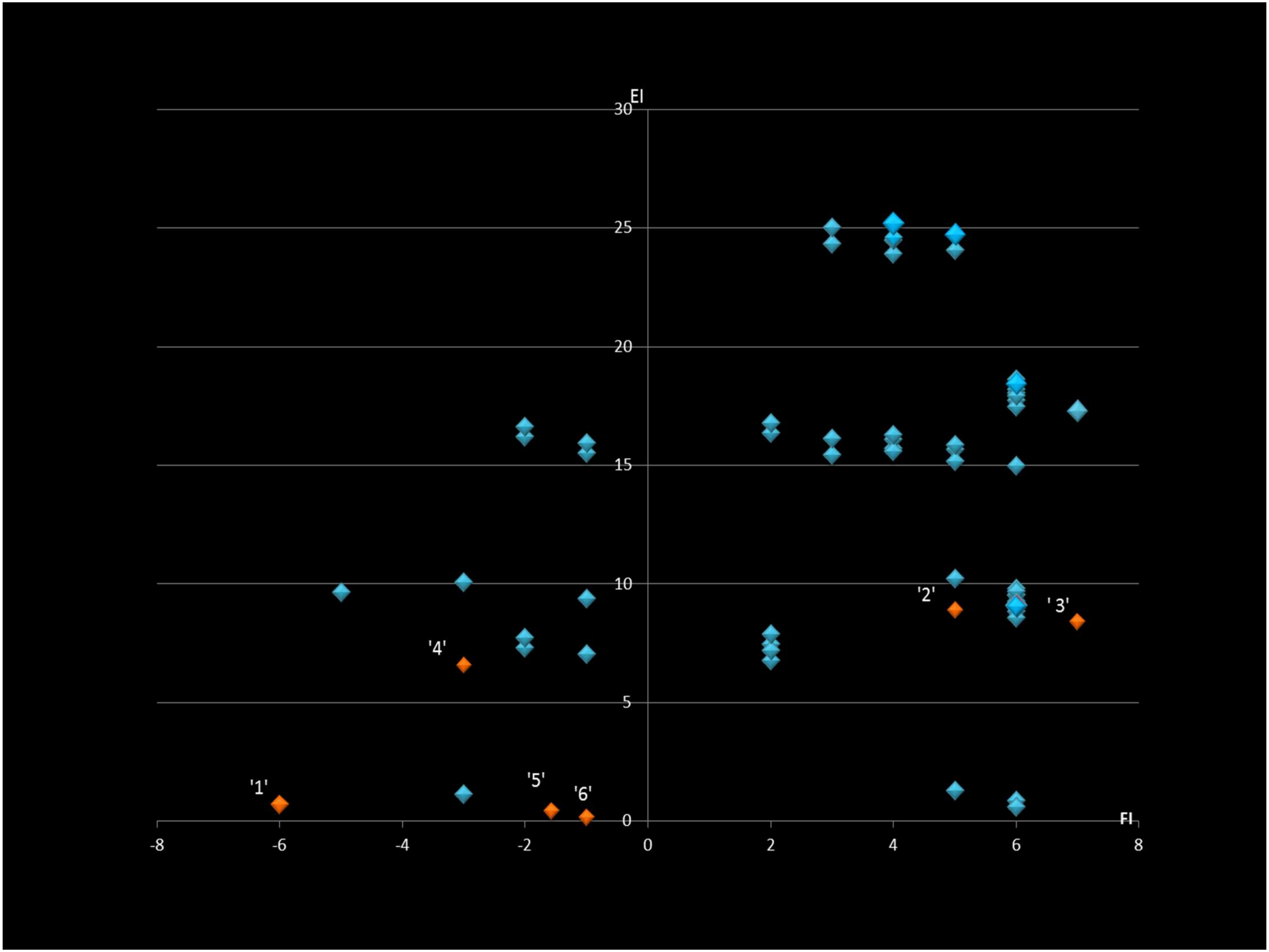
# JESSICA

Joint European Support for Sustainable Investment in City Areas • Joint European Support for Sustainable Investment in City Areas


Structure of the EIB JESSICA Initiative

[redacted]


EI
30
25
20
15
5
0
Project 1 –
Project 2 –
Project 3 –
Project 4 –
Project 5 –
Project 6
-8
-6
-4
-2
0
2
4
6
8
FI



EI
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20
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10
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FI
-8
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-4
-2
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8
'1'
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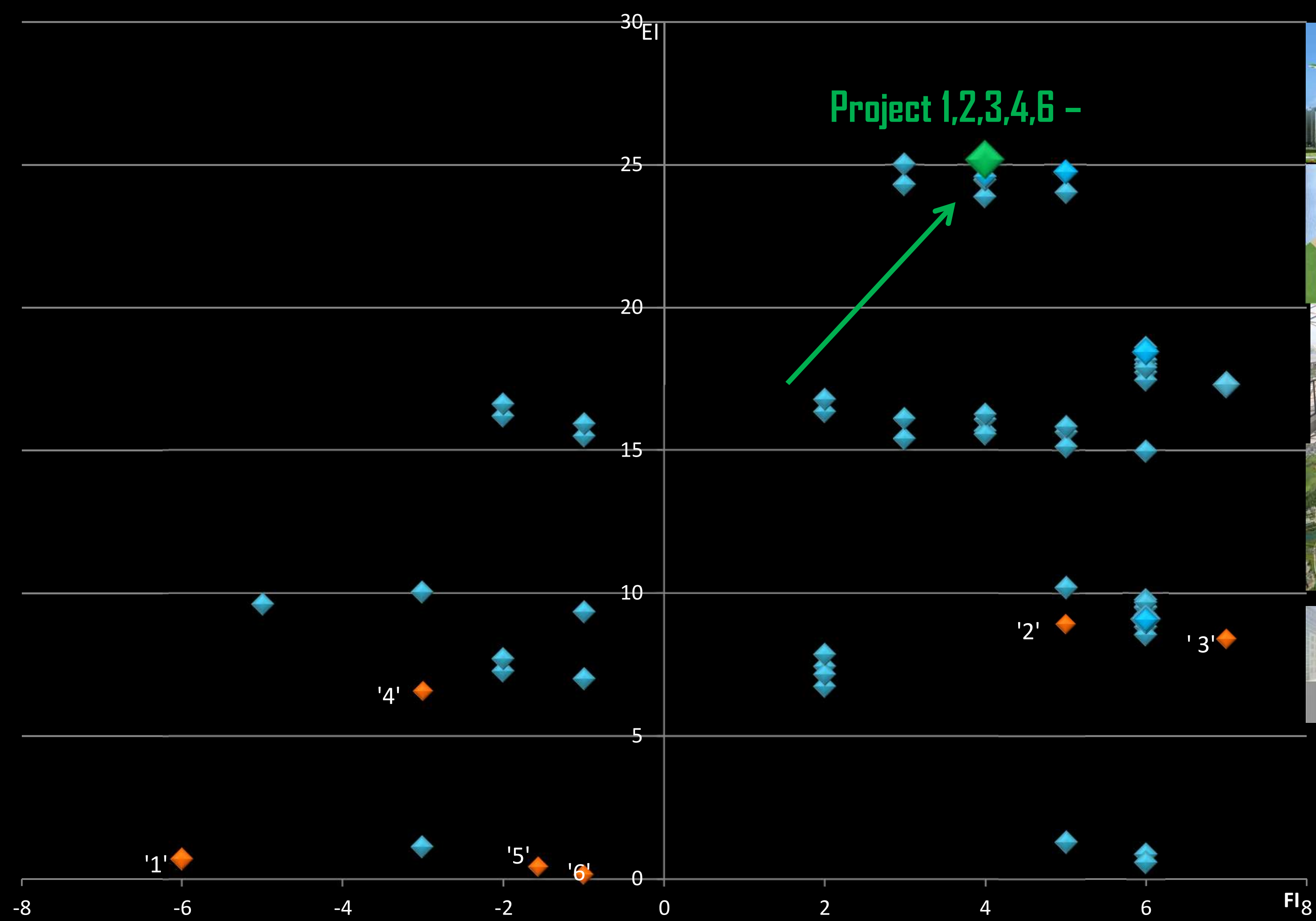
' 3'
'4'
'5'
'6'


Project 1,2,3,4,6 –
EI
FI
30
25
20
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We seek to invest in transport to optimise resources and create and capture value chains.

We are therefore required to re-design our transport projects, linking **innovation in financial models, technology and management.**

To cover the entire risk spectrum of the project, different forms of capital will be necessary: involving not only bank finance, loans and equity but also **impact financing** in order to reduce the risk profile of the project and create awareness among different stakeholders.

# Thank you

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