



Indonesia in focus

Indonesia's PPP programme – breaking the deadlock

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In recent years, PPP has struggled to take root in Indonesia, despite the government's best efforts to promote and develop a PPP framework. In an attempt to break the deadlock, earlier this year the President of the Republic of Indonesia issued Presidential Regulation No. 38 of 2015 on Cooperation between Government and Business Entities in Procurement of Infrastructure ("**PR 38/2015**"). Key changes introduced by PR 38/2015 include extending the PPP scheme to certain types of social infrastructure, introducing a direct appointment procedure and expanding the types of investment return, among other things.

These changes are starting to show promise at an administrative level, with new PPP opportunities arising in the areas of telecommunications, downstream oil and gas and healthcare related infrastructure. However, many challenges remain such as how to reconcile an availability payment scheme with the manner in which the Ministry of Finance distributes funding to the various ministries or other contracting agencies. As we understand, the Indonesian Ministry of Finance is in the process of drafting a new regulation to address some of these issues, and we look forward to further engagement so as to drive forward the anticipated PPP project pipeline.

In our view, however, much work needs to be done especially in terms of coordination between the various stakeholders and promoting a greater understanding of the preparation and risk allocation required for developing successful PPP projects.

For further information, we would be happy to get in touch:



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