



# Governmental processes facilitating infrastructure project preparation: Case study from Indonesia

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A G20 INITIATIVE





# Welcome and introduction

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# Agenda

- Introduction
- Overview of reference guide on governmental processes facilitating infrastructure project preparation
- Indonesia case study on government actions and processes to facilitate project preparation
- Q&A

# Introduction to the Global Infrastructure Hub

- The [GI Hub](#) is an independent organisation, established in 2014 by the [G20](#) to increase the flow and quality of infrastructure investment opportunities in all countries
- We share [data, knowledge and leading practices](#), and help the public and private sectors work more closely to deliver crucial public infrastructure projects
- The GI Hub is staffed by international infrastructure specialists from the public and private sectors
- One of the key mandates which the G20 gave to the GI Hub [was to develop and promote leading practices](#) in infrastructure development

# Leading practice reference guides and tools: an introduction

- [Governmental processes facilitating project preparation](#) (launched January 2019)
- The [PPP Risk Allocation Tool](#), released in June 2016, was the first of the GI Hub's leading practice initiatives (updating with additional social sectors forthcoming 2019)
- The [PPP Contract Management Tool](#) (launched July 2018)
- Leading practice reference tool on [inclusive infrastructure](#) (consultative version, March 2019)
- [Guidance on national infrastructure banks](#) (consultative version, March 2019)
- [Output specifications for quality infrastructure PPPs](#) (forthcoming 2019)

# Governmental processes facilitating infrastructure project preparation

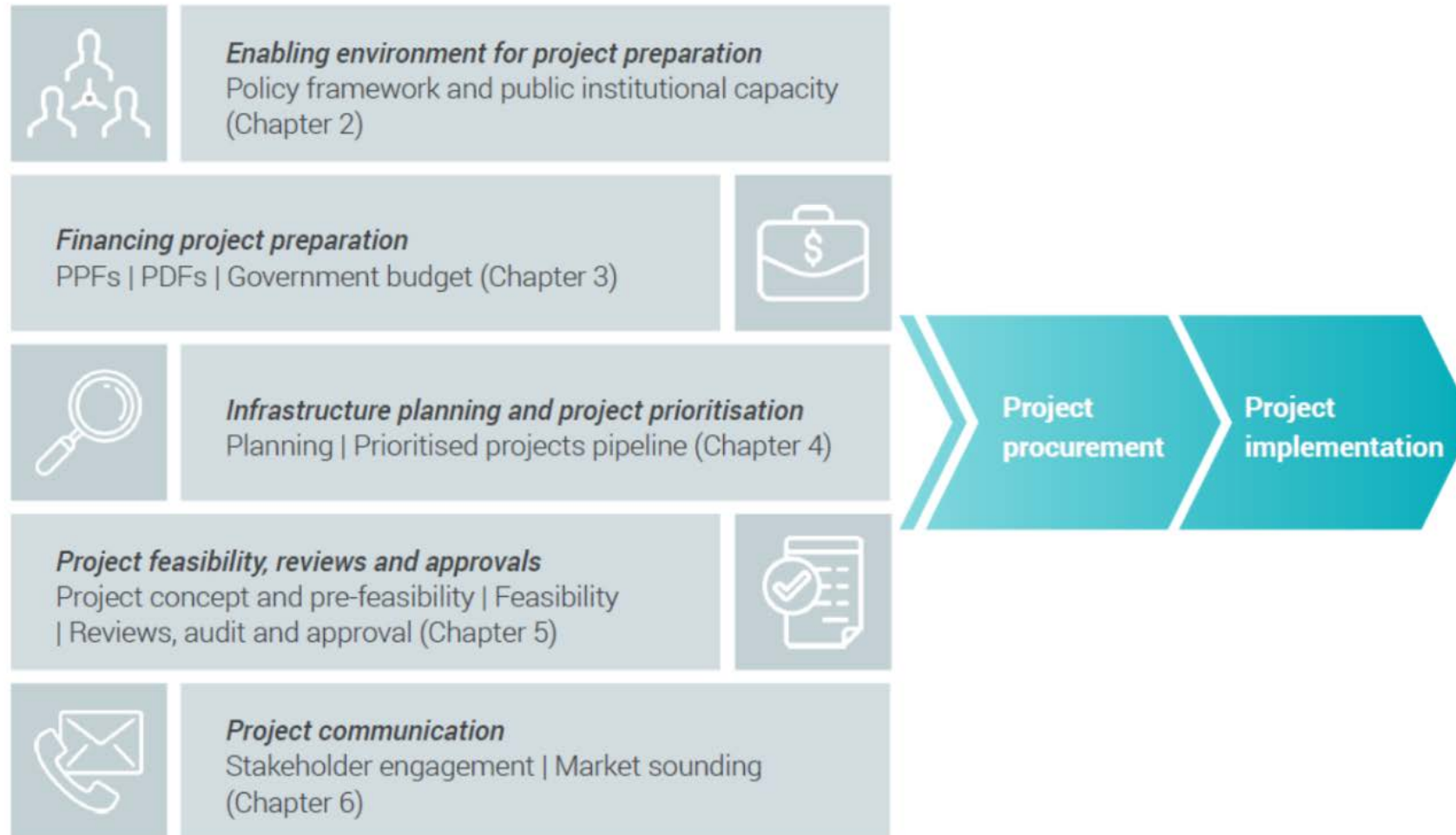
[www.gihub.org/project-preparation/](http://www.gihub.org/project-preparation/)

## Background

- Lack of well-prepared, bankable infrastructure projects considered one of the key bottlenecks to investment
- Project preparation a key theme of Argentina's G20 Presidency in 2018, component of Argentina's Roadmap to Infrastructure as an Asset Class – theme continuing under Japan 2019, with a focus on Quality Infrastructure
- GI Hub has developed a practical guide for governments, informed by a country-lens review of leading practices
- Overall goal to help increase the global pipeline of well-prepared bankable infrastructure projects, leading to an increase in flow and quality of infrastructure investment

# Governmental processes facilitating infrastructure project preparation

## Leading Practices Reference Tool





# Overview: Reference guide on governmental processes facilitating infrastructure project preparation

**Anand Madhavan**

Director, Infrastructure and Public Finance

CRISIL



# Context

## Global Infrastructure outlook

- **\$94 tn investment by 2040 to meet global infra needs**

- **Asia** ~over half of global investment needs
- **Road** and **power** sectors account for highest share

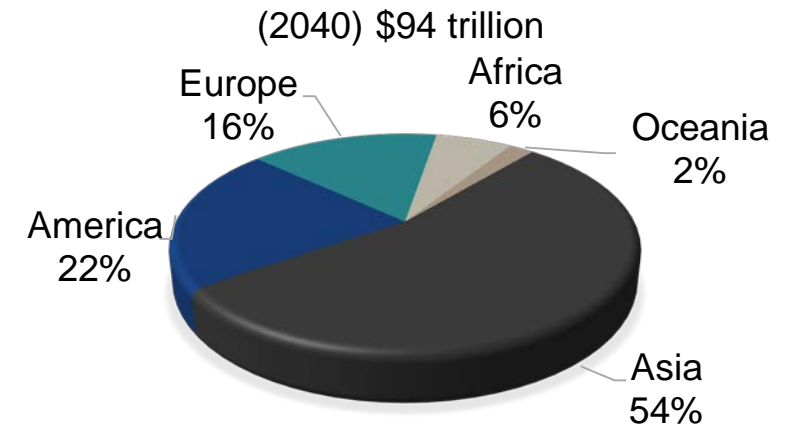
- **Raft of constraints** inhibit infrastructure creation

- Unclear policies, poor project fundamentals, inadequate risk-adj returns, weak institutional capacity

- **Quality project preparation** is critical

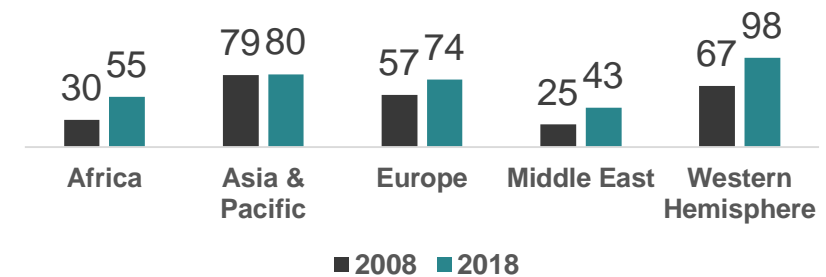
- Past studies peg project preparation costs at ~5-12% of investment
- At the lower end of this range, financing need for project preparation translates to \$750 billion or \$30 billion annually.

### Global infrastructure needs



### Government debt to GDP

Global trends

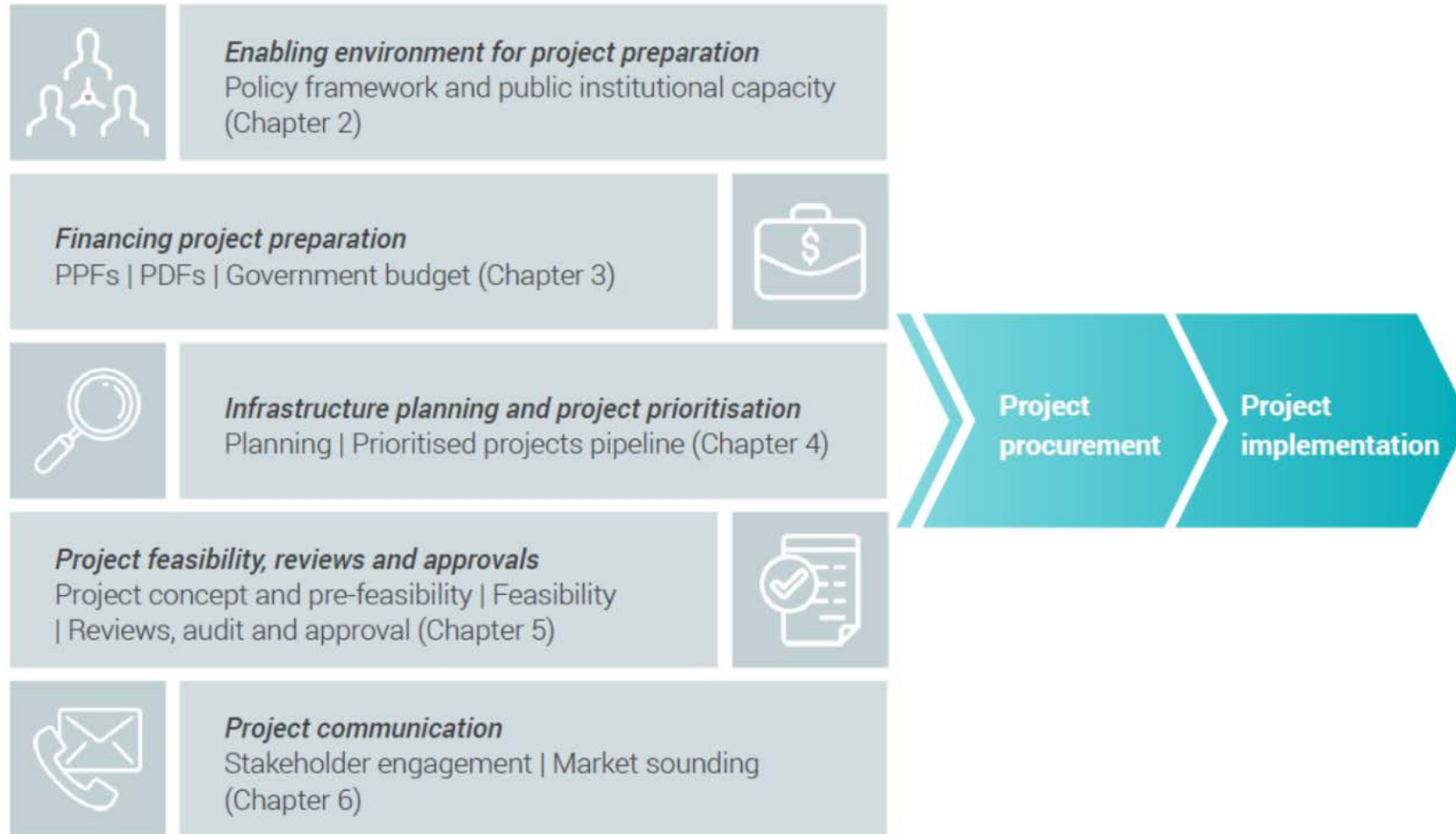


Source: Global Infrastructure Outlook, GI Hub

Capacity to drive **effective project preparation** critical

2018 G20 working group roadmap, G20 principles for project preparation recognised this

# Focus is on early-stage project preparation activities

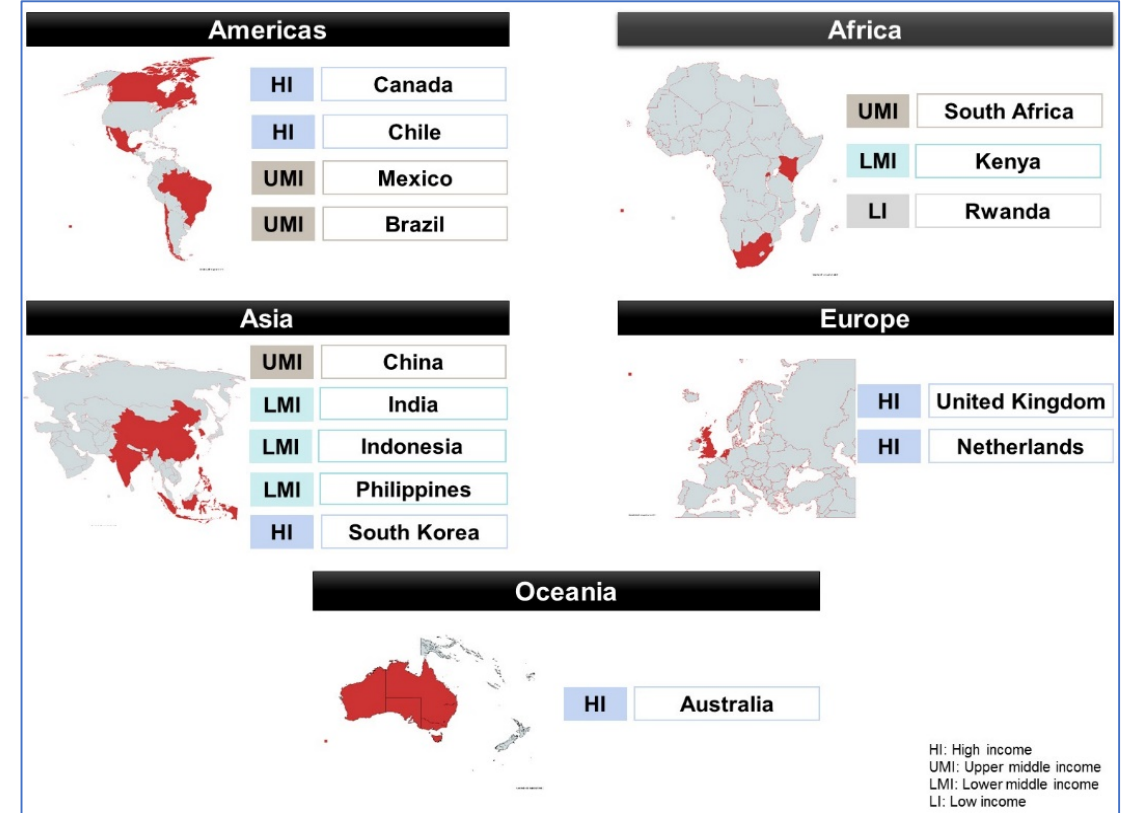


# Approach

## Focus areas



## Country review – 15 nations



# Enabling environment 1

## 1. Policy framework

Clear policy / legislative framework

MIRT Policy Framework,  
The Netherlands

Agility and evolution of policy frameworks to meet changing infra development needs

Republic of Korea

Follow-up **guidelines, standards and processes** to make policy actionable

UK Tools for project  
preparation & mgmt

Aligned cascading of policy across national, sub-national governments

State Infrastructure Units,  
Australia

Sector-specific policies to help drive infrastructure project preparation in thrust areas

REIPPP Programme, South  
Africa

Adapting contextually relevant global practices accelerates capacity creation

Gateway review – Australia  
& The Netherlands

# Enabling environment 2

## 2. Public institutional capacity

**Empowered central agencies** to institutionalise project preparation capacity, standards

IPA UK and  
PIMAC, Korea

**Sector-specific agencies** when investment, transformation needs significantly large

EPL, Brazil  
NHAI, India

In central agencies handling multiple roles, **capacity, conflicts** need to be addressed

MIWM & Rijkswaterstaat,  
The Netherlands

**Distinct governance structures** to prepare, implement large complex projects

DoE IPP Unit, SA,  
DMRC, India

# Financing project preparation

## Current institutional models and facilities

### Government budgetary allocation

- Forms the largest source of project preparatory funding

### Project development funds

- Operated under nodal ministry of Government
- Gatekeeper for approval of funds for project preparation

### Project preparation facilities

- Response by MDBs to address scarcity of bankable projects
- Set up with different arrangements and regional focuses.
- Also often provide technical assistance and capacity building support



# Infrastructure planning and project prioritisation

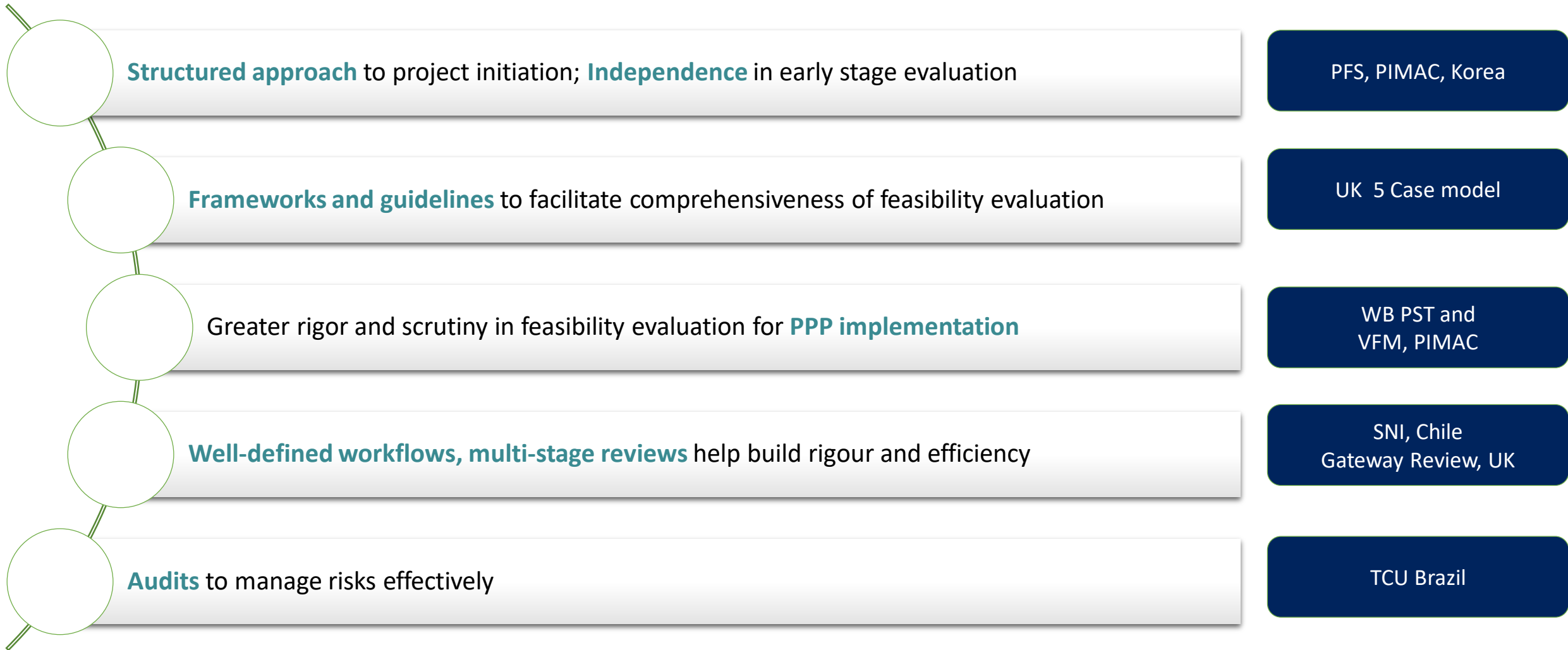
## Infrastructure planning

- **Long-term infrastructure plans** to translate a base line into committed priorities, goals and projects
- Infrastructure planning anchored in a **capable, empowered public institution**
- Infrastructure planning at **all levels of government** and cascaded among GCAs and sub-national governments (*Investing in Canada – 12 year plan*)
- **Periodic revision** reflecting lessons, builds credibility (*National Audit by Infrastructure Australia*)
- **Linkage with downstream actions** (Brazil's Pluri Annual Plan (PPA – a 4-year plan), Budget Directives Law (LDO – annual) and Annual Budget Law (LOA))

## Project prioritisation

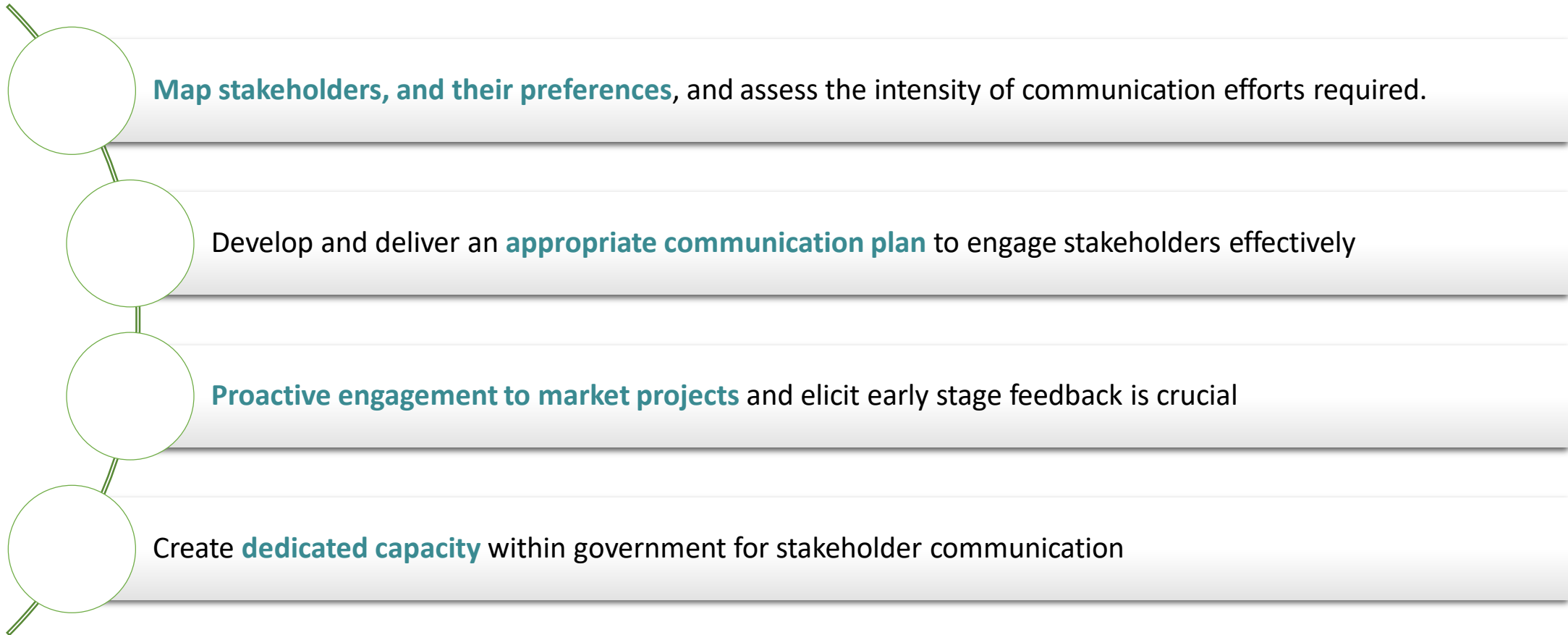
- **GCA-level master plans**, linked to priorities in national plans are useful starting points (SA, Mexico)
- Mechanisms to **track and monitor projects** of strategic importance (Indonesia, UK)
- **Evidence-based analysis** to prioritise projects (including through use of tools like World Bank's Infrastructure Prioritization Framework)

# Project feasibility, reviews and approvals





# Project communication



# Concluding remarks

- The Reference Tool synthesises lessons and practices from global, national, and sub-national level experiences to support governments in making project preparation processes more effective
- Integrates global best practices with peer-to-peer learning (among similar economies) helping countries devise customised solutions to the project preparation challenges rather than a one-size-fits-all approach
- Serves as a reference point for the unique tools/ guidance for project preparation adopted globally
- It blends conceptual inputs with country case examples and best practices, including the enabling environment and covering each stage of project preparation



# Indonesia case study on governmental processes facilitating project preparation

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Director





Questions ?

