



Series – 3

# Small-Scale PPP in Indonesian PPP Regulation 2023

In the New PPP Bappenas Regulation 7/2023, a new category called "Small-Scale PPP" has been introduced. This designation applies to infrastructure projects with relatively simple structures and/or scopes. It encompasses projects with low complexity in terms of implementation, stakeholder involvement, and scope. Small-Scale PPPs are expected to bring economic benefits to the community with their straightforward structures and scopes.

However, Bappenas 7/2023 does not explicitly define the levels of scope and complexity or the investment costs that qualify a project as small-scale. Guidance on these criteria are expected in the future.

### The criteria for Small-Scale PPP are as follows:

GCA	Only 1 Government Contracting Authority (GCA)
Infrastructure Sector	Only 1 infrastructure sector and do not require Environmental Impact Assessment (AMDAL)
Service Coverage	Only 1 ministry/institution/province/district/city and is not a cross-authority and/or cross-regional project
Scope	Consider simple scope and low complexity
Technical Solution	Simple technical solutions planned using proven technologies or those applied in previous similar projects
Investment Cost	Low investment cost
Consession Period	Maximum PPP period of 10 (ten) years
Payment Scheme	<ul style="list-style-type: none"> <li>Return on investment method with user charges</li> <li>Do not require Viability Gap Fund (VGF), demonstrated by the GCA's fiscal capacity to implement the project</li> <li>If the preliminary study indicates that user charges is not recommended, GCA needs to ensure that this recommendation is stated in the preliminary study.</li> </ul>

No Clear Guidance yet

Source: PPP Regulation 7/2023 Article 85

## Small-Scale PPP Process Solicited Based on Bappenas 7/2023

Blue Font: Different Items from regular PPP

	Planning	Preparation	Transaction	Implementation
<b>Objective</b>	<ul style="list-style-type: none"> <li>Ensure project needs</li> <li>Ensure compliance with government plans</li> <li><u>Ensure the use of proven technology or solutions from previous similar projects in Indonesia and other countries.</u></li> </ul>	<ul style="list-style-type: none"> <li><u>Confirm that the project does not require VGF, and the GCA has sufficient fiscal capacity.</u></li> <li><u>Verify that the project has completed or made progress in land acquisition.</u></li> <li><u>Confirm that the project is not required to have an AMDAL.</u></li> </ul>	<ul style="list-style-type: none"> <li>Conduct PPP tender</li> <li>Reach financial close</li> </ul>	<ul style="list-style-type: none"> <li>PPP management preparation</li> <li>Controlling the implementation of PPP agreements</li> </ul>
<b>Milestone</b>	<ul style="list-style-type: none"> <li><u>Preparation of potential analysis of Small-Scale PPP</u></li> <li>Preparation of Preliminary Study</li> </ul>	<ul style="list-style-type: none"> <li>Pre-Feasibility Study</li> <li>Public Consultation &amp; market sounding</li> </ul>	<ul style="list-style-type: none"> <li>Announcement of winning bidder</li> <li>Signing of PPP Agreement</li> <li>Financial close</li> </ul>	<ul style="list-style-type: none"> <li>Construction</li> <li>Commissioning</li> <li>Commencement of Operation Date (COD)</li> <li>Asset hand back</li> </ul>
<b>Required Document</b>	<ul style="list-style-type: none"> <li><u>Report of potential analysis of Small-Scale PPP</u></li> <li>Preliminary Study</li> </ul>	<ul style="list-style-type: none"> <li>Pre-Feasibility Study</li> <li>Report of public consultation &amp; market sounding</li> </ul>	<ul style="list-style-type: none"> <li>Tender document (Pre-Qualification &amp; Request for Proposal Document)</li> <li>In-principal govt support</li> <li>Guarantee agreement</li> <li>PPP Agreement</li> </ul>	<ul style="list-style-type: none"> <li>Detail Engineering Design</li> <li>Construction permits</li> <li>Operation permits</li> <li>Administrative Report</li> <li>Performance Monitoring Report</li> </ul>
<b>Content of Analysis</b>	Preliminary Study: <ul style="list-style-type: none"> <li>Strategic</li> <li>Infrastructure Provision Initiative</li> </ul>	Pre-FS : <ul style="list-style-type: none"> <li>Strategic</li> <li>Economy</li> <li>Commercial</li> <li>Financial</li> <li>Management</li> </ul>		

Source: Global Challenge Indonesia

## Small-Scale PPP Process Unsolicited Based on Bappenas 7/2023

Blue Font: Different Items from Regular PPP

	Preparation	Transaction	Implementation
<b>Objective</b>	<ul style="list-style-type: none"> <li>Government ensure that technical aspect are integrated with the master plan in the sector concerned</li> <li>The private entity proposing the initiative must have adequate financial capabilities.</li> <li><a href="#">Confirm that the project is not required to have an AMDAL.</a></li> </ul>	<ul style="list-style-type: none"> <li>Conduct PPP tender</li> <li>Reach financial close</li> </ul>	<ul style="list-style-type: none"> <li>PPP management preparation</li> <li>Controlling the implementation of PPP agreements</li> </ul>
<b>Milestone</b>	<ul style="list-style-type: none"> <li>Letter of Intent (LOI) and Supporting Documents</li> <li>Publication of Letter to proceed</li> <li>Feasibility (FS) study</li> <li>Publication of Letter of acceptance</li> <li>Public Consultation &amp; market sounding</li> <li><a href="#">Preparation of potential analysis of Small-Scale PPP by Private</a></li> </ul>	<ul style="list-style-type: none"> <li>Announcement of winning bidder</li> <li>Signing of PPP Agreement</li> <li>Financial close</li> </ul>	<ul style="list-style-type: none"> <li>Construction</li> <li>Commissioning</li> <li>Commencement of Operation Date (COD)</li> <li>Asset hand back</li> </ul>
<b>Required Document</b>	<ul style="list-style-type: none"> <li>LOI and Supporting Documents</li> <li>Letter to Proceed</li> <li>Feasibility (FS) study</li> <li>Report of public consultation &amp; market sounding</li> <li>Letter of Acceptance</li> <li><a href="#">Report of potential analysis of Small-Scale PPP</a></li> </ul>	<ul style="list-style-type: none"> <li>Tender document (Pre-Qualification &amp; Request for Proposal Document)</li> <li>In-principal govt support</li> <li>Guarantee agreement</li> <li>PPP Agreement</li> </ul>	<ul style="list-style-type: none"> <li>Detail Engineering Design</li> <li>Construction permits</li> <li>Operation permits</li> <li>Administrative Report</li> <li>Performance Monitoring Report</li> </ul>
<b>Content of Analysis</b>	<p>Supporting Documents:</p> <ul style="list-style-type: none"> <li>Confirmation of conformity with relevant sector master plan</li> <li>Confirmation of Indication of the need for Infrastructure provision</li> <li>Initial review of project plans</li> <li>Confirmation of sufficient financial capabilities &amp; technical experience</li> <li>Initial Identification of GCA</li> </ul>	<p>Feasibility Study:</p> <ul style="list-style-type: none"> <li>Feasibility Study;</li> <li>Strategic</li> <li>Economy</li> <li>Commercial</li> <li>Financial</li> <li>Management</li> </ul>	

Source: Global Challenge Indonesia

In Small-Scale PPP, it is possible to choose the scheme of either Solicited or Unsolicited projects. Solicited Small-Scale PPP projects are initiated by the government through open tenders. On the other hand, unsolicited Small-Scale PPP proposals are initiated by the private sector. There are slight differences between usual PPPs and Small-Scale PPPs.

For Solicited projects, in the Planning stage, the Government Contracting Agency (GCA) needs to ensure the use of proven technology or solutions from previous similar projects in Indonesia and other countries. The GCA also needs to prepare a potential analysis of Small-Scale PPPs. In the Preparation stage, the GCA needs to confirm that the project does not require VGF and that it has sufficient fiscal capacity. The GCA also needs to verify that the project has completed or made progress in land acquisition. Moreover, the GCA needs to confirm that the project is not required to have an Environmental Impact Analyses Document (AMDAL) in accordance with prevailing environment related regulations under Ministry of Environment and Forestry.

For Small-Scale PPP Unsolicited projects, the difference from usual PPPs processes lies only in the Preparation stage. The private initiator needs to confirm that the project is not required to have an AMDAL and needs to prepare a potential analysis of Small-Scale PPPs.

**Overall, Small-Scale PPPs are intended for infrastructure projects with relatively simple structures and/or scopes. They are expected to speed up planning timelines or preparation stages. Both in Solicited and Unsolicited Small-Scale PPPs, there is a need to prepare a Potential Analysis of Small-Scale PPPs and confirmation that the project is not required to have an AMDAL.**



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