

TRANSPORT

LOWER MIDDLE INCOME \*

TRADE-ENABLING

# INDONESIA Toll Road Program

## GIF FUNDING & LEVERAGE

GIF Project Definition  
Support:

**\$450,000**

Anticipated GIF Project  
Preparation and Structuring  
Activity:

**\$3.5 million**

Potential Private Investment  
Mobilized:

**\$1.6 billion**

Indonesia's road system is vital for connecting people and business to employment, services, and markets. However, Indonesia only expanded its toll road network up to around 1000 kilometers to date. The GIF is supporting the government's long-term plan to attract private participation and commercial financing to deliver a toll road network of over 6000 kilometers.

## EXPECTED PROJECT OUTCOMES

- ◆ An assessment of the viability of road segments as toll road projects
- ◆ An assessment of public and private options for state-owned enterprises to develop the toll road program, and
- ◆ Greater capacity of the Toll Road Authority to attract private participation and commercial financing to deliver the toll road program

After the GIF project definition activity is completed, potential transactions that the GIF could support with full structuring and implementation will be identified. In the long term, this project will contribute to the modality shift of financing and funding toll road development in Indonesia. The development of 6,000-kilometer toll road program will stimulate economic activity and create greater employment opportunities for Indonesian citizens.

## TECHNICAL PARTNERS



THE WORLD BANK  
IBRD • IDA | WORLD BANK GROUP

\* Based on World Bank Group classification by income

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## BACKGROUND

Indonesia's extensive road network, spread across an archipelago of 17,508 islands, plays a vital role in connecting people and business to employment, services, and markets. They are the primary means of transportation in the country, accounting for 83 percent of passenger and 70 percent of freight demand. They suffer, however, from underinvestment, poor quality, and poor maintenance.

A key way the government is addressing this issue is by building a network of toll roads. The government aims to build 6,115 kilometers of toll roads by 2025, beginning with the construction of 1,584 kilometers by 2019. The Trans-Java (1,187 kilometers) and the Trans-Sumatra (2,840 kilometers) toll roads will serve as key land transport backbones for these two islands. However, progress has been slow. By June 2015, there were only 942 kilometers of toll roads operating throughout Indonesia.

In Indonesia, state-owned enterprises play a major role in infrastructure development and services, including the road construction. Approximately 73 percent of total toll roads in Indonesia are operated by PT Jasa Marga, the dominant player in Indonesia's toll road sector.

The government's road expansion plans require private sector participation. Key fiscal, institutional and regulatory reforms were implemented to encourage private sector participation in infrastructure development.

The Indonesia Toll Road Authority (Badan Pengatur Jalan Tol, BPJT) requested support from the GIF and the World Bank's Transport Global Practice to assist on the toll road program.

## PROJECT FEATURES

The GIF's support will provide the government with information necessary to alleviate the burden on public funds

and mobilize commercial financing for the delivery of the toll road network. This includes conducting high-level prefeasibility of selected roads and ascertain their suitability for development as international-standard PPPs, with a focus on measures to be taken to enhance the level of competition and attract more private players from Indonesia and abroad. GIF will also provide recommendations to state-owned enterprises to improve current practice to ensure the delivery of road projects. Through appropriate structuring of program-level financing and structuring of individual roads/transactions, with both private and public finance options. Finally, the GIF activity will help strengthen the Indonesian Toll Road Authority's capacity of preparing and managing toll road PPPs.

## WHY GIF

The GIF is supporting the close coordination required between multiple parties in government, including the Ministry of Finance, Ministry of Public Works and Housing, the Toll Road Authority, state-owned enterprises, local authorities, and multilateral development banks, to structure, arrange and provide financial support to the country's existing and planned toll road network. Solutions are likely to be complex compared to previous structures used in Indonesia, requiring a blend of financial or risk mitigation instruments to attract private capital. The GIF is supporting the close coordination required between multiple parties in government, including the Ministry of Finance, Ministry of Public Works and Housing, the Toll Road Authority, state-owned enterprises, local authorities, and multilateral development banks, to structure, arrange and provide financial support to the country's existing and planned toll road network. Solutions are likely to be complex compared to previous structures used in Indonesia, requiring a blend of financial or risk mitigation instruments to attract private capital.

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*The Global Infrastructure Facility, or GIF, is a partnership of governments, multilateral development banks and private sector financiers that facilitates private-sector investment in complex infrastructure projects in emerging economies. We serve as a platform through which governments collaborate with international financial institutions and private sector investors to design, structure and implement these complex projects.*

*The comprehensive project-preparation support provided by the GIF draws on the expertise of its advisory partners which includes commercial banks and institutional investors. The broad partnership ensures that well-structured and bankable infrastructure projects are brought to market in a way that meets the needs of governments and service users in a sustainable way.*