



# Indonesia: Trans Sumatra Toll Road Risk Monitoring

Project Name	Trans Sumatra Toll Road Risk Monitoring	
Project Number	54396-001	
Country	Indonesia	
Project Status	Proposed	
Project Type / Modality of Assistance	Technical Assistance	
Source of Funding / Amount	TA: Preparing the Trans Sumatra Toll Road Development Project	
	Technical Assistance Special Fund	US\$ 225,000.00
Strategic Agendas	Inclusive economic growth	
Drivers of Change	Governance and capacity development Knowledge solutions Private sector development	
Sector / Subsector	Transport - Transport policies and institutional development	
Gender Equity and Mainstreaming	No gender elements	
Description	The Government of Indonesia requested ADB for the proposed TA to support the strengthening of the design and financing of an inclusive and sustainable road network for the Sumatra Island (Sumatra). The TA will help Indonesia to monitor existing financial risks, provide best practice case studies, financial risk monitoring model, and knowledge-sharing activities to develop a financially viable and comprehensive Trans Sumatra toll road system. The TA is necessary and urgent to help the government prioritize available funds and minimize investment risks.	
Project Rationale and Linkage to Country/Regional Strategy	<p>Indonesia, as an archipelago of more than 16,000 islands, relies heavily on transport connections to link its islands and regions together. It is the world's 7th largest economy in terms of purchasing power parity. Indonesia has maintained a robust economic expansion with average annual growth rates of 5%, contributing to a reduction in the poverty rate from 11.1% in 2015 to 9.2% in 2019. Chronic underinvestment in transport infrastructure remains one of Indonesia's development constraints, which has not been overcome since the 1997/1998 Asian financial crisis. Indonesia invested 4.6% of gross domestic product (GDP) in infrastructure in 2017, short of the estimated 6% of GDP required to meet infrastructure investment needs adjusted to climate risks. The 2019 World Economic Forum Global Competitiveness Report ranked Indonesia 72 in infrastructure, 109 in road connectivity, 60 in quality of roads, and 56 in quality of air transport, placing it below Malaysia and Thailand overall. The infrastructure gap remains large and the quality of infrastructure is inadequate to support a modern economy. The second largest island after Java, Sumatra has contributed 21% to Indonesia's GDP (2019) on the back of natural resources and commodities. The government is planning to increase the value of the regional economy by developing industry-focused economic centers across the island of Sumatra. A developed road network is vital to improving the connectivity among the economic activity centers and enhancing their economic distribution. Toll road development in Sumatra aims to improve access of transportation and distribution of goods, provide economic benefits to the community and regions of Sumatra, and ensure economic stability and growth in the island of Sumatra. The Trans Sumatra toll road system, stretching across Sumatra Island from the northern tip of Banda Aceh to the southern tip of Bakauheni, is one of the national priority projects that have been developed since 2015 through government assignment to a state-owned enterprise, PT Hutama Karya. As of 2020, out of the 2,765 kilometers (km) of total target for the system, 364 km has been completed, 792 km is either in construction or design phase, while 1,609 km is without funding allocation. Taking into account the low economic viability of the project and limited funding sources, the government through the Ministry of Finance (MOF) has provided various forms of fiscal incentives to facilitate PT Hutama Karya to obtain financing while maintaining the financial health of the corporation. These incentives include providing additional capital injection and government credit guarantees for loans and bonds issued. In 2020 the value of MOF's guarantee commitments has reached Rp54.9 trillion (\$3.6 billion equivalent) to support the construction of six segments of Trans Sumatra toll roads totalling 496 km. Based on the MOF regulations, the Directorate General of Budget Financing and Risk Management (DGBFRM) of the MOF should monitor on a quarterly basis and evaluate the implementation of the risk mitigation plan that has been prepared by PT Hutama Karya. The monitoring scope includes project implementation, financing, and financial obligations settlement. DGBFRM, through the Directorate of State Financial Risk Management (DSFRM), should also submit reports periodically and risk mitigation recommendations to the MOF to prevent the risk of default. Pursuant to the MOF Regulations, PT Hutama Karya has been reporting project progress and risk mitigation plan to the MOF on a quarterly basis. The DSFRM has developed some risk monitoring models particularly related to infrastructure development such as the infrastructure state-owned enterprises risk monitoring dashboard, contagion risk model, macro-stress test model, and Indonesia Infrastructure Guarantee Fund monitoring model. A new tool needs to be developed to monitor the risks of Trans Sumatra toll road system by considering the specific characteristics of the toll road project and fit into the overall monitoring scheme of the MOF. To monitor the risk of toll road projects, the DSFRM needs to understand the types of risks and to develop a framework, as well as model and monitoring system. However, due to limited knowledge in understanding the characteristics of toll road projects, the DSFRM needs advisory from technical experts to assist in the development of risk monitoring for the Trans Sumatra toll road system. By developing this framework, the key risks at each stage in the construction, operation, and maintenance of the toll road project will be comprehensively assessed and monitored.</p>	
Impact	Integrated transport system and connectivity strengthened in Sumatra	
Outcome	Knowledge and capacity of financing, designing, constructing, and managing of Trans Sumatra toll road system improved	
Outputs	Knowledge on sustainable toll road financing strengthened	
Geographical Location	Sumatra	
Summary of Environmental and Social Aspects		
Environmental Aspects		
Involuntary Resettlement		
Indigenous Peoples		
Stakeholder Communication, Participation, and Consultation		

During Project Design

During Project Implementation

#### Business Opportunities

**Consulting Services** A consulting firm (one international consultant [transport economist] of three person-months and two national consultants [senior highway engineer and transport modeler] of three person-months each) will be recruited using quality- and cost-based selection with a 90:10 quality cost ratio to support the development of the financial risk monitoring model. One individual international toll road financial consultant and one national toll road financial consultant of three person-months each will be recruited to assist in the capacity-strengthening activities.

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#### Timetable

Concept Clearance 02 Dec 2020

Fact Finding -

MRM -

Approval -

Last Review Mission -

Last PDS Update 03 Dec 2020

Project Page <https://www.adb.org/projects/54396-001/main>

Request for Information <http://www.adb.org/forms/request-information-form?subject=54396-001>

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