



Indonesia Major Infrastructure Projects

Overview

In all of our country research, we include a section on infrastructure – with a focus on near term effects. This is especially true for Indonesia, where infrastructure played a major role in the re-election of President Widodo. Prior to Widodo’s refocus, Indonesia was known for announcing major infrastructure projects, but not getting them over the line (Jakarta Mass Rapid Transit (MRT) and a major hydropower project in Borneo’s jungle launched nearly a decade ago).

In this section we focus on the largest projects with a near term focus to drive economic growth and how they have progressed over the past 2 years.

2022-2024

Jakarta-Bandung High-Speed Rail (\$7.8 billion)

Indonesia plans to launch Southeast Asia’s first HSR which connects Jakarta and Bandung, the heavily populated capital of West Java province. This line will cut travel time between two cities from the current three hours to about 40 minutes and is part of a planned 750 km line that would cut across four provinces on the main island of Java and end in the country’s second-largest city of Surabaya in east Java. In December 2022, the Director General of Railways of the Ministry of Transportation stated that progress in construction of the Jakarta-Bandung Fast Train (KCJB) had reached 91.7%.⁽¹⁾

The rail deal was signed in October 2015 after Indonesia selected China over Japan in competitive bidding process where China’s Special Purpose JV ownership vehicle, assumed the liabilities/debt (75% of the financing) while the Japanese offer put the liabilities/debt on the Indonesia (country)balance sheet.

The rail line construction that began in 2016 was originally expected to start operating in 2019 but was delayed until June 2023 due to disputes that involved land purchases and environmental issues. In his December 2022 conference, Pandjaitan said that the cost overrun had been addressed while adding that the costs burgeoned due to technical issues, in the form of soil damage. “Our cost overrun has been completed. Actually, a lot of cost overrun is due to land damage”. The 142.3-km HSR was built by the SPV; PT Kereta Cepat Indonesia-China (PT KCIC), a joint venture between an Indonesian consortium of four state-owned companies and China Railway.⁽²⁾

Trans-Java Toll Road (2017-2024?)

The Trans-Java Toll Road is a tolled expressway network that runs from Port of Merak in Cilegon, the main link between the island of Sumatra and Java, to Banyuwangi, the eastern end of the island in Indonesia. It is the main link between the island of Java and Bali. The toll 1,167 kms (725 miles) road and is the most important toll road network in the country. The Road is also designed to form part of the international Asian Highway 2 project, which aims to connect 14,000 km of highways across 32 Asian and European countries, from Denpasar to Iran.

Footnotes:

- (1) <https://www.zawya.com/en/projects/bri/construction-progress-of-jakarta-bandung-fast-train-reaches-917-of1e0sri>
- (2) <https://thediplomat.com/2022/10/indonesia-gears-up-to-start-its-first-high-speed-rail-line/>

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This project has been discussed for decades, got started last century but was adversely affected by the 1997 Asian crisis: it was provided new life under President Widodo's leadership.

At the beginning of 2017, President Widodo and the government committed to full completion of the Road by the end of 2019. At the time, the government estimated 50% of the road was completed with 516 km in operation. PT Waskita Karya (Indonesian construction) was engaged to sell several sections of the toll road to fund other toll road projects.

In early 2019 the Road was officially declared open. Though many sections had already been open and operating, connecting existing roadways, the government claimed the road was now connecting Indonesia's two biggest cities; Jakarta in the West and Surabaya in the East. Several issues still remained including blockages.

In October 2019, Waskita Toll Road, a subsidiary of state-controlled construction firm Waskita Karya, has agreed to sell its interest in two sections of the Trans-Java toll road to Road King Infrastructure, a listed real estate company in Hong Kong, for a combined value of Rp 2.17 trillion or \$153 million. Waskita agreed to sell all its shares in Jasamarga Solo Ngawi (JSN) who holds the concession for the Solo-Ngawi toll road until 2056, and in Jasamarga Ngawi Kertosono Kediri who holds the Ngawi-Kertosono toll road concession until 2066.⁽³⁾

Additional Financing to Fund Both Major Toll Roads

In April 2022, INA signed two agreements worth \$2.7 billion to expedite the construction of toll roads on Java and Sumatra islands – with state-owned construction firms Hutama Karya and Waskita Karya -for five sections of the Trans Java and Trans Sumatra toll roads. Under the agreement, INA and its partners will invest in three sections of the Trans Sumatra toll road, and two sections of the Trans Java toll road.

Indonesia's public works ministry has said it wants to extend its 2,000-kilometre network of toll roads to 5,000 km by 2024. In 2021, INA signed a MoU to establish an investment platform with a commitment of up to US\$3.75 billion for investment in the toll road sector with global strategic partners, including with the Abu Dhabi Investment Authority, APG Asset Management, and CDP (Canada).⁽⁴⁾

Trans-Sumatra Toll Road (2014-2023? – \$33.2 billion)

Sumatra is the 2nd largest island with a population over 55 million. It plays an important role in Indonesia's overall economy (circa 20% of GDP) and led by numerous commodities. Thus, logistics are vital to the region's economic growth. As a result, in 2014 (amended 2015) the Government mandated Hutma Karya to build and develop the Trans-Sumatra Toll Road, which will connect Lampung and Aceh through 24 different roads with a total length of 2,704 km – theoretically by 2024.

The toll's entire length of 2,818 km (1,751 miles) will cost an estimated Rp476 trillion (US\$33.2 billion) and consist of seventeen main segments and seven supporting segments. The toll road is expected to be completed by 2024. As of October 2022, 1,074 km (667 miles) of the road were completed and operational.

In November 2020, the CEO of Hutama Karya, which is in charge of most of the trans-Sumatra toll road sections announced there were issues which might delay its scheduled completion. The company has built 629 km of the trans-Sumatra toll road as of October, with 513 km are already in operation. The CEO said the company was currently building an additional 614 km of toll road within the project, which is scheduled to be completed by 2022. "We are optimistic that we can finish construction by 2022. However, we still need to acquire land in several areas".⁽⁵⁾

Footnotes:

(3) <https://jakartaglobe.id/context/waskita-sells-interest-in-transjava-toll-road-to-hong-kong-real-estate-company>

(4) <https://www.theasset.com/article/46540/ina-to-invest-us27-billion-in-java-and-sumatra-toll-roads>

(5) <https://www.thejakartapost.com/news/2020/11/26/land-acquisition-human-capital-hamper-trans-sumatra-toll-road-development.html>

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In December 2022, Hutama Karya announced that it is targeting to complete six segments of Trans-Sumatra Toll Road (JTTS) in 2023 Kuala Tanjung – Indrapura (Section 2), Tebing Tinggi – Serbelawan (Section 3), Serbelawan – Siantar (Section 4), and Tebing Tinggi Y-Junction.

Besides that, there are several new projects that will be worked on by Hutama Karya in 2023, including infrastructure projects, building projects, as well as JTTS,” he said on Thursday (15/12).

Aloysius added that the new projects included Bekasi Proving Ground PPP Project, Semarang – Demak Toll Road, as well as Karangjoang – KKT Karingau Segment of New Capital City (IKN) Toll Road.

Jakarta MRT (2019-2024? – \$16+billion)

Jakarta’s subway was inaugurated in 2019 as part of Jakarta’s efforts to ease traffic congestion. Every day, more than 2.5M commuters travel in and out of central Jakarta. Most trips originate in Jabodetabek, or Greater Jakarta.

Funding for Each Phase

Phase 1 – project was funded through a soft loan (Rp16 trillion) (US\$1.2 billion) from the Japan International Cooperation Agency (JICA) with a 30 years tenure and 0.25% interest per annum. The loan was signed in 2006 for engineering services to prepare the construction phase.

Phase 2 – was funded through a similar loan scheme with a 40 years tenure; 10 years grace period. The first stage of phase 2 funding (Rp9.4 trillion) incurred 0.1% interest per annum. Phase 2A funding (Rp25 trillion) to cover a portion of phase 1 excess expenditure (Rp2.5 trillion). In August 2022, it was announced that cost required for Phase 2A has been adjusted to Rp26 trillion (\$1.7 billion), up from Rp22.5 trillion. The challenging soil conditions were cited as the reason for the increase.

Phase 3 – to be funded by a Japanese investor. In January 2023 it was announced that cost required for Phase 3 is Rp160 trillion (\$10.6 billion).

Phase 4 – to be funded by a South Korean consortium led by Korea Overseas Infrastructure and Urban Development Corporation with estimates cost Rp28 trillion (\$1.9 billion).⁽⁶⁾

In November 2022, the Indonesian Government signed three agreements with international governments to develop the planned extensions on the Jakarta Mass Rapid Transit (MRT) line. These include a memorandum of cooperation (MoC) signed with the Government of Japan for work on the line’s East-West corridor. The 87-km-long East – West corridor is expected to be key in reducing congestion in Jakarta. Work will be carried out in two phases and will be funded by JICA.

A letter of intent (LoI) has also been signed with the UK Government for upcoming works on the MRT line while a MoU was signed with the Government of South Korea for works on the Phase 4 corridor, covering the section between Fatmawati and Taman Mini Indonesia Indah.

Jakarta MRT Phase 4 will add 12 km to the urban rail network and will be integrated with the city’s existing LRT Jabodebek and KCI – Commuter line. Construction on this phase is expected to commence in 2023. Once operational, around 124,000 passengers are expected to use the corridor daily.⁽⁷⁾

Footnotes:

(6) <https://www.mottmac.com/article/62443/jakarta-mass-rapid-transit-mrt>

(7) <https://southeastasiainfra.com/international-governments-ink-agreements-to-build-the-jakarta-mrt/>

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Kayan Cascade Hydropower Plant and Energy Transformation (\$17.8 billion)

In October 2022 Sumitomo Corp signed an agreement with Indonesian power company Kayan Hydro Energy (KHE) to participate in the development of a 9GW hydroelectric complex in Borneo. KHE is affiliated with PowerChina (China) which will undertake the main construction work of the hydropower project named Kayan Cascade. Sumitomo will help develop the project through investment and technology transfer.

Under the MOU signed between PowerChina and KHE in 2018, PowerChina will provide \$17 billion to finance the Kayan Cascade. The Kayan hydropower plant utilizes the area along the Kayan river and consists of 5 dams with 5-6 units of generating turbines per dam. The first stage of the Kayan hydropower plant has a capacity of 900 Megawatts (MW), the second stage is 1,200 MW, the third and fourth stages are 1,800 MW each, and the fifth stage is 3,300 MW, with to finish the construction of five dams by 2035. Once completed, the project is expected to become the largest hydroelectric station in Southeast Asia.

The hydropower complex will mainly supply electricity to Indonesia Strategis Industri (ISI), a green industrial park to be built in North Kalimantan. The industrial park would include a range of green businesses, including green ammonia, battery materials, and electric vehicles. Most participants in the ISI will be Chinese-Indonesian joint ventures with the possible inclusion of some Japanese manufacturers.

The Kayan Cascade is a strategic project and will be supported by the government, according to Moeldoko, Indonesia's presidential chief of staff. At present, Indonesia meets 65% of its energy demand with coal. The country has vowed to double the share of renewables in its energy mix from less than 12% to 23% by 2025, in a move to achieve its commitment to net-zero emissions by 2060⁽⁸⁾.

Jakarta-Surabaya High Speed Train – the Next Long-Term Plan (timing/cost?)

In November 2022, the Transport Minister stated that with the Jakarta-Bandung HSR scheduled to be completed in 2023, there are studies being conducted by the Indonesian government for the construction of the Jakarta-Surabaya HSR next, as part of a long-term and gradual plan.

The Jakarta-Surabaya High-Speed Train is projected to take the route: Jakarta – Karawang – Bandung – Kertajati – Purwokerto – Yogyakarta – Solo – Madiun – Surabaya. The train is expected to cut the Jakarta to Surabaya trip to just four hours.

In addition to the southern high-speed train, the government is planning a semi-fast train from Surabaya to the north. Jakarta has also plans for MRT and LRT, as a means of urban mass transportation, to be built in other cities, such as Surabaya, Bandung, Medan, Makassar, Semarang, and Bali.⁽⁹⁾

This follows on from prior agreements on Indonesian rail with Japan and China.

In 2019, Indonesia and Japan signed a deal on the outline of the 700 km (435 mile) Jakarta-Surabaya medium-speed rail project after two years of negotiations, with an initial investment of 60 trillion rupiah (\$4.3 billion). This project is expected to shorten the Jakarta-Surabaya train trip to 5 hours and 30 minutes, from more than 10 hours currently. Construction is scheduled to start in 2022 and finish in 2025.

In 2021, Indonesia announced it will go ahead with plans to extend construction of the Chinese-backed Jakarta-Bandung high-speed railway to Surabaya despite Japan refusing to join the enlarged project. The government has

Footnotes:

- (8) <https://www.senecaesg.com/insights/powerchina-japans-sumitomo-to-develop-usd17-bn-hydropower-plant-in-indonesia/>
 (9) <https://www.businesstoday.com.my/2022/11/04/jakarta-surabaya-high-speed-train-is-the-next-long-term-plan/>

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offered China an opportunity to take part in extending the rail line to Indonesia's second largest city and is open to other countries investing in this.

Tokyo had rejected Jakarta's invitation for a consortium of Japanese investors to sign on for the extended project, saying it was focused on its existing medium-speed rail project connecting the Indonesian capital to Surabaya; "They want to focus on the north line first," The Japan-backed rail project traverses the north side of Java, Indonesia's most densely populated and built-up island.

The Indonesia government, however, wants the HSR to Surabaya to pass through the south side of the island as it believes that an extension will make the project more economically viable.

Indonesia's minister for investment informed Beijing that it could build the HSR extension during a 2021 meeting with Wang Yi.⁽¹⁰⁾

Footnote:

(10) <https://www.benarnews.org/english/news/indonesian/rail-way-01192021153111.html>

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