



Annual Activity Report

(From April 2018 to March 2019)



Asia PPP Institute (APPPI)
TOYO University

Organization of Asia PPP Institute (APPPI)

Honorary Advisors

Dr. Mahathir bin Mohamad, the fourth Prime Minister of Malaysia

Dr. Yasuko Fukuda, the ninety-first Prime Minister of Japan

Evaluation Committee Members

Dr. Robert Orr, the former US Ambassador to ADB

Dr. Frank Schnidman, the former professor at FAU in the US

Dr. Khairuddin Abdul Rashid, the former professor at IIUM in Malaysia

Staff

Director: Prof. Sam Tabuchi, Professor of Toyo University, Vice-chair of the Executive Board to UN PPP Team of Specialists under UNECE (The United Nations Economic Commission for Europe)

Senior Staff: Fumiyo Takai

APPPI Members (FY2018)

<In Japan>

- Kitakyusyu City, Fukuoka Prefecture
- Eight-Japan Engineering Consultants Inc.
- Toyama City, Toyama Prefecture

<Overseas>

- Butuan City, the Philippines
- Iriga City, the Philippines
- Cebu Province, the Philippines

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I. Executive Summary

Since its establishment in 2011, APPPI has been continuing to grow with faith in going ahead with the mission to be a global driver to promote a notion of PPP frameworks and PPP-based business development across Asia. Its activities have been broadening steadily among APPPI target countries. While this year marks the 7th year of its foundation, the main activities in FY2018 are as follows;

- The director of APPPI, Prof. Sam Tabuchi, became the co-chair of UNECE International PPP Forum.
- Based on the three-year contract between Toyo University and JICA on Policy Recommendation Research for Promoting PPP at local governments in Indonesia, 4 field researches were conducted and final research report was submitted.
- Two PPP Seminars were conducted; one for the Ministry of Finance from South Africa in Otemachi, Japan and another for local government staff in Cebu Province, the Philippines
- Three field visits were conducted for PPP applicability study on Agriculture in Indonesia and the findings were presented to the Ministry of Agriculture and BAPPENAS.
- Three APPPI Open Seminars were conducted

II. APPPI Activities from April 2018 to March 2019

1. Regional Development Advisory Program (RDAP) /PPP Applicability Study

1) JICA Policy Recommendation Research Program on PPP in Indonesia:

This research was conducted between August 2016 and March 2019 based on a three-year contract between JICA and Toyo University. It aimed to make policy recommendations for promoting PPP at local governments in Indonesia, by identifying bottlenecks and contributing to the capacity development of local government officials on PPP.

The main objective of the 1st year (FY2016) was to identify the factors which were identified as bottlenecks to PPP projects, particularly in local governments. We carried out field surveys in September 2016 and March 2017, and visited several municipalities in East Java Province and East Nusa Tenggara Province to conduct interviews with the relevant parties. Based on these interviews and the results of the field surveys, we (1) identified challenges related to the implementation of certain specific projects; (2) identified and investigated the institutional issues related to the implementation of PPP projects by municipalities in general; (3) studied the perspectives for economic development using PPP methods. In order to make our research practical, we decided to follow two PPP project planning processes of the Sidoarjo Regency in East Java Province: Krian Hospital Project and Government Office Consolidation Project.

In the 2nd year (FY2017), we conducted two field researches in September 2017 and March 2018, in order to follow up on the above two PPP projects in the planning stage at the Sidoarjo Regency. In addition, we invited the Sidoarjo Regency officials, including the Regent and the Congressmen, as well as the central government officials from MOF, IIGF and PT. SMI to Japan for PPP seminars and site visits in Japan.

In the final year (FY2018), we conducted three field researches in May, September and November 2018 and submitted our findings as the final report to JICA in March 2019.

The following describes the details of each field trip conducted in this financial year (FY2018).

<The 5th Field Visit: May 1st to 4th, 2018>

We visited the Sidoarjo Regency to follow up on the project planning process of the Krian Hospital Project. The Regency officials explained to us that the Congressmen felt enough research was not undertaken whether the project should go under PPP, conventional way (a pure public project), or utilizing a local loan. This caused the delay in obtaining permission from the Congress.

As for the Government Office Consolidation Project, we visited several private real estate developers to find out the market price range of commercial premises. In addition, we had interviews with the Regency's Tax and Asset Management Office to exchange opinions over effective PRE (Public Real Estates) and obtain recent information on land sales data and tax (NJOP) calculations in Sidoarjo.

<The 6th Field Visit: September 8th to 13th, 2018>

According to BAPPENAS (Indonesian Ministry of National Development Planning), a total of 56 projects were categorized as PPP pipeline projects in Indonesia. Out of 56 projects, 50 were solicited projects (1 under operation, 12 under construction and 37 under the preparation phase), and 6 were unsolicited projects (2 under construction and 4 under the planning phase). Fifty (50) % of the above projects were either under the road sector (21 cases) or the transportation sector (8 cases). As for the promotion of PPP among local governments, BAPPENAS officers explained that the lack of confidence in officers, who deal with PPP projects caused excessive dependency on the central government and this prevented to establish the project ownership at the local government level.

Then we presented our proposal on the Government Office Consolidation Project to the Sidoarjo Regency. About 20 officials, including the Regent and the Vice Regent, attended the presentation. Although the presentation was positively accepted, the Regency officials explained that the Congressmen possessed a negative image over PPP due to the issues of the Krian Hospital Project.



<The 7th Field Visit: November 24th to 28th, 2018>

We visited Bandar Lampung Water Supply PPP Project, which entered the construction phase from October 2018. This project is under a mid-term development plan 2015-2019, which aims to supply 100% of water to the country. By implementing this project, Bandar Lampung city estimates to increase the water supply rate from 20.51% to 50.04%. The project was initiated in 2009-2010 when PDAM (city owned local water supply company) requested to the Ministry of Finance (MOF) to consider a PPP project. Although the 1st bidding, conducted in 2015 did not succeed, due to the high water price presented by the private sector, the SPC was selected among 4 competitors in the 2nd bidding in 2017. According to the interviews with the relevant stakeholders, the lessons learned from planning this project are; 1) strong commitment is required from each stakeholder, especially from the local government, 2) it requires at least a couple of years to develop proper legal systems for a new project, and 3) the government needs to offer support or take certain risks to implement a water PPP project to encourage

private participation.

<The 8th (Final) Field Visit: February 10th to 16th, 2019>

Firstly, we visited JICA Indonesia office to share the final findings of the research. Then we conducted a 2-day PPP seminar for South Sumatera Provincial Government under the cooperation with IIGF Institute in Bandung city. About 20 provincial staff, mainly from the development planning department (BAPPEDA), participated in the training. We shared the Japanese PPP case studies in transportation, public housing and energy sectors, and a water supply PPP project case study in the Philippines. In Bandung, we visited PT Kereta Api to discuss the issues on how to promote TOD (Transit Oriented Development) in Indonesia. In Surabaya we visited ITS (Sepuluh Nopember Institute of Technology) to share the final findings of the research and exchange views on how to promote PPP to local governments in Indonesia. We also visited the Sidoarjo Regency to follow up on the 2 PPP project planning proceedings.

As for the final findings of the research, all the stakeholders had a common recognition that there are many PPP related authorities and it creates confusion and complexity for local governments and the private sector as to who and where they should contact, and there are the issues of coordination among different authorities. Regarding the long time/ process taken for PPP project preparation, it should be completed within 5 years, otherwise it may require starting the relevant research once again. We also exchanged ideas how to connect the PPP planning process with the budget allocation process and the project planning process beyond the election terms of the head of local government.



<Outline of the Final Report>

We prepared the final report in both Japanese and English and submitted them to JICA as the final outcome of this 3 year research in Indonesia. The contents of the final report are as follows: Chapter 1 describes the research purposes and the details of eight field researches conducted by a total of 67 people. Chapter 2 outlines PPP related laws and regulations in Indonesia. Chapter 3 analyses regulatory issues, challenges in process and institutional challenges in realizing PPP projects. In addition, it presents Bandar Lampung Water Supply PPP Project as a successful case study. Chapter 4 explains our proposals of 2 PPP projects planned in the Sidoarjo Regency, East Java Province. Finally, Chapter 5 outlines the policy recommendations to promote PPP to local governments in Indonesia as the conclusion.

2. PPP short-term seminars

1) PPP seminar for the Ministry of Finance from South Africa in Tokyo, Japan in June 2018

Following the PPP seminars conducted in August 2016 and May 2017, we conducted another 1-day PPP seminar for seven central government officials from South Africa on 4th of June 2018 in Tokyo. In the seminar Prof. Tabuchi and Assoc. Prof. Namba explained PPP concepts, PPP project appraisals, PPP structuring etc. The professors

emphasized the importance of incentives to promote private sector participation and presented an experience of PPP regional platforms in Japan to promote PPP knowledge as well as local companies' participation in PPP.



2) PPP seminar for the local government officials in Cebu Province, the Philippines in August 2018

We conducted a 2-day PPP seminar on 28-29 August 2018 in Cebu Province, the Philippines. There were a total of 33 participants, mostly local government officials from Cebu province and also from Butuan and Iriga cities that were registered as APPPI members. On the 1st day, we delivered lectures on PPP basics, VfM outlines and risk management. In the afternoon, we presented a PPP case study of Butuan city. On the 2nd day, we divided the participants into several groups to develop possible structures of several PPP projects presented by the participants. In the afternoon, each group presented their work and the professors provided advice to improve the structures.



3. Other Activities

1) Attending the UNECE International PPP Forum (May and November 2018 in Geneva) :

In November 2018, the director of APPPI, Prof. Sam Tabuchi, became the co-chair of UNECE International PPP Forum. APPPI is eager to expand its presence at the international conference to promote PPPs by introducing Japanese PPP cases and the activities of Toyo PPP School. In this regard, Prof. Tabuchi and Assoc. Prof. Namba participated in the UNECE International PPP Forum on the promotion of People First PPP in May and November 2018 in Geneva and made some presentations about some PPP case studies and lessons learned. In addition, they visited Beijing, China along with the UNECE activities to participate in the 3rd PPP forum in China, which was held at Tsinghua University. After the forum, they had discussion regarding how to promote the high quality infrastructure in urban railways under the UNECE committee meeting on urban railway PPP standard development.

2) Attending a PPP workshop organized by Korean Architecture and Urban Research Institute in Seoul and Sejong, South Korea (October, 2018) :

We were invited to Seoul and Sejong, South Korea to participate in a PPP workshop on the rehabilitation of decrepit government offices, which was organized by Korean Architecture Urban Research Institute between 16th and 18th of October 2018. On the 1st day of the workshop, we presented PFI law, its action plans and public facility management in Japan. On the 2nd day, we shared six Japanese PFI case studies on the redevelopment of decrepit government offices.



In South Korea, there are increasing demands in the renovation of existing government

offices, most of which were constructed in 1970s -1980s, as they became decrepit and too small to function in. It is calculated that 4.2 trillion South Korean won (about 410 billion Japanese yen) is required to renovate all the government offices, which were constructed more than 35 years ago. In this regard, PPP methods are considered to reduce the government financial burden and bring private funds regarding this issue. The followings are 4 PPP methods for PRE (Public Real Estates) in South Korea:

Table 1 Four PPP Methods for PRE in South Korea

1) Consignment development method	Public oriented method
2) Public - Private joint development method	
3) Private participation development method	Private oriented method
4) Private investment method	

Methods 1, 3 and 4 could be used for the redevelopment of government offices in theory. However, certain regulations need to be changed to make the methods usable in an actual PPP project, according to Korean Architecture and Urban Research Institute. In addition, we observed much interest among South Korean stakeholders in the Japanese “fixed-term land lease right” and its utilization for PPP projects.

3) PPP Applicability Study on Agriculture in Indonesia (May, September and November, 2018):

We continued a PPP applicability study on agriculture in Indonesia. During this financial year, we conducted 3 field visits in May, September and November 2018. And in February 2019, we made presentations at the Ministry of Agriculture (MOA) and BAPPENAS agricultural department to share the final findings from the research. Firstly at the presentation, we explained the PPP definition and outlines, then described the positive impact of introducing PPP in agriculture to minimize the government support and their excessive intervention in order to seek for sustainable agriculture in Indonesia. Secondly, we analyzed agricultural finance. Micro finance schemes led by the initiatives of Indonesian

government have a long history and its flexible structure and implementation experience based on the demands of lenders created the positive impacts on risk allocation and mitigation of small scale households, including farmers. On the other hand, the microfinance schemes are not effective in expanding the existing businesses nor creating new businesses. Therefore we need to establish another tool to respond to such needs. In this regard, we proposed a possible PPP scheme on sharing and leasing of agricultural machinery, which aims to improve the productivity of certain crops. The MOA officials responded that a further detailed ground study is required, as the MOA implements the distribution of agricultural machinery through UPJA (farmers groups organized by the MOA for receiving agricultural machinery). The BAPPENAS officers pointed out that PPP in Indonesia is defined as “cooperation between government and business entities in infrastructure provision for the public interest” under the Presidential Regulation, thus PPP in agricultural machinery is not applicable. We responded that there are wider PPP schemes, which do not necessarily follow PPP laws and regulations. However, this reminded us once again the difficulties to promote the wider concept of PPP in Indonesia.



4) APPPI Open Seminars (May and December, 2018 and January 2019):

We conducted three open seminars in May, December 2018 and January 2019. For the 1st open seminar, we invited Mr. Jun Nozawa, a visiting researcher at the Institute for International Trade and Investment (ITI) and who has in-depth knowledge about

Malaysia. He explained his views on the presidential election result and the future relationship between Japan and Malaysia after Dr. Mahathir, one of APPPI honorary advisors was elected as the forth Prime Minister in May 2018.

In the 2nd open seminar, Prof. Tabuchi gave a lecture on the “one belt one road” initiative of China and its relation with the UN’s SDGs from the viewpoints of how to promote the private sector oriented PPP in China as well as how to promote Japanese “quality infrastructure” initiatives overseas in December 2018. For the 3rd open seminar, we invited Mr. Robert Orr, one of APPPI Evaluation Committee members and the former US Ambassador to ADB. We organized a small round-table discussion to learn about the role of the US in ADB, different functions between ADB and AIIB and his insights and suggestions of the “one belt one road” initiative of China. We will continue to organize several seminars about the latest topics in and around Asia.



III. **Comments and Advises from APPPI Evaluation Committee Members**

The following three experts kindly accepted to be members of the APPPI Evaluation Committee, which was planned to be established at the beginning of FY2018.

- Dr. Robert Orr, the former US Ambassador to ADB
- Dr. Frank Schnidman, the former professor at FAU in the US
- Dr. Khairuddin Abdul Rashid, the former professor at IIUM in Malaysia

We received the following comments from the evaluation committee members. APPPI will consider to implement the advice to improve its activities and structure.

- Following information should be collected as the white paper series
 - ✓ Comparison of PPP regulations and systems of different countries
 - ✓ PPP project case studies
 - ✓ The UN's PPP guidelines
- It is expected that APPPI will clearly show its vision, mission and objectives on its website
- APPPI tries to increase its publicity by nominating well known figures as its advisors. On the other hand, actual working members are rather limited.
- It is desirable for APPPI to continue its effort to disseminate PPP knowledge and information through conducting PPP seminars and training. It is important to conduct frequent field visits, especially for students and government officials in order to gather best & failed PPP case studies.
- It is recommended that APPPI should cooperate with non-profit organizations, such as NGOs/NPOs, which are active in certain areas. It is important not only for the promotion of volunteerism, but also for human resource development, especially among young generations.

IV. APPPI Activity Plan in 2019 and onward

The table below shows activity plans from April 2019 to March 2020. Based on the comments from APPPI evaluation committee members described earlier, we will plan to develop a white paper regarding PPP case studies and/or PPP regulations and systems of different countries.

Date	APPPI Research/Study	APPPI Activity
May 2018		- the UNECE International PPP Forum in Geneva
June	- JICA SDGs business research on earthquake resilient houses in Indonesia	- APPPI Open Seminar
July	- Pre-RDAP field visit to Luang Namtha Province, Laos	
August	- PPP Applicability Study field visit to Saudi Arabia	
September	- RDAP in Luang Namtha Province, Laos	- ULI PPP conference in the US - APPPI Open Seminar
October		- International PPP Forum (Toyo University)
December		- the UNECE PPP Forum in Geneva
January 2019		- APPPI Open Seminar
February	- JICA SDGs business research on earthquake resilient houses in Indonesia	
March	- Final report for JICA SDGs business research on earthquake resilient houses in Indonesia	- Development of Annual Report

Appendix 1: Major Activities from September 2011 to March 2019

Date	APPPI Activity
2011	
September	RDAP/PPP Applicability Study in Butuan City, the Philippines
November	- Establishment of APPPI - Dr. Mahathir and Chancellor Shiokawa inaugurated as APPPI honorable advisors
2012	
January	PPP seminar held in International Islamic University Malaysia (IIUM) and Karjasama Awam Swasta (UKAS) in Malaysia
February	Prof. Tabuchi named Vice Chair of the Executive Board to UN PPP Team of Specialists
March	PPP seminar held in Butuan, the Philippines
August	RDAP/PPP Applicability Study in the Republic of Kyrgyz
September	RDAP/PPP Applicability Study in Mandaue City, the Philippines
2013	
February	PPP seminar held in Manila, the Philippines
April	PPP research conducted for rehabilitation of Palais des Nation (PdN)
September	PPP seminars held in the MPI and NUCE in Hanoi, Vietnam
November	PPP seminars held in Bandung and Surabaya, Indonesia
2014	
February	TOYO PPP held International Academic Competition for TOUHOKU recovery
September	PPP seminar held in Japan for government officials from the Republic of Kyrgyz
2015	
February	RDAP/PPP Applicability Study in Cebu Province, the Philippines
March	PPP seminar held in Hanoi, Vietnam (MPI and NUCE)
August	RDAP/PPP Applicability Study in Surigao del Norte, the Philippines

2016	
February	- RDAP/PPP Applicability Study in the State of Kedah, Malaysia - PPP seminar held in Ho Chi Minh, Vietnam
May	PPP seminar held for the officials of the Ministry of Finance, South Africa
June	RDAP/PPP Applicability Study findings reported to the State of Kedah officials at the 34 th JAMECA-MAJECA Joint Conference
August	The 1 st field visit to Indonesia on JICA Policy Recommendation Research
2017	
February	PPP seminar held in Pretoria and Cape Town, South Africa
March	- RDAP/PPP Applicability Study in Iriga City, the Philippines - The 2 nd field visit to Indonesia on JICA Policy Recommendation Research
June	- Meeting between Dr. Mahathir bin Mohamad and Mr. Yasuko Fukuda, APPPI Honorary Advisors
September	- The 3 rd field visit to Indonesia on JICA Policy Recommendation Research
December	- PPP training and site visits for the government officials from Indonesia in Japan
2018	
February	- The 4 th field visit to Indonesia on JICA Policy Recommendation Research
March	- Follow up visit of RDAP/PPP Applicability Study in Cebu province and Mandaue city, the Philippines
May	- The 5 th field visit to Indonesia on JICA Policy Recommendation Research
June	- PPP seminar held for South African central government officials in Tokyo
August	- PPP seminar held for local government officials in Cebu, the Philippines
September	- The 6 th field visit to Indonesia on JICA Policy Recommendation Research
November	- The director of APPPI, Prof. Sam Tabuchi, became the co-chair of UNECE International PPP Forum - The 7 th field visit to Indonesia on JICA Policy Recommendation Research
2019	
February	- The 8 th field visit to Indonesia on JICA Policy Recommendation Research

Appendix 2: APPPI's Network

