



# CoST Country Study: Indonesia





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## Executive Summary

Indonesia is a sovereign transcontinental country located mainly in Southeast Asia with more than thirteen thousand islands. Its strategic position is derived from its location in international trade and shipping lanes. Geographical location is one of the determinants that determine the future of a country in the conduct of international relations.

Based on the population census in 2010, Indonesia had a population of 237,641,326 persons, making this state the fourth most populous country in the world. This number is expected to continue to grow so that the projected 2015 population of 255 million will rise to 305 million in 2035.

Indonesia is a republic with a presidential system. The president of Indonesia is the head of state and head of government. As head of government, the President, assisted by Vice President and ministers in the Cabinet, holds the executive power to carry out the tasks of day-to-day government. The President (and Vice President) serve for five years, and thereafter may be re-elected for one more term.

National Development Planning is organised by, and is the responsibility of, the President. Implementation of the plan is undertaken by ministers. Control and evaluation of the plan are carried out by the respective leaders of the relevant ministries and agencies. The results of the evaluation of the National Development Planning is used for the preparation of Medium Term National Development Plan (RPJMN) and Long-Term National Development Plan (RPJPN) for the following period. National Development Planning is invoked by the 2004 Law No. 25 and operationalised by the 2006 Government Regulation No. 40.

Indonesia plans to become a great economic power for infrastructure development in various sectors. Therefore, the state government of Indonesia established the RPJPN which outlines the development plan from 2005 to 2025 for priority sectors. RPJPN is mentioned in Articles 10, 11, and 12 of the 2004 Law No. 25. The Law of the Republic of Indonesia which explains in detail about the RPJPN is The 2007 Law No. 17.

In addition, the state government of Indonesia also establishes RPJMN, which is a five-year development plan derived from RPJPN and its priority sectors. RPJMN is the second phase in the implementation of the RPJPN. RPJMN is clarified by the Government Work Plan (RKP), which serves as a guideline for the preparation of the State's Budget (APBN). Indonesia uses the APBN to realise the National Development Plan. However, Indonesia requires greater investment funds as there is still a financing gap between the APBN and the Plan's target.

Civil society, including Non-Governmental Organisations (NGOs) and universities, have a role in creating conducive national stability in various fields, be they society, culture, politics, governance, security, economy, trade, development, and others so that the government functions well, people can conduct their activities peacefully, and programmes, as well as government policies, can be implemented optimally.

In Indonesia, transparency and accountability have emerged over the past decade as key to address both developmental failures and democratic deficits. A set of rules related to transparency and openness has been developed by the Indonesian government. Its starting point is from the basic principle of the 1945 Constitution, which states that every person has the right to communicate and obtain information. Accordingly, the law on construction services,

1999 Law No. 18 of, also states that one of the basic principles of construction delivery is openness. In 2008, the government passed a law on public information disclosure (the 2008 UU KIP No. 14). The law states that in the provision of public infrastructure, parties involved, including State-Owned Enterprises (SOEs), Regional-Owned Enterprises (ROEs), and private parties, are required to provide public information as set out in Article 14 and Article 16 of the 2008 UU No. 14 and regulated by the 2010 Government Regulation (PP) No. 61. The information must be announced to the public as stated in Regulation of Information Commission (2010 UU No. 1). The Public Agency must announce information about the profile of the Public Agency, a summary of information about the programme being executed (the name of the programme, the person in charge, targets, schedules, budgets, important agenda, etc.), and the information summary about the realised activities (plans and budget realisation reports, balance sheets, and cash flow statement). Following the 2008 UU KIP No. 14, many institutions related to public infrastructure acted on the Minister's decision about public information services, including the appointment of Information and Documentation Management Unit (PPID) Officers. The PPID Officer is responsible for storage, documentation, supply and/or service of information in the public agency.

Another institution related to public disclosure is the Acceleration of Infrastructure Priorities Provision Committee (KPPIP) and Institute of Public Procurement Policy (LKPP). KPPIP was formed with the primary objective of being a coordination unit to overcome issues arising from the lack of effective coordination amongst the various stakeholders. LKPP was commissioned to carry out the implementation of e-procurement. LKPP developed the Electronic Procurement System (SPSE) based on a free license for all government agencies in Indonesia. An Electronic Procurement Service (LPSE) unit functions as the administrator of the electronic procurement system.

The CoST Infrastructure Data Standard (IDS) outlines 40 data points to be disclosed by the institutions responsible for public infrastructure projects. When compared to the IDS, current legislation and regulations in Indonesia still lack details on what documents should be prepared and disclosed for each project. The Indonesian government has made positive moves by ensuring greater information about state activities is available in the public domain. However, there is still room for improvement. Therefore, there is a need for stronger transparency standards in public infrastructure, covering the entire project life cycle.

Some ministries are already practising disclosure as set out in the 2008 UU KIP No. 14 via their websites. However, in reality, many ministries do not follow these regulations. As part of the report, a baseline assessment was conducted on a random sample of 20 projects. A comparison between Indonesian policy and practice shows that the average level of compliance was just 23%, with specific projects ranging between 5% and 40% compliance with the CoST IDS data points. This range is fairly wide and due, in part, to the fact that some projects included in the sample were ongoing. On the other hand, looking specifically at legal requirements, there was a much higher rate of compliance across projects with an average of 53% of the data disclosed.

There is certainly an opportunity for the implementation of CoST in Indonesia but there are some key challenges. CoST can intervene to help Indonesia improve transparency, perhaps initially by enhancing existing capabilities and overcoming the barriers to disclosure.

# CoST Country Study: Indonesia

Chapter	Page
Acronyms	1
Chapter 1: Introduction	3
Chapter 2: Methodology	5
Chapter 3: Indonesia in Context	6
Chapter 4: Public Infrastructure Investment and Delivery in Indonesia	9
Chapter 5: Governance in Indonesia	21
Chapter 6: Public Infrastructure Transparency Policy and Practice	29
Chapter 7: Conclusion and Recommendations	49
References	54

# Acronyms

<i>ADB</i>	<i>Asian Development Bank</i>
<i>APBD</i>	<i>Regional/Local Annual Development and Routine Budget</i>
<i>APBN</i>	<i>National Annual Development and Routine Budget</i>
<i>Bapindo</i>	<i>Bank Pembangunan Indonesia (Indonesian Development Bank)</i>
<i>BAPPENAS</i>	<i>State Ministry for Development Planning</i>
<i>BASARNAS</i>	<i>The National Search and Rescue Agency</i>
<i>BAKN</i>	<i>State Finance Accountability Committee</i>
<i>BLU</i>	<i>Public Service Agency</i>
<i>BPK</i>	<i>State Auditor Board</i>
<i>BPLS</i>	<i>Sidoarjo Mud Management Board</i>
<i>BPS</i>	<i>National Central Bureau of Statistic</i>
<i>BPWS</i>	<i>Regional Development Agency of Surabaya - Madura</i>
<i>BUMN</i>	<i>State-Owned Enterprise (SOE)</i>
<i>CPI</i>	<i>Consumer Price Index</i>
<i>DPR</i>	<i>People's Representative Council</i>
<i>EMR</i>	<i>Energy and Mineral Resources</i>
<i>FDI</i>	<i>Foreign Direct Investment</i>
<i>FOI</i>	<i>Freedom of Information</i>
<i>GDP</i>	<i>Gross Domestic Product</i>
<i>Gbps</i>	<i>Gigabits</i>
<i>GNI</i>	<i>Gross National Income</i>
<i>ICT</i>	<i>Information and Communication Technology</i>
<i>IDS</i>	<i>Infrastructure Data Standard</i>
<i>IPC</i>	<i>PT Pelabuhan Indonesia (Indonesian Port Company)</i>
<i>IPLT</i>	<i>Faecal Waste Processing Installation</i>
<i>IRM</i>	<i>Independent Reporting Mechanism</i>
<i>KIP</i>	<i>The Committee for Acceleration of Priority Infrastructure Delivery</i>
<i>KKN</i>	<i>Corruption, collusion and nepotism</i>
<i>KLBI</i>	<i>Bank Indonesia Liquidity Credit</i>
<i>KPBU</i>	<i>Government and Private Sector Collaboration (PPP)</i>
<i>KPK</i>	<i>National Commission for Corruption Eradication</i>
<i>KPPIP</i>	<i>Committee for Acceleration of Priority Infrastructure Delivery</i>
<i>LKPP</i>	<i>Institute of Public Procurement Policy</i>
<i>LPP RRI</i>	<i>Public Broadcasting Institution of Radio Republik Indonesia</i>
<i>LPP TVRI</i>	<i>Public Broadcasting Institution of Television Republik Indonesia</i>
<i>LPSE</i>	<i>Electronic Procurement Service</i>
<i>Musrenbang</i>	<i>Multi Stakeholder Consultation/ Forum for Development Planning</i>
<i>MP3EI</i>	<i>Masterplan for Acceleration and Expansion of Indonesia's Economic Development</i>
<i>MPR</i>	<i>People's Consultative Assembly</i>
<i>MVA</i>	<i>Mega Volt Amp</i>
<i>MW</i>	<i>Megawatt</i>
<i>NCSDB</i>	<i>National Construction Service Development Board</i>
<i>NGO</i>	<i>Non-Governmental Organisation</i>
<i>ODA</i>	<i>Official Development Assistance</i>
<i>OECD</i>	<i>Organization for Economic Cooperation and Development</i>
<i>OGI</i>	<i>Open Government Indonesia</i>
<i>OGP</i>	<i>Open Government Partnership</i>
<i>OJK</i>	<i>Financial Services Authority of Indonesia</i>
<i>OPC</i>	<i>Open Contracting Partnership</i>
<i>PBAS</i>	<i>Performance Based Annuity Schemes</i>
<i>PDF</i>	<i>Project Development Facility</i>
<i>Perpres</i>	<i>Presidential Regulation</i>
<i>PMN</i>	<i>State Budget allocated as Share Participation in a State Owned Enterprise</i>
<i>PMP</i>	<i>Transfer of Government Asset as Equity Participation in a State Owned Enterprise</i>
<i>PP</i>	<i>Government Regulation</i>
<i>PPID</i>	<i>Information Service and Documentation Unit</i>
<i>PPP</i>	<i>Public Private Partnership</i>



<i>PSO</i>	<i>Public Service Obligation</i>
<i>PT PLN</i>	<i>National Electricity Company</i>
<i>PU</i>	<i>Ministry of Public Works (before 2015)</i>
<i>PUPR</i>	<i>Ministry of Public Works and Social Housing (after 2015)</i>
<i>PUSBIN UK</i>	<i>Center for Construction Industry Development, Ministry of Public Works</i>
<i>RKP</i>	<i>Government Annual Work Plan</i>
<i>ROE</i>	<i>Regional-Owned Enterprises</i>
<i>RPJPN</i>	<i>Long-Term National Development Plan</i>
<i>RPJMN</i>	<i>Medium-Term National Development Plan</i>
<i>Rusunawa</i>	<i>Low Cost Rental Multi-storey Housing</i>
<i>SME</i>	<i>Small Medium Enterprise</i>
<i>SOE</i>	<i>State-Owned Enterprise</i>
<i>SOP</i>	<i>Standard Operating Procedure</i>
<i>SPAM</i>	<i>Potable Water Supply Provision System</i>
<i>SPSE</i>	<i>Electronic Procurement System</i>
<i>TEU</i>	<i>Twenty-Foot Equivalent Unit</i>
<i>TI</i>	<i>Transparency International</i>
<i>ULP</i>	<i>Procurement Service Unit</i>
<i>UU</i>	<i>Law</i>
<i>UUD 1945</i>	<i>1945 Constitution of the Republic of Indonesia</i>
<i>UUJK</i>	<i>National Law on Construction Service</i>
<i>VGf</i>	<i>Viability-Gap Financing</i>
<i>WEF</i>	<i>World Economic Forum</i>

# Introduction

## Background of Study

CoST is a public infrastructure transparency and accountability initiative. As a multi-stakeholder initiative, CoST works with government, industry and civil society to support the routine disclosure of public infrastructure project information into the public domain. This information is subjected to regular 'spot checks' to assess the accuracy of information disclosed, compliance with transparency requirements and performance or progress of the project. Discrepancies are highlighted in simple language that is easy for citizens to understand and which they can use to demand improvements in public infrastructure procurement and delivery<sup>1</sup>.

## Background to the Indonesia Study

Southeast Asia (SEA) infrastructure investment has risen sharply in recent years to remedy historical underinvestment and accommodate the explosion in demand (McKinsey and Company, 2011). The biggest demand is expected in transport and energy, "the sectors most critical to supporting heightened economic activity". Public infrastructure investment must be managed through good governance.

Therefore, CoST is conducting four country studies in Indonesia, Malaysia, Thailand, and Vietnam to determine the current level of public infrastructure transparency and accountability nationally. These studies will feed into an overall SEA regional study, and assess the extent to which CoST can add value.

The project is funded by the Foreign and Commonwealth Office (FCO), UK Government, through the Southeast Asia Prosperity Fund.

## Objectives of the Indonesia Study

The purpose of this study is to understand the:

- Key characteristics of public infrastructure investment and governance in Indonesia;
- Public infrastructure transparency policy and practice (baseline) in Indonesia; and
- Scope for improving public infrastructure transparency and accountability, specifically the CoST value-add and potential challenges/barriers to implementation, in Indonesia.

However, it should be noted that the limitations of the research conducted are as follows:

- Confined to only a few government agencies related to public infrastructure in Indonesia.
- Focused only on national projects which use state budget; projects under other funding are not included in the research.

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<sup>1</sup> For more information, please refer to the CoST [Factsheet](#) and Infrastructure Data Standard.

## Scope and Structure of this Study

The Indonesia study is based on a comprehensive literature review, in addition to primary and secondary data to determine the transparency baseline. Conclusions and recommendations have been drawn from the findings to highlight the value add of CoST. More information on the research approach and assumptions can be found in the Methodology section.

This study begins with some key information about the Indonesian economy to set the context and is followed by an overview of public infrastructure investment and delivery in Indonesia. Subsequent sections discuss governance and transparency – both policy and practice in public infrastructure – in Indonesia. Recommendations on the implementation of CoST in Indonesia are provided in the conclusion.

# Methodology

## Literature Review

The literature review serves as the core methodology to answer research questions related to public infrastructure and transparency issues for this study. This study used a qualitative approach. Only secondary data was collected from publicly available online reports and related documents produced by relevant agencies and ministries.

The methodology implemented to conduct this study is as follows:

1. Obtained relevant information about governance, economic conditions, demography, work plan, public demand for public infrastructure, financial resources, public infrastructure projects in the pipeline, condition of the construction industry and Non-Governmental Organisations (NGOs) related to public infrastructure from the websites of related agencies, organisations and ministries. Relevant documents include Medium-Term National Development Plan (RPJMN) and Long-Term National Development Plan (RPJPN), annual budgeting plans, and laws and regulations on infrastructure development, as well as on public information and transparency requirements. Relevant reports and information from various non-governmental websites were also consulted. Acquired information regarding institutions associated with financing of public infrastructure and its mechanism, together with the challenges and opportunities in public infrastructure.
2. Reviewed regulations, laws and policies relating to information transparency on public infrastructure in Indonesia, and also policies, rules and practices carried out by relevant ministries for public infrastructure.
3. Compared Indonesian existing regulations and policies with CoST requirements. The mapping enabled gaps and shortcomings to be identified so that needs to be addressed could be highlighted.
4. Examined the degree of transparency of public infrastructure based on 20 randomly selected public infrastructure projects from various sectors, which were sourced from related websites.
5. Assessed the current level of compliance between existing initiatives, legislation and regulation with CoST requirements and ascertained the barriers to full implementation of CoST in Indonesia.

A photograph of a construction site. In the foreground, a man wearing a white polo shirt, blue jeans, and a white hard hat is looking down at a clipboard he is holding. The background shows a large, excavated area with a yellow crane and other construction equipment. The scene is set against a backdrop of trees and a clear sky.

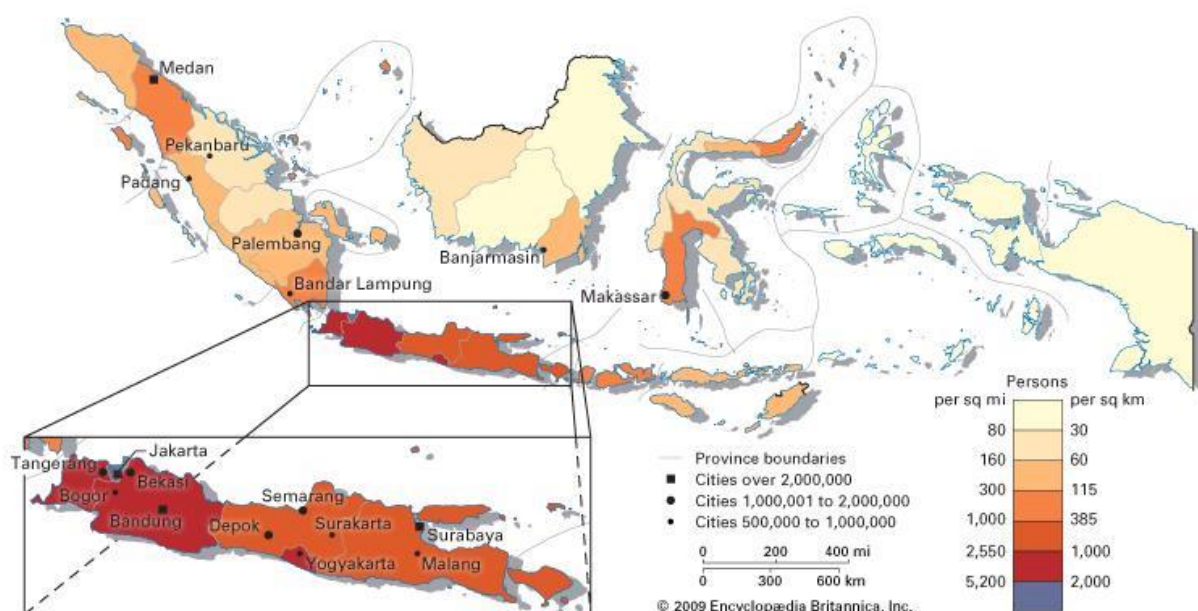
***Indonesia in Context***

## Indonesia in Context

Indonesia is a sovereign transcontinental country located mainly in Southeast Asia, with some territories in the Oceania. Situated between the Indian and Pacific oceans, it is the world's largest island country, with more than thirteen thousand islands. The geographic setting of Indonesia, located in international trade and shipping lanes, leads to its strategic position within the ASEAN countries, and determines its future in the conduct of international relations.

Based on the population census in 2010<sup>2</sup>, Indonesia's population of 237,641,326 people, made it the fourth most populous country in the world. This number has continued to grow, with the latest figure of 257,563,815 people in 2015 (World Bank, 2016); it is projected to rise to 305 million by 2035. However, due to its unbalanced population distribution, Indonesia faces many issues related to socio-economic development as well as political agendas (see Fig.1).

**Figure 1.** Map of Population Density in Indonesia



(Source: Encyclopedia Britannica)

Based on data from the Central Statistics Agency, Indonesia's economy grew 5.18% from the second quarter of 2015 to the second quarter of 2016 (y-on-y), an increase over the second quarter of 2015 at 4.67%, and the first quarter of 2016 at 4.91%. According to the World Bank (July 2015), fixed investment and a weakening of private consumption have recently lowered GDP growth in Indonesia.

<sup>2</sup> Based on national law and government regulation, population census in Indonesia is carried out every 10 years.

**Table 1. Indonesia Gross Domestic Product (GDP) Statistics**

	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>GDP</b> (in billion USD)	364.6	432.2	510.2	539.6	755.1	893.0	917.9	910.5	888.5
<b>GDP</b> (annual % change)	5.5	6.3	6.0	4.6	6.2	6.2	6.0	5.6	5.0
<b>GDP per Capita</b> (in USD)	1,590	1,861	2,168	2,263	3,125	3,648	3,701	3,624	3,492

The base year for computing the economic growth rate shifted from 2000 to 2010 in 2014, previous years have been recalculated

Source: World Bank

The global economic downturn brought on by the global financial crisis in the late 2000s had a relatively small impact on the Indonesian economy as shown in Table 1. Despite the decrease of Indonesia's GDP growth in 2009 (dropped to 4.6 percent), Indonesia was still considered as one of the top GDP growth performers worldwide.

Indonesia is classified as a lower-middle income country. As shown in Table 2, the GNI<sup>3</sup> per capita of Indonesia was US\$3,440, significantly below GNI in Malaysia and Thailand, but still above Vietnam. The net value of Official Development Assistance (ODA)<sup>4</sup> received by Indonesia (as a percentage of GNI) is virtually zero. This is noteworthy when compared to Vietnam (2.4% of GNI), another lower-middle-income country. In terms of the Global Competitiveness Index, Indonesia was ranked 37, which placed it third highest among the four countries studied.

As a lower-middle income country that does not receive ODA and has a fairly competitive economy, Indonesia has an active investment market. Transparency in this market, in particular in public infrastructure investment, is a crucial issue, as it is one of the influencing factors in improving Foreign Direct Investment (FDI).

**Table 2. Economic Data of Indonesia and the Comparison with Other Southeast Asian Countries**

<i>DATA: Economy</i>	Thailand	Malaysia	Indonesia	Vietnam
OECD Status (2016)	Non-OECD	Non-OECD	Non-OECD	Non-OECD
Economy (2016)	Upper-middle income	Upper-middle income	Lower-middle income	Lower-middle income
GNI per capita Atlas method (2015)	\$ 5,620.00	\$ 10,570.00	\$ 3,440.00	\$ 1,980.00
Net ODA received (% of GNI) (2014)	0.1	0	0	2.4
GDP Growth (annual %) (2015)	2.8	5	4.8	6.7
Global Competitiveness (1:Best, 140: Worst) (2015-2016)	32	18	37	56

(Source: OECD, World Bank, World Economic Forum)

<sup>3</sup> GNI is defined as the total domestic and foreign output claimed by residents of a country, consisting of gross domestic product plus factor incomes earned by foreign residents, minus income earned in the domestic economy by non-residents (Todaro & Smith, 2011: 44)

<sup>4</sup> ODA defined as government aid from foreign countries designed to promote the economic development and welfare of developing countries

A photograph of two young girls in red school uniforms walking away from the camera on a path. The image is slightly blurred and has a warm, golden light, suggesting a sunset or sunrise. The girls are wearing red dresses with white trim and carrying bags. The background is a soft-focus outdoor setting.

***Public Infrastructure  
Investment and Delivery  
in Indonesia***



# Public Infrastructure Investment and Delivery in Indonesia

## Public Infrastructure Investment and Implementation System

The Government of Indonesia has been working to improve the quality of infrastructure in various regions of the country. This can be seen in the Medium Term National Development Plan (RPJMN) 2015-2019 which concerns several sectors of infrastructure, as shown in Table 3. The priority sectors include transport; roads; electricity; oil, gas, and renewable energy; information and communication technology; water resources; water and wastewater; and public housing. As described in the RPJMN, these sectors are prioritised in the public infrastructure development plan due to the inadequate existing condition of local roads, limited existing railroad network, lack of competitiveness in national ports, low electrification ratio (energy crisis) and limited water availability in some of the most populated areas (water crisis).

**Table 3.** Infrastructure Development Plan 2015-2019

Sectors	Description
<b>Road</b>	New roads construction of 2,650 Km Highways construction of 1,000 Km Road maintenance for 46,770 Km
<b>Air Transportation</b>	Construction of 15 new airports Procurement of 20 aircraft Pioneer Development of airport to allow for Air Cargo services in 6 locations
<b>Marine Transportation</b>	Construction of 24 new harbours Procurement of 26 Pioneer Cargo Ships Procurement of 2 Ships for Livestock Procurement of 500 ships for public use Port Development Crossings at 60 locations Procurement of 50 ferry (mainly pioneer ferrys)
<b>Train</b>	Rail network development 3,258 km in Java, Sumatera, Sulawesi, and Kalimantan, consistings of: - 2159 km Inter-city railway - 1,099 km Urban Railway
<b>Urban Transportation</b>	Construction of Bus Rapid Transit (BRT) network in 29 cities Development of rapid mass transit facilities in urban areas (6 metropolitans, 17 Large cities)
<b>Irrigation, Reservoirs, and Renewable Energy</b>	Construction of 49 new reservoirs and 33 new hydroelectric power stations Development / Improvement of irrigation networks, 1 Million Ha Rehabilitation of 3 million hectares of irrigation networks
<b>Information and Communication Technology</b>	Broadband coverage in all (100%) of districts/cities Increase Indonesian e-government index to 3.4 (scale of 4.0) Development of e-procurement, e-health, e-education, and e-logistics
<b>Public Housing</b>	Development of low cost apartment (Rusunawa) twinblocks totalling 5257 (515.711 households) Increase provision of self-help housing assistance to 5.5 million households

	Handling the slum area of 37.407 Ha Credit facilitation of housing for 2.5 million households
<b>Water Resources</b>	Urban development of Facilities and Infrastructure of Water (SPAM), providing connection for 21.4 million households (268.680 litres/second) SPAM development in rural areas, providing connection to 11.1 million households (22.647 villages)
<b>Water and Wastewater</b>	Construction of communal waste water systems in 227 cities / districts and concentrated in 430 cities / districts Faecal Waste Processing Installation (IPLT) development for the management of urban sludge in 409 cities/districts Construction of sanitary landfill and landfill facilities in 341 cities 3R / 3R districts and centralized facilities and communal in 294 cities / districts

Source: Konektivitas Infrastruktur Wilayah dan Antar Wilayah, Mataram 10 Desember 2014

Conditions of basic public infrastructure in Indonesia are described below:

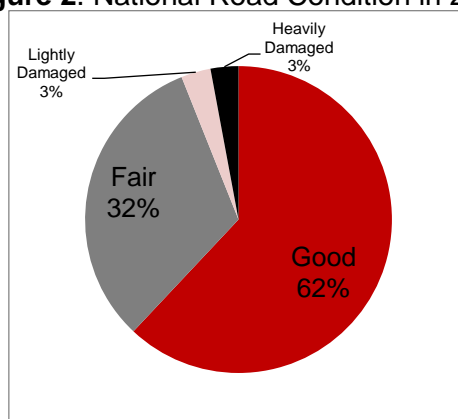
#### 1. Irrigation

There is a huge need to improve the irrigation system performance, as the current network operation is suboptimal due to the inadequate water infrastructure as well as degrading watersheds, which cause unstable water discharge and quality. Major irrigation networks serve mainly rice production fields in Java (3.1 million hectares) and Sumatra (2.6 million hectares), out of which only 800,000 hectares are supplied by reservoir. The rest depend on the seasonal nature of the watersheds. The government is continually striving to increase the number of reservoirs or increase the capacity of the existing ones so as to maintain the water supply for irrigation, in particular in the eastern part of Indonesia.

#### 2. Roads

Roads in Indonesia are unevenly distributed, mostly in densely populated areas in Sumatra, Java, and Bali, where there are relatively high economic activities and population mobility. Less developed areas such as Kalimantan, Sulawesi, and West Nusa Tenggara have less dense road networks, while least developed regions in Eastern Indonesia, such as Maluku, Papua, and East Nusa Tenggara have the lowest road density. Road statistics (BPS, 2016) show that by the end of 2014, the total length of the road network was 508,060 km, consisting of 38,570 km of national roads, 53,642 km provincial roads and 415,848 local roads belonging to districts and municipalities. Figure 2 shows the condition of national roads.

**Figure 2.** National Road Condition in 2014



John Lee (2015) suggests that by 2030 Indonesia needs nearly 5,800 km of new expressway, 10,000 km of upgraded arterial roads on new alignments and 18,000 km on existing alignments.

### 3. Railways

Total length of the railway network by the end of 2014 was 6,797 km, with 4,657 km in an active state and 2,122 km in an inactive state. Approximately 70% of the network was concentrated in Java island, the rest located in Sumatra island (SMI's Insight – Quarter I 2014). The railway network carries approximately 4.2 million passengers per year. The railway network development plan is projecting that in 2030, there would be 12,100 km of railway network, distributed in Sumatra, Java, Bali, Kalimantan, Sulawesi and Papua islands. This is almost two times the current network, noting the extent of planned infrastructure development.

### 4. Marine Ports

In 2015, there were 294 ports in Indonesia managed by the Indonesian Ports Companies (IPC) and 901 ports managed by the Government. The ports managed by IPC had 69,401 metres length of jetties, handling nearly 12 million Twenty-Foot equivalent units (TEUs) in 2011, but in 2015 the volume decreased to nearly 8 million TEUs. Some studies show that the flow of containers will increase to 30 million TEUs in 2020 and 48 million TEUs in 2030 (Sudarmo, 2012). However, in order to revive port volumes, there is a huge need to improve strategic ports capacity in handling containers and develop hub ports in western and eastern Indonesia.

### 5. Airports

In 2015, there were 29 international airports and 216 domestic airports. With the rapid growth of passengers and fleets (mainly driven by low-cost airlines), there is a significant need to improve and develop airports. Many airport projects should be commercially feasible for private sector investment, freeing public investment for less commercially feasible airport projects, in particular for connecting less developed areas in the Eastern Indonesia region. There is a need for the government to accelerate projects, including preparation of feasibility studies, business development proposals and market outlook.

### 6. Electrical Power

The power provision is unevenly distributed between the western region and eastern region of Indonesia. Until 2015, the installed capacity from the National Power Company and IPP (Independent Power Provider) was 48,065 MW, which was distributed between the Java-Bali system (33,824 MW), Sumatera system (10,091 MW) and Eastern region of Indonesia (4,150 MW). With the addition of 3,703 MW capacity from rented generating systems, the available total power capacity in Indonesia was 51,348 MW. In 2015, there were more than 60 million connections in total, consisting of 56.3 million for households, 2.8 million for commercial entities, 1.6 million for public facilities and 61,000 for industry. In 2014, of more than 82,000 villages, over 79,000 were connected, equivalent to a rate of nearly 97% electrification in terms of number of villages with electric power. Between 2015 and 2025 inclusively, the growth of the power need is expected to reach 8.6% per year. By 2025, the total installed capacity is expected to be more than 80,000 MW, with nearly 68,000 km of transmission system and a powerhouse (transformer) capacity of 172 Mega Volt Amp (MVA). This plan would require nearly US\$15 billion per year of investment (National Power Company, 2015).

### 7. Information and Communication Technology

In terms of Network Readiness Index (NRI), the Global Information Technology Report 2014 ranked Indonesia as number 64 out of 148 countries, and within the ASEAN region,

Indonesia was placed fourth, below Singapore, Malaysia and Brunei Darussalam. ICT penetration is still low at nearly 35% of the total population (88 million out of a population of 252 million); more than half of that affected population (52 million) reside in Java island, whilst the rest were distributed in Sumatra (18 millions), Sulawesi (seven million), Nusa Tenggara, Maluku, and Papua (six million) and Kalimantan (four million). Optical fibre infrastructure is being developed and currently amounts to 41,150 km, 60% in Java, 36 % in Sumatra, whilst the rest in Sulawesi, Bali and Nusa Tenggara, with a total capacity of 2,070 Gigabits (Gbps) and 1,616 core, distributed between 26 providers. The government is planning to improve broadband coverage from only 72% of cities and municipalities in 2013 to 100% coverage of mobile broadband in urban areas and 52% in rural areas by 2019. There are also plans to target fixed broadband access in order to increase reach to 71% of urban households and 49% of rural households, as well as improving telecommunication and internet service in Universal Service Obligations (USO) area to 100%. The total ICT infrastructure development budget needed for 2014-2019 is Rp 278 trillion, equivalent to 0.46% of the national GDP.

## 8. Drinking Water

In 2011, the Government estimated that only about 52% of the urban population had access to a treated water supply. Piped water supply in the urban areas of Indonesia was quite low (18% of the urban population); those without piped water supply rely heavily on tubewells or boreholes (19%), protected wells (22%), bottled water (9%) and water refillers (16%). Progress has been slow in improving the situation. The trend shows that, if no significant breakthrough takes place, targeted universal access (100%) by 2020 will not be achieved, from the present estimate of 65%. At the same time, for rural water supply, the Government estimated that only 58% of the rural population had access to improved water supply. From 2009 to 2011 there was a rapid increase in access rates, amounting to around 5% per year on average. If this trend continues to rise, the Government may meet the 2019 target of universal access. Investments are needed to improve the situation (World Bank 2015).

Infrastructure development for these various sectors requires considerable funding. Details of the estimated funding needs of the infrastructure contained in the RPJMN are shown in Table 4.

**Table 4. Estimated Funding Needs in RPJMN 2015-2019**

Sector	Trillion IDR <sup>7</sup>				Total
	APBN <sup>1</sup>	APBD	BUMN <sup>2</sup>	Private <sup>3</sup>	
Road	340.0	200.0	65.0	200.0	805.0
Train	150.0	-	11.0	122.0	283.0
Marine Transportation <sup>4</sup>	498.0	-	238.2	163.8	900.0
Air	85.0	5.0	50.0	25.0	165.0
Land (include River Lake Transport and Crossing)	50.0	-	10.0	-	60.0
Urban Transportation <sup>5</sup>	90.0	15.0	5.0	5.0	115.0
Electrification <sup>6</sup>	100.0	-	445.0	435.0	980.0
Energy (Oil and Gas)	3.6	-	151.5	351.5	506.6
Information and Communication Technology	12.5	15.3	27.0	223.0	277.8
Water Resources	275.5	68.0	7.0	50.0	400.5
Water and Wastewater	227.0	198.0	44.0	30.0	499.0
Public Housing	384.0	44.0	12.5	87.0	527.5
<b>TOTAL INFRASTRUCTURE</b>	<b>2,215.6</b>	<b>545.3</b>	<b>1,066.2</b>	<b>1,692.3</b>	<b>5,519.4</b>
Percentage	40.14%	9.88%	19.32%	30.66%	100.00%

Source: Konektivitas Infrastruktur Wilayah dan Antar Wilayah, Mataram 10 Desember 2014

<sup>1</sup> APBN support funding from the APBD is expected. APBN is the annual fiscal budget (development and routine) of the state government of Indonesia approved by the People's Representatives Council (DPR). APBN is used as a guideline of revenues and expenditures of the state in economic improvement activities.

<sup>2</sup> Support funding from BUMN is expected. BUMN or State Owned Enterprises (SOEs) are a business entity that is wholly or largely capital owned by the state, through direct investments coming from state assets set aside (Under Law of the Republic of Indonesia No.19 of 2003).

<sup>3</sup> Capacity of private maximised through the acceleration of government and private sector partnerships, including business to business.

<sup>4</sup> Increase due to the increase of component of marine highway and the cost of routine.

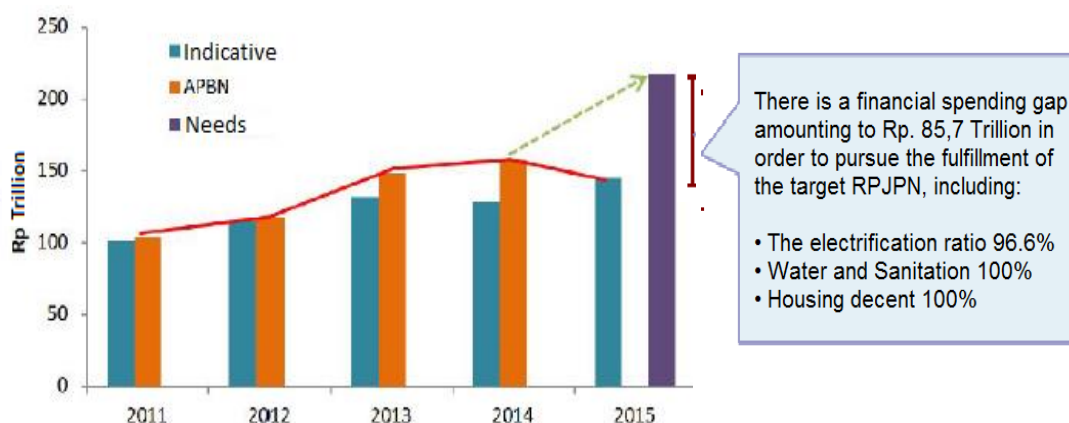
<sup>5</sup> The allocation is comprised of activities of the urban transportation based rail and road.

<sup>6</sup> The ability of PT PLN is currently only about 250 Rp trillion, the rest requires Government Capital (PMN)

<sup>7</sup> IDR (Rp) is the official currency of Indonesia.

Based on estimates of the National Development Planning Agency (Bappenas), Indonesia's infrastructure investment needs are not entirely met by the state budget. As such, there is a financial gap which must be met through other sources of funding in order to accelerate infrastructure development in Indonesia (see Figure 3 and the details in Table 5).

**Figure 3. APBN Graph in Infrastructure Sector**



(Source: Konektivitas Infrastruktur Wilayah dan Antar Wilayah, Mataram 10 Desember 2014)

**Table 5. Details of APBN for infrastructure sector**

No	Ministries / Agencies	2011		2012		2013		2014		2015		Gap
		Indicative	APBN	Indicative	APBN	Indicative	APBN	Indicative	APBN	APBN	Needs	
1	Public Works	56.467,6	57.960,7	61.480,9	62.563,1	69.102,7	77.978,0	69.063,2	84.148,1	81.338,2	123.324,0	41.985,8
2	Transportation	21.371,6	22.111,7	26.602,3	28.117,7	31.299,4	36.679,3	34.081,3	40.370,5	44.933,9	72.328,0	27.394,1
3	Public Housing	2.759,5	2.759,5	4.616,7	4.604,1	5.129,1	5.168,1	4.242,0	4.565,2	4.621,5	12.163,0	7.541,5
4	EMR	15.172,7	15.298,6	15.689,0	15.804,7	17.304,7	18.803,9	13.500,7	16.263,2	10.023,5	16.849,0	6.825,5
5	Cominfo	3.307,6	3.450,3	3.464,0	3.245,9	3.433,7	3.807,4	3.579,6	3.619,9	4.859,8	4.859,8	-
6	BPLS	1.286,0	1.286,0	1.331,0	1.606,9	2.256,9	2.256,9	845,1	845,1	843,2	843,2 <sup>*)</sup>	-
7	Basarnas	1.054,6	1.163,8	959,2	1.111,8	1.311,7	1.666,4	1.438,8	2.188,8	2.420,0	3.489,0	1.069,0
8	BPWS	-	292,5	299,6	299,6	399,6	399,6	381,6	381,6	195,5	400,0	204,5
9	LPP RRI	-	-	-	-	869,0	985,2	783,0	998,5	889	1.109,0	220,0
10	LPP TVRI	-	-	-	-	853,2	864,2	765,0	1.075,6	866,5	1.347,0	480,5
<b>Total Infrastructure</b>		<b>101.419,6</b>	<b>104.323,1</b>	<b>114.442,7</b>	<b>117.353,8</b>	<b>131.960,0</b>	<b>148.609,0</b>	<b>128.680,3</b>	<b>154.456,5</b>	<b>150.991,1</b>	<b>236.636,2</b>	<b>85.720,9</b>

<sup>\*)</sup> 2015 needs based on the proposal of M/A at the Trilateral Meeting

<sup>\*\*)</sup> According to The Constitutional Court's decision, if the revision of a Presidential Regulation has been published, required additional Rp. 781 Billion to pay the remaining compensation to the affected people in the region

Source: Konektivitas Infrastruktur Wilayah dan Antar Wilayah, Mataram 10 December 2015

In 1952, Indonesia established a national development bank, Bank Pembangunan Indonesia (Bapindo). From the beginning, Bapindo focused on funding infrastructure development such as highways, ports, airports, and power plants. As its source of funds, Bapindo relied on bonds, deposits and savings, with sector-specific incentives from the government and Liquidity

Credit provided by Bank Indonesia (KLBI)<sup>5</sup>. However, due to the economic crisis that hit Indonesia in mid-1997, Bapindo was dissolved along with several other state-owned banks and became Bank Mandiri as it is known today.

Following the crisis, the Government set up a number of infrastructure financing institutions with different scopes of work, i.e. Pusat Investasi Pemerintah (PIP), PT Sarana Multi Infrastruktur (Persero), PT Indonesia Infrastructure Finance (IIF), and PT Penjaminan Infrastruktur Indonesia (PII), as summarised in Table 6.

**Table 6.** Infrastructure Financing Institutions in Indonesia

Category	PIP	SMI	IIF	PII
<b>Legal Entity</b>	Public Service Agency (BLU)	Limited Company	Limited Company	Limited Company
<b>Ownership</b>	Government	Government	PT SMI (Persero), ADB, IFC, DEG, SMBC	Government
<b>Year</b>	2007	2009	2009	2009
<b>Priority Sectors</b>	Infrastructure (electricity, oil and gas, roads and bridges, transportation, telecommunications, markets, hospitals, terminals, water supply); environmentally friendly technologies (renewable energy, eco-friendly transportation, waste processing, water treatment, biomass, bioethanol, REDD+) and other areas that provide economic benefits, social, and other benefits for the general welfare.	Highways and bridges, transportation, oil and gas, telecommunications, sewage treatment, electricity, irrigation, water, infrastructure, social, energy efficiency, railway rolling stock.	Transport, roads, irrigation, water, waste water, communications and informatics, electricity, oil and gas.	Water, telecommunications and informatics, roads, electricity, urban amenities, neighbourhood, health, energy conservation, department of correctional services, and public housing, energy (oil, gas, and renewable energy), sports and arts, tourism, education, waste management, infrastructure and infrastructure, wastewater treatment, water resources and irrigation, transportation.
<b>Funding Structure</b>	APBN, earlier investment profit, contributions from other parties, and other legal sources.	Deposits (short-term funds from banks), the capital market, the government, private investors, and other countries.	Own capital and loans from the World Bank and the Asian Development Bank.	APBN, and through cooperation with other guarantee institutions, multilateral agencies, and bilateral industry.
<b>Mechanism</b>	PIP's scope of investment is in securities (purchase of shares and bonds) and	SMI acts as a catalyst and/or facilitator for project owners and funders/investors,	IIF provides products funding long-term loans such as senior	PII operates through mechanisms of underwriting businesses. PII

<sup>5</sup> KLBI is an initiative that came from Bank Indonesia to assist in the implementation of Government programmes (as agent of development) by giving credit to executing banks for loan portfolio in the sectors or activities or groups that are prioritised in the Government programme such as food procurement through Bureau of Logistics (BULOG), Credit for Village Unit Cooperatives (KKUD), Credit for Farming (KUT), and Credit for Member's Primary Cooperatives (KKPA). It offers subsidised interest rate that is lower than the market rate.

<p>direct investments (equity and loan). PIP may cooperate on investments with enterprises and / or the Public Service Agency (BLU) with a pattern of Public Private Partnership (PPP) and the Non-Public Private Partnership (Non-PPP). However, the majority of PIP's investment portfolio consists of special assignments (84%), equity (9.5%) and loans (6.0%).</p>	<p>with a focus on Public Private Partnership (PPP), which includes a variety of financial institutions, both private and multilateral. The scope of its activities includes financing, providing consulting services, and development of infrastructure projects.</p>	<p>loans, mezzanine finance, and capital participation in addition to non-fund based products such as loans and fee-based services, and thus serves as a provider of additional funds if needed in the implementation of infrastructure development projects in Indonesia.</p>	<p>ensures the sustainability of the project being undertaken through three important risk investments in the infrastructure sector, namely the risk of a return on investment, political risk, and the risk of termination.</p>
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Source: LMFEUI, compiled from various sources (2016)

Table 5 shows that there is a financing gap amounting to 85.7 trillion IDR between the APBN and investment needs in order to pursue the RPJMN beginning in 2015. In order to meet the funding gap, some policies have been established:

1. Increasing the Role of Private Sector and Acceleration of Public Private Partnership (PPP) Projects
  - Acceleration of procurement processes through revitalisation and harmonisation of legislation on Public Private Partnership (PPP): Presidential Regulation 67/2005 concerning cooperation between Government and Business Entities in Infrastructure Provision, Presidential Regulation 78/2010 concerning Infrastructure Guarantee in Public Private Partnership Provided Through Infrastructure Guarantee Fund, PP 50/2007 on Procedures for the Implementation of Regional Cooperation.
  - Acceleration of decision-making processes and advancement of the role of PPP projects: championing at the senior level for the implementation of the PPP through the establishment of the PPP Centre under the President in order to clarify the Government's commitment and as referral for government policy in implementing the PPP.
  - Strengthen networking with establishment of a central PPP and PPP vertices (in each Ministry/Agency/Local Government).
  - Certainty of funding through budgetary funds preparation, support and collateral transactions and PPP projects in each Ministry/Agency/Local Government.
  - Acceleration of licensing for PPP projects through integrated licensing.
2. Assignment of BUMN (State Owned Enterprises)
  - Assignment of BUMN to strategic projects, such as reservoirs, hydroelectric power, Trans-Sumatera highway and freight shipping.
  - Provide funds for state-owned State Capital assigned to accelerate the development of infrastructure.
3. Guarantees of Land Availability
  - Establishment of the Land Bank.
  - Special allocation for land acquisition.
4. Providing Financing Schemes to Support the Acceleration of Infrastructure Projects by Performance Based Annuity Scheme (PBAS), Project Development Facility (PDF), Viability Gap Fund (VGF), Infrastructure Bank.

## Potential Barriers and Challenges to Infrastructure Finance

The government targets infrastructure public financing of up to Rp 5,500 Trillion, from 2015 until 2019, 50% of which is expected to come from APBN and APBD (national and local government annual development budgets), and the remaining funding is expected to be sourced from a combination of private (31%) and BUMN (19%). There are several problems that have been identified, including the lack of capacity to absorb new technologies and lack of an enabling environment for investment.

Funding from the private sector is needed due to limited government funds. Related to this, the government offers incentives, such as guarantees and tax incentives, and legal certainty, with the expectation that private sector infrastructure investment will be forthcoming. It is understood that funding from the private sector is quite tight, especially if associated with Foreign Direct Investment (FDI), as countries in the region are competing for the resource. ADB estimates that approximately 67% of the total infrastructure funding will be absorbed in East Asia and Southeast Asia, while in South Asia the rate is only approximately 29%. Competitiveness associated with bureaucracy, rule of law and human resource capacity will be a very substantial pulling factor of investment.

Another challenge on state and local budget funding arises from the coordination between the central government and the regional government in promoting much-needed infrastructure projects. A common vision is needed to be able to cut bureaucratic constraints or capacity constraints of existing human resources in the area of the project sites. Another issue related to state and local budgets is the time of execution of capital expenditure. Past experience reveals that new capital expenditure occurred usually by the fourth quarter and the impact of capital expenditure is not substantial in the past two years.

The third challenge is related to the potential increase in imports. This is actually more detrimental to the economy in general. The increase in imports stems from the increase in FDI inflows, given that most of the raw materials are imported for infrastructure projects. The combination of high capital expenditure and investments received will affect the trade balance and ultimately affect the current account deficit (current account deficit). We expect the current account deficit is still large enough to be in the range of 2.8% to 2.9% of GDP. However, it is worth highlighting that the deficit is the result of government productivity policies, so the outcome is expected to be positive for the Indonesian economy in the medium and long term.

## Construction Industry and Construction Supply Chain

According to Law No. 18/1999, construction companies consist of consulting and contracting companies. Consulting company services include planning and design, as well as supervision of projects. Most construction companies in Indonesia are Small and Medium Enterprises (SMEs). Under a new registration scheme and classification, Table 7 shows the number of construction companies in 2016.



**Table 7.** Number of Construction Companies (including Consulting Companies)

Type of Enterprise	Companies	
	Number	%
Large	1,628	1
Medium	19,557	12
Small	138,816	87
Total	160,001	100

Source: NCSDB (2016)

Aside from national companies, there are also foreign construction companies active in Indonesia. Table 8 shows foreign companies from China, South Korea and Japan dominating in 2015 and 2016. From ASEAN countries, there were companies from Malaysia, Singapore and Vietnam. The rest came from 17 other countries such as India, France and USA.

**Table 8.** Number of Foreign Construction Companies

Companies Countries	Contractor		Consulting		Integrated Services	
	2015	2016	2015	2016	2015	2016
CHINA	36	30	4	0	20	16
SOUTH KOREA	33	28	10	7	11	8
JAPAN	42	39	23	17	25	17
MALAYSIA	4	3	1	1	1	1
SINGAPORE	6	4	1	1	5	3
VIETNAM	1	1	0	0	0	0
OTHER COUNTRIES	14	9	24	16	18	15
TOTAL	136	114	63	42	80	59

Source : Indonesia Country Paper, 21<sup>st</sup> Asia Construct Conference, Tokyo, November 2016.

The number of construction workers (including engineers, designers, architects, planners, etc.) in the sector grew from nearly 5.6 million in 2010 to more than 8 million in 2015, following the growth of the industry (see Table 9). The National Law No 18/1999 on Construction Services requires the registration of professionals and skilled workers with the National Construction Service Development Board (NCSDB). Table 10 shows the number of registered professionals and skilled workers in 2016, which was equivalent to about 5.3% of the construction workforce.

**Table 9.** Number of Workers in Construction

Year	2010	2011	2012	2013	2014	2015
Construction Labour	5,590,000	6,340,000	6,851,291	6,349,387	7,280,086	8,208,086

Source: Central Bureau of Statistics (2015)

**Table 10.** Number of registered professionals and skilled workers (in '000s)

Level	Senior	Middle	Junior	Total
Professional	3.303	64.541	70.946	138.790
Level	1 <sup>st</sup> Class	2 <sup>nd</sup> Class	3 <sup>rd</sup> Class	Total
Skilled Worker	203.691	47.740	46.061	297.492

Source : NCSDB, as of September 2016

The total value of completed construction has grown from Rp 376 trillion in 2011 to nearly Rp 636 trillion in 2015 (up to October, 2015), as can be seen from Table 11.

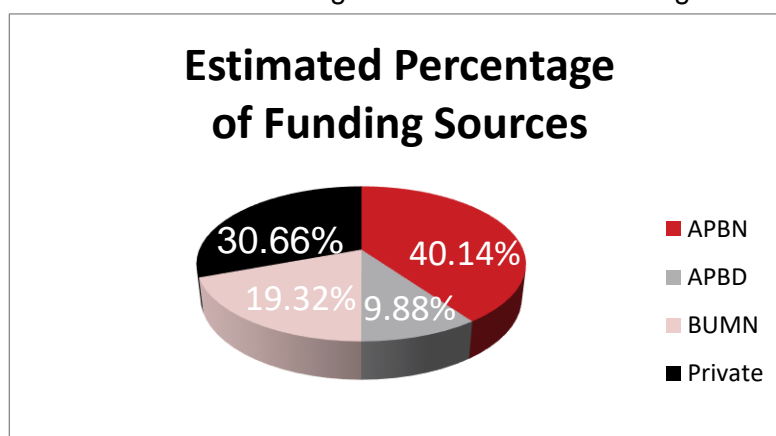
**Table 11.** Value of Completed Construction in last Five Years (in Million Rp)

Category of works	2011	2012	2013	2014	2015*
Building Construction	108 768 763	128 551 604	149 872 885	168 905 974	189 045 215
Civil Engineering	202 325 448	237 019 258	273 552 144	306 750 445	341 491 328
Special Construction	65 029 137	74 782 311	85 600 825	95 248 750	105 336 144
<b>Total</b>	<b>376 123 348</b>	<b>440 353 173</b>	<b>509 025 854</b>	<b>570 905 169</b>	<b>635 872 687</b>

## Infrastructure Financing Mechanisms and Related Institutions

Indonesia's current infrastructure funding mechanism is based on the APBN, which is essentially for Public Service Obligation (PSO) projects. This is particularly true of infrastructure development that is of a social nature and not financially feasible, or has small economic feasibility but is most needed by the public. Another method of funding is project financing for infrastructure projects that have financial feasibility in the form of a PPP scheme. Project financing is for projects whereby the potential income in cash-flow can be used as a guarantee (collateral) to obtain loans from commercial banks for investment, usually with a debt equity ratio of 70% : 30%. Based on the data described in Table 4, the sources of funds for public infrastructure development can be shown in the pie chart below (see Figure 4).

**Figure 4.** Estimated Percentage of Infrastructure Funding Source

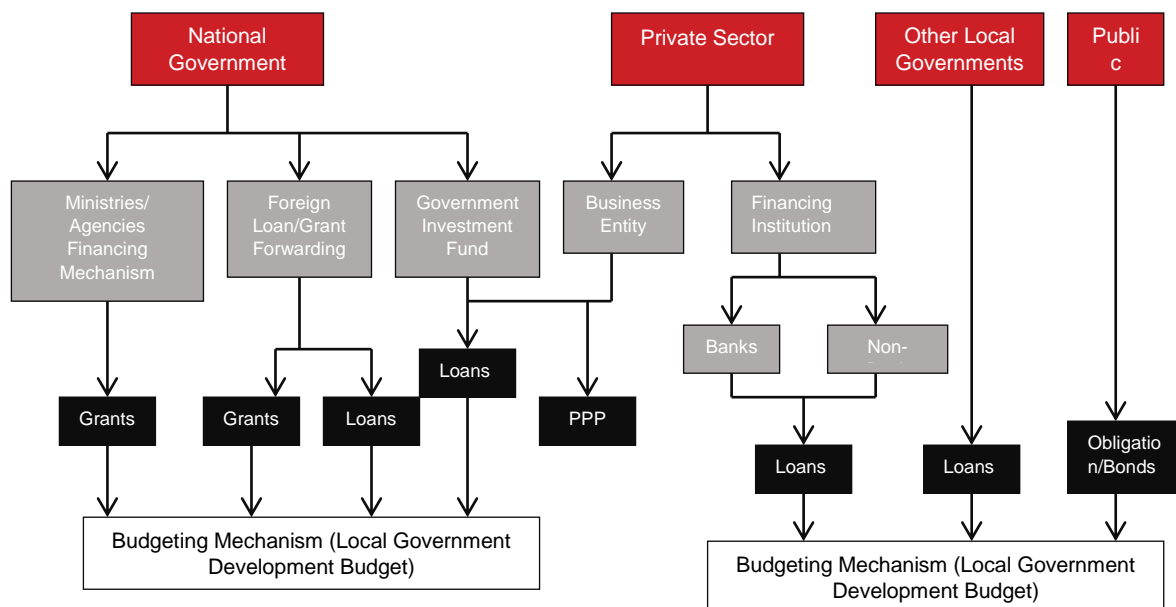


(Source: Konektivitas Infrastruktur Wilayah dan Antar Wilayah, Mataram 10 Desember 2014)

Under the current President Joko Widodo, financing of some large infrastructure projects is being carried out by commissioned state-owned enterprises (BUMN), with a new financing scheme that employs a sinking fund method. This method involves the commissioned BUMN receiving government funds as an equity investment. In turn, the state issues bonds to attract investment from the capital markets. The appropriate funding mechanism referred to by President Joko Widodo uses special purpose bonds issued for infrastructure projects. The infrastructure bonds policy is still being studied by the Indonesian Financial Service Authority (OJK); another relatively complete policy for Municipal Bonds (i.e. bonds issued by local governments) exists.

The national budgeting system or APBN cycle is a series of activities in the budgeting process that begins when the state budget is put together as a follow up to the budget passed by the legislation. There are five main stages in one cycle of the APBN in Indonesia. Of the five stages, the second and the fifth stages are not carried out by the government. The second stage is the process of budget approval by the DPR and the fifth stage is a process of examination and accountability undertaken by BPK (State Auditor Board). Figure 5 shows the possible financing structure for urban infrastructure investment in Indonesia. However, the scheme is also valid for other types of infrastructure funding.

**Figure 5.** Sources and form of urban infrastructure financing in Indonesia



Source: Pardede R, 2013.



***Governance in Indonesia***

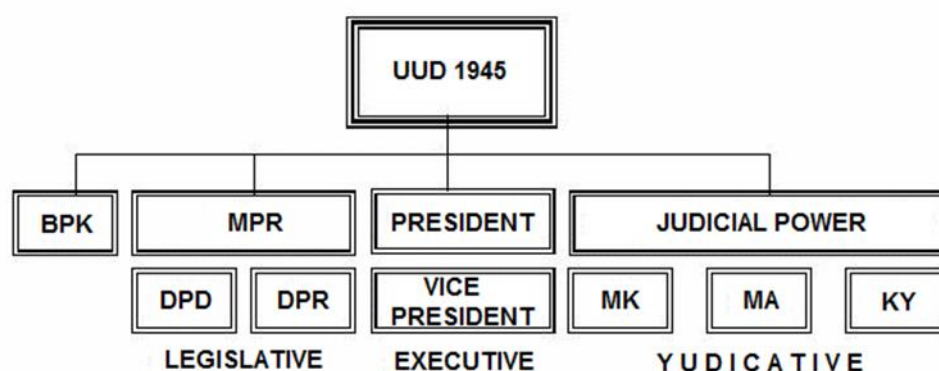
## Governance in Indonesia

The political reform in 1998 brought new changes to the Indonesian government system<sup>6</sup>. It was intended to improve the old presidential system. The new changes are direct election, bicameral system, checks-and-balance mechanism, and additional powers to the parliament to conduct surveillance and budgetary functions.

According to the amended 1945 Constitution of the Republic of Indonesia, the form of the state is a unitary state with the broad principles of regional autonomy. The territory is divided into several provinces. Indonesia adopts a presidential government. The President and Vice-President are directly elected by the citizens in a single process. Overall, the system of government in Indonesia is a hybrid of the presidential and parliamentary systems. The Parliament consists of two parts (bicameral): People's Representatives Council (DPR) and the Regional Representatives Council (DPD). Members of the People's Consultative Assembly (MPR)<sup>7</sup> consist of all members of DPR<sup>8</sup> plus DPD<sup>9</sup> members elected directly by the Indonesian citizenry. The President cannot dissolve the DPR (Parliament). The main role of the higher chamber, MPR, is now mainly limited to the forming (and amending) of the Constitution, although it still has the right to impeach and dismiss the president upon the recommendation of the DPR. The judicial power is executed by the Supreme Court and judicial bodies underneath.

The legislative has a very strong position vis-a-vis government policy as the President needs consideration or approval from the Parliament in order to issue certain policies. The Parliament has more power in terms of shaping the law and the budget rights.

**Figure 6.** Political Structure in Indonesia, based on the amended 1945 Constitution



MPR = People's Consultative Assembly  
 DPR = People's Representative Council  
 UUD = Constitution of the Republic of Indonesia  
 BPK = Audit Board of the Republic of Indonesia  
 DPD = Regional Representative Council

MK = Constitutional Court  
 MA = Supreme Court  
 KY = Yudicative Commission

According to Indonesia's current presidential system of governance, the President is the head of the state as well as the head of the government. There is a tendency to concentrate power

<sup>6</sup> See <http://indonesiangovernmentssystem.blogspot.my/2014/03/indonesian-government-system.html>

<sup>7</sup> MPR is a bicameral legislative institution which is one of the state institutions in the state system of Indonesia.

<sup>8</sup> DPR is one of the high state institutions in the state system of Indonesia which is the people's representative institutions.

<sup>9</sup> DPD is a high state institution that is elected through general elections every five years. DPD members are representatives from every province in Indonesia that represents the area and aspirations of each of those areas.

in the hands of the President, which results in citizens having little influence over government policies. The role of the people in overseeing government exercise is also marginal. The changes of cabinet senior officials are quite common. The Cabinet or a Minister is appointed by the President and is responsible to the President. However, in appointing state officials, the President needs recommendation or approval from the Parliament.

Table 12 shows a summary of governance indicators for Indonesia, compared with the other ASEAN countries studied under this project (Malaysia, Thailand and Vietnam). In general, Indonesia is ranked number three among the four studied countries. In terms of political rights, civil liberties and freedom rating including freedom of press, Indonesia is highest ranked among the four countries, but in terms of corruption index, governance score, regulatory quality and government effectiveness, the country is ranked third. On the rule of law, control of corruption and political stability, Indonesia is lowest ranked amongst all four countries. Only on voice and accountability does Indonesia rank highest. All these indicators show that Indonesia still has a huge task to improve its governance performance, by improving in particular the regulatory quality which in turn will improve government and government effectiveness. In particular, improving transparency can be considered a strategic and feasible entry point to improve governance and thus strengthen the movement to eradicate corruption.

**Table 12.** Governance data of Indonesia in comparison to other Southeast Asian countries

<i>DATA: Governance</i>	Thailand	Malaysia	Indonesia	Vietnam
TI CPI South East Asia (1:Best, 10: Worst) (2015)	3	2	4	6
TI CPI (1: Best, 168: Worst) (2015)	76	54	88	112
Freedom in the World (2016)	Not Free	Partly Free	Partly Free	Not Free
Political Rights (1 = most free and 7 = least free) (2016)	6	4	2	7
Civil Liberties (1 = most free and 7 = least free) (2016)	6	4	4	5
Freedom Rating (1 = most free and 7 = least free) (2016)	5.5	4	3	6
Freedom of Press (2016)	Not Free	Not Free	Partly Free	Not Free
Freedom of Press (0 = Best, 100 = Worst) (2016)	77	67	49	85
Average World Bank Governance Score (1: Low, 100: High) (2014)	44	67	40	37
Voice and Accountability	26	37	53	10
Political Stability & Absence of Violence/Terrorism	17	59	4	46
Government Effectiveness	66	84	55	52
Regulatory Quality	62	76	49	30
Rule of Law	51	75	42	45
Control of Corruption	42	68	34	38

Source: Transparency International (TI), Freedom House, World Bank

## Governance in Relation to Public Infrastructure

According to 2004 Law No. 25 on the national development planning system, Indonesia adopts a system of planning document hierarchy. At the national level, there are three main national planning documents, i.e. the long term national development plan (RPJPN), mid-term national development plan (RPJMN) and the annual national development plan (RKP). The RPJP is established for a 20-year period, depicting the national vision, mission and direction of the national development. The RPJM is set up for a period of five years, representing the President's vision, mission and programme for implementing the RPJP, and containing the national development strategy, general policy and programs from various sectors (ministries, agencies, local authorities). To support the preparation of the planning documents, each sector (ministries, agencies, etc.) prepare their respective planning documents (i.e. sectoral five-year strategic plans, sectoral annual work plans). At the sub-national level (provincial,

district, municipalities), there is a similar planning document structure to those at the national level.

The long term development plan (RPJP) is established by the Minister of National Development Planning (at the national level) or by the agency for local development planning (at the local level), through public consultation involving all stakeholders. The medium term development plan (RPJM) is drafted by the Minister (at the national level) or by the local planning agency (at the local level) as an elaboration of the President's (governor's or mayor's in case of local level plan) vision, mission and programme. Based on the draft, the sectors' strategic plans are developed by the sector agencies/ministries (at the national level) or by the local agencies/offices (at the local level). The sectors' strategic plans are then used by the Minister of Development Planning (or by the local development agencies) for finalising the medium term development plans while referring to the long term development plans, also through public consultation process known as *Musrenbang*.

For the annual development plans (RKP), the Minister of Development Planning or the local agency for development planning (at the local level) establishes the draft annual plans, and based on those drafts, sector agencies (at the national or local level) develop their own annual sector plans. The annual development plans (national or local level) are then finalised by the planning agencies incorporating the sector plans and through a public consultation process (*Musrenbang*). The complete procedure for the preparation of the national development plan is detailed in the 2006 Government Regulation No. 40.

## Implications on Public Participation in Public infrastructure in Indonesia

Public participation is crucial to the successful development of public infrastructure in Indonesia. Civil society has a role in creating supportive national stability in various fields, be they society, culture, politic, governance, security, economy, trade, development, and others. This allows the government to exercise its mandate effectively, with programmes and government policies being implemented optimally. The role of the community is strongly reflected by the presence of Non-Governmental Organisations (NGOs) and community organisations. With their competence and capacity, it is likely they can participate and contribute in maintaining national stability. This can only happen when NGOs and community organisations have a clear commitment to core activities, independence, objectivity, transparency, and proportionality in addressing any social problems, as well as nation and state issues, comprehensively and holistically. Table 13 presents some of the NGOs and community organisations active in the issues of governance, democracy and infrastructure in Indonesia.

**Table 13.** List of NGOs in Indonesia

Non-Governmental Organisation	Description
<b>MediaLink</b> ( <a href="http://medialink.or.id/">http://medialink.or.id/</a> )	NGO concerned with issues of freedom of information and media democratisation.
<b>YAPPIKA</b> ( <a href="http://yappika-actionaid.or.id/">http://yappika-actionaid.or.id/</a> )	NGO for civil society and democracy. Its vision is to realise a community that is free, fair, and equal.
<b>Indonesia Corruption Watch (ICW)</b> ( <a href="http://www.antikorupsi.org/">http://www.antikorupsi.org/</a> )	NGO committed to eradicating corruption by empowering citizens to engage or participate actively in the issue and fight against corruption.
<b>Indonesian Parliamentary Center (IPC)</b> ( <a href="http://ipc.or.id/">http://ipc.or.id/</a> )	NGO which focuses on strengthening parliament, electoral systems, political parties, civil society, and encouraging parliament to strengthen the position and role of institutions.
<b>Indonesia Budget Center (IBC)</b> ( <a href="http://indonesiabudgetcenter.org/v2/">http://indonesiabudgetcenter.org/v2/</a> )	Non-profit, independent and non-partisan, incorporated association, working at national and local levels, focusing on the politics of the state budget. The main activities of this organisation are research, advocacy, political education budget, strengthening the network, as well as the publication of data and budget information to funders who are not members of this organisation and also other sources that are not attached.
<b>Pemerhati Perkembangan Infrastruktur Indonesia (PPII)</b> ( <a href="https://www.facebook.com/ppinfraindonesia/">https://www.facebook.com/ppinfraindonesia/</a> )	NGO which upholds the aspirations of people concerned about infrastructure development in Indonesia, in order to achieve equitable development in all corners of the country openly and transparently.
<b>Indonesia Transportation Society (MTI)</b> ( <a href="http://mti-its.org/">http://mti-its.org/</a> )	NGO bringing together experts, academics, practitioners, and bureaucrats who are driven by the awareness of social responsibility. The organisation focuses on national sustainable transport development.
<b>Energi Riset &amp; Manajemen Indonesia (ERMI)</b> ( <a href="http://ermi-indonesia.org/">http://ermi-indonesia.org/</a> )	NGO which has a special interest in the field of energy utilisation.
<b>Lembaga Pemerhati dan Pemberdayaan Masyarakat Indonesia (LPPMI)</b> ( <a href="http://lppmindonesia.blogspot.co.id/">http://lppmindonesia.blogspot.co.id/</a> )	NGO engaged in the supervision of public policy, advocacy, and community empowerment.
<b>Infrastructure Partnership and Knowledge Center (IPKC)</b> ( <a href="http://www.mii.or.id/">http://www.mii.or.id/</a> ) ( <a href="http://archive.is/http://ipkcenter.org/">http://archive.is/http://ipkcenter.org/</a> )	A network of academics and practitioners from public and private sector, active in discussing and studying issues related to infrastructure development.
<b>Yayasan Pembangunan Citra Insan Indonesia (YPCII)</b> ( <a href="https://ypcii.wordpress.com/">https://ypcii.wordpress.com/</a> )	An Indonesian community development NGO working on capacity building programmes, improving community participation in development programmes, knowledge management and improving community access to basic services. One of its strong programmes is promoting community based sanitation and water supply in less developed areas.

Source: Compiled from various sources (2016)

Most of the NGOs depicted in the Table 13 are quite active and organise many activities. Their main role is as “watch dogs” in overseeing and criticising government policies, programmes and projects on infrastructure investment. In particular, the ICW is one of the important partners of the National Commission for Corruption Eradication (KPK) and other law enforcement agencies in proactively providing initial information concerning alleged corruption cases from all over the country. The IPKC network is quite active in discussing and organising events related to infrastructure provision in the country, in particular on the issue of PPP and various infrastructure financing schemes. Other NGOs, such as YPCII, collaborate with private sector entities implementing their Corporate Social Responsibility (CSR) programmes through community infrastructure development such as water supply and sanitation in the rural areas. YAPPIKA cooperate with the Ministry of Education and Culture to obtain data on school



infrastructure in Indonesia that is not ordinarily available. Whilst the IPC collaborate with the Indonesian Political Indicators Survey to evaluate the performance of the DPR as a step to control the people's representatives. The evaluation conducted in 2016 produced data highlighting that corruption in Indonesia is still at a high level, and that DPR and political parties are the most untrustworthy institutions in the public's eye. IBC cooperate with many government network parties such as KPK, State Finance Accountability Committee (BAKN), House of Representatives of the Republic of Indonesia (DPR RI), Audit Board of the Republic of Indonesia (BPK RI), National Development Planning Agency (Bappenas), and Presidential Working Unit of Supervision and Control of Development (UKP4), and NGO networks such as ICW, YAPPIKA, MTI, MediaLink, and others. One real impact by the IBC was to criticise the budget on the conservation sector in the Ministry of Forestry and Environment. IBS has also been vocal on transport, public infrastructure, the budget, and other sectors issues.

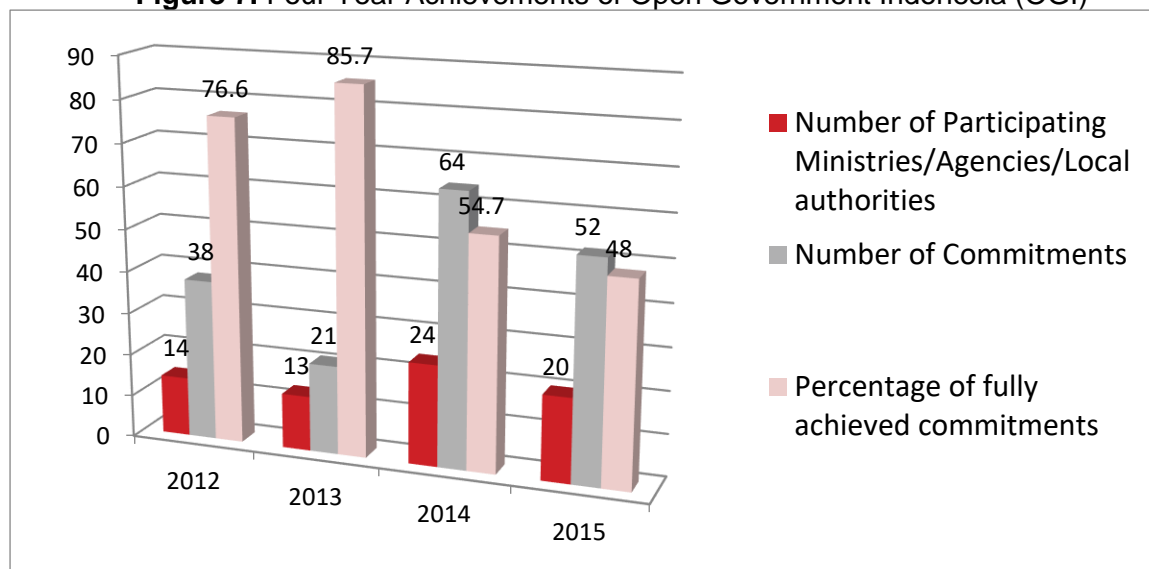
## Open Government Partnership (OGP)

Since declared in New York, USA, on the 20th September 2011, as many as 46 countries have joined the movement of OGP. Indonesia, together with the United States and six other countries sit as its Steering Committee. As one of the founding members of the OGP, the Government of Indonesia submitted its first OGP action plan in last September 2011. Indonesia developed a National Action Plan (NAP) for the first in July and September 2011. This action plan was made for the period September 2011 to December 2013. However, the action plan was effectively implemented on January 1, 2012 until December 31, 2012. In January 2014, analysis on the development of the first action plan was published through OGP's Independent Reporting Mechanism (IRM).

Indonesia has pursued a continuous reform agenda throughout the last decade, with open government as one of its key priorities. Open government is a central catalyst for reform but also an integral part of Indonesia's development and reform agenda. Many of the OGP pillars are aligned with the key themes of Indonesia's governmental reform efforts, i.e. clean, accountable, reliable and responsive government. Indonesia's open government implementation cuts across various themes – anti-corruption, national agenda development, and ease of doing business – and also across various sectors including natural resources management, education, and other public services. Indonesia has followed a continuous reform agenda over the last decade with open government as one of its key priorities.

In all, up to 2016, Indonesia has prepared and implemented three action plans (2012, 2013, 2014-2015). The 4<sup>th</sup> plan (2016-2017) was launched on the 16<sup>th</sup> December, 2016. A summary of the performance of Open Government Indonesia (OGI) by 2015 is shown in the Figure 7.

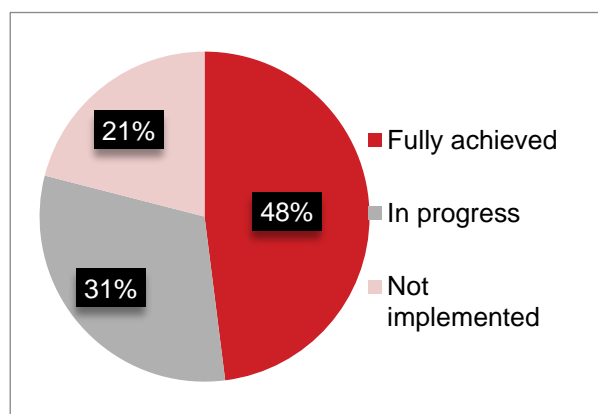
**Figure 7. Four Year Achievements of Open Government Indonesia (OGI)**



Source: Appendice 1 - Indonesia Government Self-Assessment Report 2015, Open Government Indonesia, <http://www.opengovpartnership.org/country/indonesia/assessment>

For the 2014-2015 Action Plan, of the 52 commitments, 25 (or 48% of total commitments) have been fully achieved whereas 27 have not been achieved. From the 27 which have not been achieved, 16 (31%) were underway but targets had not not achieved and 11 commitments (21%) had not been implemented or there was no confirmation from the party in charge (see Figure 8).

**Figure 8. 2015 OGI Achievement Status**



Source: Indonesia Government Self-Assessment Report 2015, Open Government Indonesia, <http://www.opengovpartnership.org/country/indonesia/assessment>

The 2016-2017 Action Plan covers four focus areas, i.e. i) Enhancing public participation; ii) Governance and civil service reform, and strengthening public services; iii) Enhancing public information disclosure; and iv) Strengthening data governance<sup>10</sup>. This Action Plan is divided into 50 commitments, consisting of 22 commitments from national ministries and agencies and 28 commitments from 5 sub-national governments committed to implementing OGI Pilot Projects at the local level, i.e. Provincial Government of DKI Jakarta, City Government of Bandung, City Government of Semarang, City Government of Banda Aceh, Regency

<sup>10</sup> See [http://www.opengovpartnership.org/sites/default/files/Indonesia\\_NAP\\_2016-2017\\_ENG.pdf](http://www.opengovpartnership.org/sites/default/files/Indonesia_NAP_2016-2017_ENG.pdf)

## Government of Bojonegoro,

To facilitate and promote policy implementation on open government, an OGI National Secretariat was established. The National Secretariat is coordinated by a Core Team, consisting of representatives from seven government ministries and commissions and eight civil society organisations (see Figure 9). The government side is represented by the following Ministries and Agencies:

- Ministry of National Development Planning/ BAPPENAS
- Office of Presidential Staff
- Ministry of Foreign Affairs
- Ministry of State Apparatus and Civil Service Reform
- Ministry of Home Affairs
- Ministry of Communications and Information Technology
- Central Commission of Information

From civil society, the following organisations are represented in the Core Team:

- Internasional NGO Forum on Indonesia Development (INFID)
- Perkumpulan Media Lintas Komunitas (MediaLink)
- Pusat Telaah dan Informasi Regional (PATTIRO)
- Indonesia Parliamentary Center (IPC)
- Indonesia Corruption Watch (ICW)
- Lembaga Studi Pers dan Pembangunan (LSPP)
- Indonesia Center for Environmental Law (ICEL)
- Forum Indonesia untuk Transparansi Anggaran (FITRA)

Figure 9. Member of the OGI Core Team





***Public infrastructure  
transparency policy and  
practice***

# ***Public infrastructure transparency policy and practice***

## **Public infrastructure transparency in policy**

A series of legislation, policies, regulations and initiatives related to information disclosure is presented in the following sections.

### UUD 1945 (the 1945 Constitution)

'Everyone has the right to communicate and obtain information to develop personal and social environment, and the right to seek, obtain, possess, store, process and convey information by using all available channels' (Art. 28F of the 1945 Constitution).

### 1999 Law No. 18 on Construction Services

The Law 18/1999 states that openness is one of the guiding principles of construction delivery. 'The principle of openness implies the availability of accessible information so as to provide opportunity for the parties, transparency in the implementation of construction works that allow the parties to carry out the obligations optimally and the certainty of rights and to acquire and allow for correction so as to avoid their shortcomings and irregularities.' (explanation of Article 2)

### 2008 Law No 14 on Public Information Disclosure (KIP)

On May 1, 2011, Law No.14/2008 concerning public disclosure (UU KIP) nominally entered into force. Public access to information is expected to accelerate the realisation of open government as a strategic means to prevent corruption, collusion and nepotism (KKN), and support the creation of good governance.

Article 1 of Law No.14/2008 stipulates that Public Body relates to executive, legislative, judicial, and other institutions whose functions and main tasks focus on state governance,. These Bodies draw all or part of their funding from state or local government revenue or expenditure budgets, or NGO funding, as long as most or all funding comes from the state budget of revenues and expenditures and/or local government budgets, community contributions, and/or overseas origin<sup>11</sup>.

Public infrastructure development is not exempt from the planning and public policy programmes as set out in Article 3 which states that the Act aims to ensure the right of citizens to be informed about public policy plans, public policy programmes, and decision-making process. The parties involved in the construction of public infrastructure are required to publicly disclose information related to the use of state or local jurisdiction revenue and expenditure budget.

In the operation of public infrastructure, many parties are involved including State-Owned Enterprises (SOEs), Regional-Owned Enterprises (ROEs), and private parties. The parties involved are also required to provide public information as set out in Article 14 and Article 16

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<sup>11</sup> <https://ppidkemkominfo.files.wordpress.com/2012/12/act-of-the-republic-of-indonesia-number-14-of-2008-on-public-information-openness.pdf>

of UU No.14/2008. One item of information that must be made publicly available by these agencies includes implementation guidelines for good corporate governance, based on the principles of transparency and accountability, amongst others.

#### 2010 Government Regulation (PP) No. 61 on Implementation of Law No. 14/2008

This regulation is an implementing regulation of the 2008 UU No. 14 on Public Information Disclosure<sup>12</sup>. It consists of clauses on:

- a. The requirement to prepare written considerations for any policy issued by a Public Agency in the event of a public information request.
- b. The classification of information and the duration of exemption from public disclosure of exempted information.
- c. Information and Documentation Management Unit (PPID) Officers.
- d. The procedure for the payment of compensation by state public bodies and the imposition of criminal penalties.

#### Presidential Regulation (PerPres) No. 38/2015 Concerning Cooperation between Government and Business Entities in Infrastructure Provision

Article 4c of the regulation stipulates that the cooperation between government and enterprises (KPBU) is to be conducted following the principle of competition, i.e. the procurement of the enterprise, as the cooperation partner, is conducted fairly, openly, and transparently, with consideration for the principles of fair competition<sup>13</sup>.

#### 2010 Regulation of Information Commission (Peraturan Komisi Informasi) No. 1 on Public Information Service Standards

This regulation aims to provide standards for a Public Agency in implementing the Public Information service by<sup>14</sup>:

- a. Improving public information services in the Public Agency for greater quality of service in public information;
- b. Ensuring compliance with citizens' right to access public information; and
- c. Ensuring the realisation of the disclosure objectives as set forth in the Law (UU) on Public Information.

Broadly speaking, the Information Commission Regulation regulates the following:

- The scope of the Public Agency included in the standard public information services;
- Obligations of the Public Agency in the service information;
- PPID responsibility and authority responsible for coordinating the entire storage and documentation of Public Information that is in the Public Agency;
- Information that must be prepared and announced (certain information must be prepared and announced periodically, whilst other information must be released immediately);
- Information exempted from disclosure;
- Public information service standards;
- Procedures on objections management; and
- Preparation of standard operating procedures for public information service.

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<sup>12</sup> <https://ppidkemkominfo.files.wordpress.com/2012/12/pp-no-61-2010-english.pdf>

<sup>13</sup> <http://pkps.bappenas.go.id/attachments/article/1281/English%20-%20PRESIDENTIAL%20REGULATION%20%2038%20%202015.pdf>

<sup>14</sup> <http://luk.staff.ugm.ac.id/atur/PerKI1-2010InformasiPublik.pdf>

Government agencies involved in public infrastructure development in Indonesia are included in the definition of Public Agency as defined in the 2010n Law (UU) No. 1 Information Commission. Therefore, Public Agencies have obligations under the Ministry of Information to provide information under coordination by PPID.

Based on Article 11, any Public Agency must announce information about the profile of the Public Agency, a summary of information about the programme being executed (the name of the programme, the person in charge, targets, schedules, budgets, important agenda, etc.), and a summary about the realised activities (plans and budget realisation reports, balance sheets, and cash flow statement).

Based on Article 38, the Public Agency must make regulations on the standard operating procedures of Public Information service as part of a system of information and documentation as set out in Article 7, third paragraph, of the UU Public Information. Rules for standard operating procedures are provided, with one of them including clarity about the officer appointed as PPID.

Ministry of Transportation Regulation (Peraturan Menteri Perhubungan) No.: PM 72 2010 About Standard Operating Procedure of Public Information Services in The Ministry of Transportation<sup>15</sup>

The Ministry of Transportation, as one of the state entities in the field of transport and a major infrastructure sector, is entirely funded by the state budget. Therefore, according to the 2008 UU No. 14 on public disclosure, Public Agencies such as the Ministry of Transportation must publicly disclose relevant information. Matters set out in these rules pertain to:

- Responsibility, authority, and position of PPID Officer;
- Categories of information and public documents in the Ministry of Transportation;
- Working procedures;
- Mechanisms for information and documentation management in the Ministry of Transportation; and
- Procedure information services in the Ministry of Transportation

Ministry of Public Works Decision No: 156/KPTS/M/2011 on Establishment of Organisation and Appointment of Information Management and Documentation Officer within the Ministry of Public Works

The Minister's decision includes support for the UU No. 14/2008 regarding public disclosure. The Minister decided to establish an organisation for Information Management and Documentation and also mentioned tasks and functions for each person in charge.

Institute of Public Procurement Policy (LKPP)

In 2007, LKPP was established under Presidential Regulation Number 106. LKPP focuses on policy development and formulation of procurement of goods/services for the government. LKPP was also commissioned to carry out the implementation of e-procurement by operating its own e-procurement system called SPSE (Electronic Procurement System). The LKPP coordinates and implements SPSE in various government ministries and agencies, at the state as well as local government levels.

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<sup>15</sup> <http://ppid.dephub.go.id/files/1.%20PM%20Nomor%2072%20Tahun%202010.pdf>

An Electronic Procurement Service (LPSE) unit functions as the administrator of the electronic procurement system, registry unit as well as user service and verification. The implementation of LPSE is initiated by an agreement between ministries, agencies, local government or others and LKPP on its level of service. The Electronic Procurement System (SPSE) based on free license for all government agencies in Indonesia. It was adopted in 2008 by 11 institutions, and in 2016, 731 ministries, agencies and local government institutions had already used LPSEs. In the procurement process, LPSE is only a facilitator which does not participate in the procurement process. Implementation of the procurement process is fully carried out by the procurement committee or the Procurement Services Unit (ULP).

#### Information Management and Documentation Officer (PPID)

PPID serves as an organiser and transmitter of documents held by public bodies in accordance with the mandate of UU 14/2008 on Public Information. With the establishment of PPID, citizens can more easily submit a request for information as it is accessed through one single point. The PPID Officer is the responsible official for the storage, documentation, supply and / or service of information in the Public Agency. In a Ministry, the Secretary General is usually appointed as a Chairman or the person in charge of the PPID Officer.

#### Acceleration of Infrastructure Priorities Provision Committee (KPPIP)<sup>16</sup>

The formation of KPPIP was achieved as a result of the Presidential Decree (Decree) No. 75 on the Acceleration of Infrastructure Provision Priority in July 2014. KPPIP is a cross-ministry committee/agency led by the Coordinating Minister for Economic Affairs and supported by the Minister of Finance, Minister of National Development Planning, Minister of Agricultural and Spatial Planning, Coordinating Minister for the Maritime, and Minister of Environment and Forestry. The primary objective of the KPPIP is to support the settlement of problems which arise from the lack of effective coordination amongst the various stakeholders. KPPIP is a point of contact in the debottlenecking of project coordination for the National Strategic and Priority Projects.

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<sup>16</sup> <https://kppip.go.id/en/kppip-empowering-the-coordination-of-infrastructure-delivery/>



## Legal vs. CoST requirements

There are no specific rules relating to public transparency in the field of infrastructure and construction, as outlined in the previous section. According to regulations, all citizens are entitled to information and all public bodies, whose duties relate to the implementation of state activities, are obliged to provide information on these activities.

The CoST IDS requires information disclosure on both the project and related contracts across the entire project lifecycle. The Information Commission Regulation No. 1 (2010) Article 11 stipulates that every Public Agency is obliged to periodically announce information about the profile of the Public Agency, a summary of information about the programme being executed (the programme name, the person in charge, targets, schedules, budgets, important agendas, etc.), and a summary of performance of the public agency regarding the realisation of the activities (plans and budget realisation reports, balance sheets, and cash flow statement).

Based upon this regulation, Public Agencies are required to provide information related to the details of the programmes, schedules, and budget programme. In assessing its application to the CoST IDS however, the regulation is vague and requires further details on the precise information and/or documents that should be disclosed for each programme. Despite the notable government's aim for activities to be made public, the regulation seems to be lacking in details of what data point should be disclosed.

An example of procurement data disclosure in an LPSE website can be seen in Figure 10 below. This figure is one example of the publication of information regarding project bidding, in which there is a bidding code, bidding name, current stage of the bid, agencies, work units, categories, procurement methods, document type, budget, value of the package, type of contract (method of payments, the fiscal year allocation, sources of funds), business qualification, job location, qualification provision and number of bidders. This published data complies with most of the CoST Infrastructure Data Standard (IDS) but only for the procurement contract phase.

Figure 10. Data available on LPSE website

Field	Value
Auction code	29532064
Auction name	FAKOT PERMANGGAWA JERIBATAN GANTUNG CEPHININGKIS (DAB, BOGOR)
Current status	Bertarung
Agency	Kementerian Pekerjaan Umum dan Perumahan Rakyat
Work unit	PELAKSANAAN SALARI NASIONAL METROPOLITAN II JAGRTA
Category	Pelelangan Konstruksi
Method	e-Lelang Umum
Budget	Rp 3.500.000.000,00
Package value	Rp 3.499.911.000,00
Contract type	Perawatan Non Kac2
Business qualification	21 Peserta [Detail...]
Qualification provision	21 Peserta [Detail...]
Number of bidders	21 Peserta [Detail...]

(source: <https://lpse.pu.go.id/eproc/>)

LKPP also issued a circular letter No 3 Year 2016 directed to all Procuring Entities at the national and local levels stating that in order to improve the transparency of public information, tenders should also be announced in national or regional (provincial) newspapers. The selection of the newspapers should be through E-Purchasing mechanisms from providers already listed in E-Catalogues of the agencies. The LKPP and LPSE strongly support the government policy to improve public information disclosure and are well aligned with CoST and its principles.

The comparison between CoST requirements, regulations and practices in Indonesia can be seen in Table 14.

**Table 14.** Comparison between Cost Requirement and Indonesian regulation and practice

CoST	Regulation	PPID		KPIIP	LPSE
		Ministry of Transportation	Ministry of Public Works		
<b>Project Identification</b>					
Date	Project name	programme name		the value of investments	
Reference number	Person in charge	start date	No available data, information obtained through the	financing schemes	
Project owner	target	end date		location	
Sector, subsector	schedule	Contractor		person in charge of the	
Project name	Budget			the plan began construction	
Project Location	Important agenda			the plan begins operation	
Purpose				the project description	
Project description				the significance of the project	
<b>Project Preparation</b>					
Project Scope (main output)					
Environmental impact					
Land and settlement impact				land acquisition and follow-	
Contact details					
Funding sources					
Project Budget					
Project budget approval date					
<b>Project Completion</b>					
Project status (current)		the final status of the project.		the status of the project	
Completion cost (projected)		actual cost			
Completion date (projected)					
Scope at completion					
Reasons for project changes					
Reference to audit and evaluation reports					
<b>Contract (Procurement)</b>					
Date		the contract value			Procurement Code
Procuring entity		Budget			Procurement name
Procuring entity contact details					Current status
Procurement process					Procuring entity
Contract type					Work units
Contract status (current)					Categories
Number of firms tendering					Procurement methods
Cost estimate					The method of the document
Contract administration entity					Evaluation Method
Contract title					Qualification Method
Contract firm(s)					Budget Type
Contract price					the budget
Contract scope of work					the value of the package
Contract start date					The HPS value
Duration					the type of contract
					method of payment
					the fiscal year allocation
					sources of funds
					business qualification
					job location
					qualification provision
					the number of bidders.
<b>Implementation</b>					
Variation to contract price	Plan and budget realization report	Variation between budget and contract value		project implementation schedule	
Escalation of contract price	balance sheet				
Variation to contract duration	cash flow statement				
Variation to contract scope					
Reasons for price changes					
Reasons for scope and duration changes					

## Challenges to be addressed

The transparency of the Indonesian public infrastructure procurement process has been much improved with the establishment of LPSE in each ministry. However, Indonesian regulations on public disclosure are still too broad and general and not specific enough to cater for the needs of citizens on information disclosure relating to infrastructure provision.

There is need for more specific rules to promote transparency in infrastructure provision, which outline each phase of infrastructure development and address in detail what information and documents should be disclosed at every stage. Government issued information disclosure standard formats would be useful in this regard. If these regulations are established, all parties involved in construction would have the same perception<sup>17</sup> and there would be no doubt regarding how to report on the construction of infrastructure. Special rules related to transparency in infrastructure should describe and address in detail what information is to be posted at every stage of infrastructure development. The rules will provide the relevant public agencies with a legal framework for public disclosure of information related to infrastructure programs being executed.

To improve the transparency of public infrastructure construction, the Indonesian government has begun the process of data disclosure based on information technology advances. There are two approaches that are used in this regard: information disclosure via portals or websites, and e-procurement via websites or portals. In the latter's case, this is the SPSE administered by LPSEs. The e-procurement portals focus on the procurement phase and for the general public, they can be quite technically complex to navigate for information as they are designed for specific users, i.e. the public procurement units and the construction industry. The information disclosure portals or websites are systems that are designed specifically with the citizen in mind, and therefore should provide essential information on infrastructure provision to citizens. They should be easy to navigate and use.

Nonetheless, there are issues associated with the electronic bidding process which are outlined below:

### **1. Lack of implementation**

In general, the purpose of the implementation of e-procurement is to create transparency, efficiency, effectiveness and accountability in the procurement of goods and services through electronic media between service users and service providers. However, for post-award processes, the current system lacks transparency, as there is no more information published on the e-procurement portal (LPSE) for the post-award processes, such as the signing of contracts (except for the occasional Memorandums of Understanding (MoUs) for some projects posted on the website of the Ministry of Public Works and Housing). In practice, there are several projects that have information published by the PPID of the respective ministries, but in general most of the projects that are published in the e-procurement do not provide follow-up information.

### **2. Insufficient and expensive internet access due to limited information technology infrastructure**

Information technology infrastructure remains a major obstacle to the implementation of e-procurement. In many areas in the country, internet access is still a luxury. E-procurement requires sufficient bandwidth due to the process of uploading documents which can often be several megabytes. Until 2015, only 72% of municipalities and districts in Indonesia were connected to a broadband network. This becomes extremely inefficient, or even impossible, if there is only one server, as is the case in

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<sup>17</sup> Everyone will understand what they need to disclose

Jakarta for example, to serve all agencies in Indonesia. There are more than 600 Procuring Entities across Indonesia. The implementation of centralised e-procurement, such as in Korea or Singapore is impossible to apply in Indonesia. The IT infrastructure of both countries is so developed that it results in very low internet access costs<sup>18</sup>. Implementation in Singapore is only equivalent to an area of Jakarta, which makes it certainly much easier to implement in comparison to Indonesia.

It is often the case that files uploaded by bidders are incomplete either because the appendix is removed or data is missing. The bidders claim that they have uploaded the files which outline their complete proposals. However, after further investigation, it is discovered that they had uploaded documents in cafes that offer low connection capacity. There is a high risk of bidding files being not completely uploaded into the e-procurement system due to low internet capacity. This results in bids being excluded due to incomplete provision of documents.

Based on 2016 data of internet users by country, Indonesia was ranked 12<sup>th</sup> based on the number of internet users, which is fairly high considering Indonesia's high population in global rankings. Internet usage in Indonesia was still relatively low when compared with other countries. In 2016, the proportion of Internet users in Indonesia was estimated at 20.4% of population (compared to Vietnam 52%, Malaysia 68.6%, Thailand 42.7%)<sup>19</sup>. Fixed broadband internet subscriptions counted for only 1.09% of the population. However, based on data from the World Bank, mobile access and mobile users per 100 people in Indonesia reached 132 subscriptions. Furthermore, 95% of the population were covered by mobile cellular networks.

### **3. Lack of technological capacity**

As mentioned previously, LKPP has developed an electronic Procurement System/Services (SPSE) which means that providers of goods/services must have expertise in the use of Internet applications, especially SPSE, in order to participate in e-procurement processes. Providers who do not have such expertise would naturally be eliminated from the procurement process.

### **4. Malpractice in e-procurement**

Though e-procurement seeks to remove the opportunity for irregularities, it is not necessarily free from fraudulent practices. There is fraudulence in LPSE in some districts. The modus operandi is by setting up the server from the e-procurement system. One of the bidders conspire with an LPSE member to manipulate the server's bandwidth. When bidding is being held, fraud is committed by turning off or reducing the bandwidth of the server once the fraudster has successfully uploaded his documents. LKPP can monitor such act. Six LPSE were not allowed to conduct procurement transactions online anymore as they have been found to commit irregularities and as such, have had their activities suspended for a period of time.

Information disclosure systems through websites and portals on infrastructure provision, designed specifically with the citizen in mind, are currently not getting as much attention compared to e-procurement systems which can be considered inadequate in Indonesia. This is where CoST can come in, by helping to create information disclosure systems that meet the needs of citizens.

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<sup>18</sup> The cost of internet both in Korea and Singapore is relatively cheap. Maybe this is because of the fact that purchasing power of the internet in Singapore and Korea is higher than in Indonesia. Comparatively their average incomes are higher than Indonesia, so that the cost of internet is relatively inexpensive.

<sup>19</sup> See <http://www.internetlivestats.com/internet-users-by-country/>.

## Transparency in Practice

Today in Indonesia, 10 of the CoST IDS data points are legally required to be disclosed proactively (see Table 15 below).

Project Phase	Information to be disclosed	Required by law/policy
		Proactive
<b>Date</b>	Last updated	x
<b>Project Identification</b>	Reference number	x
	Project owner	✓
	Sector, Subsector	x
	Project name	✓
	Project Location	x
	Purpose	x
	Project description	✓
<b>Project Preparation</b>	Project Scope (main output)	x
	Environmental impact	x
	Land and settlement impact	x
	Contact details	✓
	Funding sources	✓
	Project Budget	✓
	Project budget approval date	x
<b>Project Completion</b>	Project status (current)	✓
	Completion cost (projected)	x
	Completion date (projected)	x
	Project Scope at completion (projected)	x
	Reasons for project changes	x
	Reference to audit and evaluation reports	x
<b>Date</b>	Last updated	x
<b>Procurement</b>	Procuring entity	✓
	Procuring entity contact details	x
	Procurement process	x
	Contract type	x
	Contract status (current)	x
	Number of firms tendering	x
	Cost estimate	x
	Contract administrative entity	x
	Contract title	x
	Contract firm(s)	x
	Contract price	x
	Contract scope of work	x
	Contract start date and contract period (duration)	✓
<b>Implementation</b>	Variation to contract price*	✓
	Escalation of contract price	x
	Variation to contract duration	x
	Variation to contract scope	x
	Reasons for price changes	x
	Reasons for scope and duration changes	x
Total # of data points disclosed		10
Percentage of data points disclosed		25%

Notes :

\*Regulation in Indonesia only mentions to open the cash flow statement data of an activity program/project, not specifically mention the variation to the contract price.

A presentation of analysis of case studies of at least of 20 projects from three sectors involving two major Procuring Entities is discussed below. The analysis includes issues on processes and mechanisms for assessing accuracy and compliance, incentives, barriers and challenges for compliance.

Ministry websites are a key channel for information disclosure, a summary of some of the key websites, their advantages and disadvantages is provided below.

- **PPID at Ministry of Transportation**

The Ministry of Transportation provided the most up-to-date information on infrastructure projects, including programme name, start date, end date, contractor name, the contract value, deviation between the maximum amount and the contract value, and the final status of the project. The information is available by downloading the program file and ongoing activities in 2016. Figure 11 shows an example of the contents of the report in pdf form on the data information project.

**Figure 11.** Example of data published by Ministry of Transportation

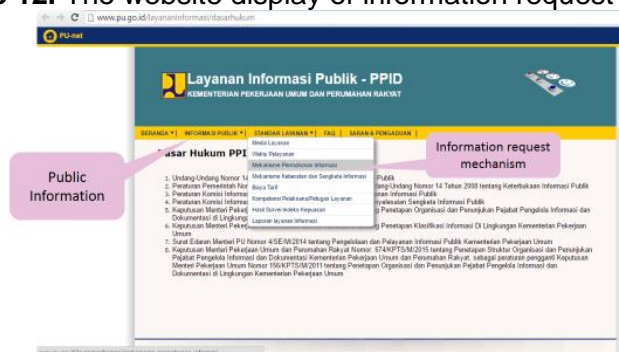
Program Name	Start Date	End Date	Contract Number	Contractor Name	Budget	Contract Value	Actual Value	Current Status
Program 1	2016-01-01	2016-12-31	12345678901234	PT. ABCDEFGH	1000000000	800000000	750000000	Completed
Program 2	2016-01-01	2016-12-31	98765432109876	PT. HIJKLMN	500000000	400000000	350000000	In Progress

Source: <http://ppid.dephub.go.id/>

- **PPID at Ministry of Public Works and Public Housing**

PPID PUPR website does not provide any project information close to the CoST IDS standard via their website. However, the public can request for information online from the PPID. The information request must meet the terms and procedures specified by the Ministry of PUPR. The information service procedure is quite complicated and lengthy. The detail of the procedure can be seen in the link shown in Figure 12. No data relating to ongoing projects is proactively disclosed on the website. Published data covers only general infrastructure statistics such as the length of the road in each province in Indonesia and can be downloaded in pdf format<sup>20</sup>.

**Figure 12.** The website display of information request service



Source: <http://www.pu.go.id/layananinformasi/ppid>

<sup>20</sup> [http://www.pu.go.id/layananinformasi/daftar\\_informasi](http://www.pu.go.id/layananinformasi/daftar_informasi).

## Reactive disclosure

For the purpose of this report, the researchers attempted to request project data that was not available via the Ministry of PUPR website. Table 16 shows a list of the activities complied with to request the data and the responses given by PPID PU. As of the end of the study, no data had been received through this process. The experiment shows the current status of the system which is still at a very basic level of service.

**Table 16.** Request Data Activity Report

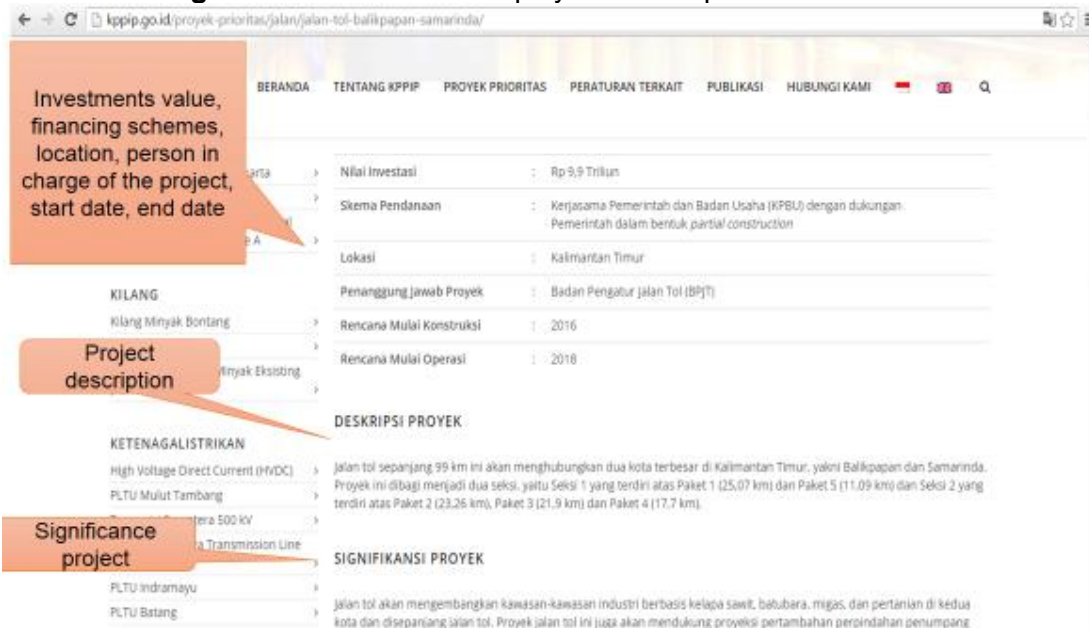
Date	Activity
September 25th-26th	Tried to register new account at PU website three times but failed.
September 26th	Contacted telephone number published in the website
September 26th	Obtained an email address. Was allowed to send request via email.
September 26th	Sent request for project data
September 27th	Received a response email and was instructed to comply with the procedure of public service information request as follow: - Fill in the information request form - Attach the identity card - Attach the cover letter from University
September 28th	Requested from University the cover letter
October 7th	Received the cover letter from University
October 7th	Sent the second request email to PU and attached the requested file.
October 21st	Received email from PPID PUPR informing that our information request was extended for seven working days period.
November 14th	Received email from Ditjen Bina Marga containing list of projects which we may choose for data request.
November 16th	Replied confirmation to Ditjen Bina Marga on choice of the Road Construction Project in Maloy, Kalimantan.
November 17th	Bina Marga got in contact via telephone to report that he would provide the contact number for the person responsible for Maloy Project. The contact number was sent via text message.
November 18th	Contacted the contact person, Head of Planning Division, and asked for his email address for sending the list of data requested (based on CoST IDS Requirement). The list of data request was sent to that email immediately upon receiving the email address.
Current status	Still waiting for response email from Mr. Arief (the contact person) regarding the Maloy Project.

- Committee for the Acceleration of Priority Infrastructure Provision (KPPIP)**  
 KPPIP provides data of priority public infrastructure projects that are being or will be built<sup>21</sup>. The data contents are as follows: the value of investments, financing schemes, location, person in charge of the project, schedule, description of the project, the significance of the project (see Figure 13).

<sup>21</sup> Public infrastructure projects that are considered important by the committee become a priority project. The task of KPPIP has been described in the previous section.



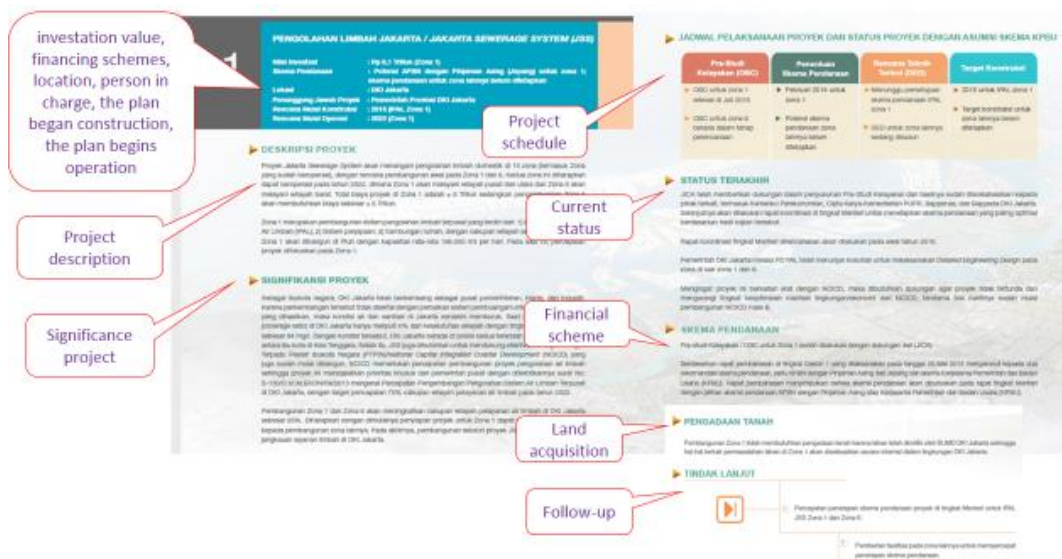
Figure 13. The website display of KPPIP public information



Source: <http://kppip.go.id/proyek-prioritas/jalan/jalan-tol-balikpapan-samarinda/>

Only one report published by KPPIP, covering August to December 2015, was found. The data from KPPIP regarding national strategic project is accessible to the public. The following are the details of the data that we obtained from the KPPIP report: investment value, financing schemes, location, person in charge of the project, the planned start of the construction, the planned start of the operation, the project description, the significance of the project, project implementation schedule, the status of the project, land acquisition and follow-up. Figure 14 shows an example of data published by KPPIP.

Figure 14. Example of information data disclosure published by KPPIP



(source: Laporan KPPIP August – December 2015)

- **PT. Pelabuhan Indonesia II (Pelindo II)**

PT. Pelindo II (Indonesian Port Company) is a state owned company, established as a follow-up to the 1992 Law No. 21 regarding port business entities. It is one of the four Pelindos which are the state corporations responsible for the governance, regulation, maintenance and operation of ports and harbors in Indonesia. Pelindo II is responsible for operating and managing 12 ports in a territory covering 10 provinces of Indonesia.

Project data published by Pelindo II includes project names, site maps, project descriptions, benefit of projects and construction progress. Data obtained from annual reports can be downloaded in pdf as shown in Figure 15.

**Figure 15.** Example of information of data disclosure published by Pelindo II

Rencana Pengembangan Terminal Kalibaru  
Kalibaru Terminal Developing Plan

**Project Name**

**Site Map**

**Project Detail**

**Benefit**

**Progress**



Tahap/Phase	Terminal	Jenis/Type	Kapasitas/Capacity	Kedalaman/Draft	Panjang/Lenght
Tahap I/ Phase I	Terminal Container 1	Container	1,500,000 TEUs/tahun	16 m (Kedalaman Desain 20m)/(Design Depth 20m)	850m
	Terminal Container 2	Container	1,500,000 TEUs/tahun	16 m (Kedalaman Desain 20m)/(Design Depth 20m)	800m
	Terminal Container 3	Container	1,500,000 TEUs/tahun	16 m (Kedalaman Desain 20m)/(Design Depth 20m)	800m
	Terminal Produk 1	Produk Petroleum	5,000,000 m <sup>3</sup> /tahun	16 m (Kedalaman Desain 20m)/(Design Depth 20m)	800m
	Terminal Produk 2	Produk Petroleum	5,000,000 m <sup>3</sup> /tahun	19 m (Kedalaman Desain 20m)/(Design Depth 20m)	800m
Tahap 2/ Phase 2	Terminal Container 4	Container	1,500,000 TEUs/tahun	16 m (Kedalaman Desain 20m)/(Design Depth 20m)	1,000m
	Terminal Container 5	Container	1,500,000 TEUs/tahun	16 m (Kedalaman Desain 20m)/(Design Depth 20m)	1,000m
	Terminal Container 6	Container	1,500,000 TEUs/tahun	16 m (Kedalaman Desain 20m)/(Design Depth 20m)	1,000m
	Terminal Container 7	Container	1,500,000 TEUs/tahun	16 m (Kedalaman Desain 20m)/(Design Depth 20m)	1,000m

**Manfaat Pembangunan Terminal NewPriok**

- Peningkatan kapasitas semula 7-8 juta TEUs menjadi 12,5 juta TEUs (tahap I) dan 18,5 juta TEUs (Tahap II), untuk menghindari risiko kongesti akibat pertumbuhan petikemas di pelabuhan yang tinggi.
- Pelabuhan Tanjung Priok mampu melayani kapal-kapal di atas 10.000 - 15.000 TEUs dengan draft 16 m.LWS di terminal. Terminal ini akan memberikan pelayanan cepat dan tepat dengan fasilitas modern tentunya akan menjadi "Port of Choice" (pelabuhan pilihan) bagi kapal liner internasional dan regional yang pada akhirnya terminal akan menjadi HUB PORT di Indonesia.
- Tersedianya dedicated terminal untuk Product Terminal (Oil and Gas) dengan kapasitas 10 juta kubik meter, terminal ini sekaligus dapat dijadikan sebagai "buffer stock" nasional untuk persediaan minyak bumi dan gas untuk wilayah barat Indonesia.
- Mendorong investor asing menanamkan investasi di Indonesia pada umumnya, investor asing di bidang maritim dan kepelabuhanan pada umumnya. Membantu penurunan biaya logistic cost dengan tersedianya terminal yang didukung

**The Benefits of NewPriok Terminal Construction**

- Increase the original capacity of 7-8 million TEUs to 12.5 million TEUs (phase I) and 18.5 million TEUs (Phase II), to avoid the risk of congestion resulting from high growth of the containers in the port.
- Tanjung Priok port is able to serve ships above 10,000 - 15,000 TEUs with a draft of 16 m.LWS in the terminal. This terminal will provide quick and accurate services with modern facilities that would certainly be "Port of Choice" for international and regional liner ship that eventually will become HUB PORT terminal in Indonesia.
- The availability of a dedicated terminal for Product Terminal (Oil and Gas) with a capacity of 10 million cubic meters; this terminal could simultaneously serve as a "buffer stock" for the national oil and gas supplies to the western region of Indonesia.
- Encourage foreign investors in general to invest in Indonesia, foreign investors in the field of maritime and seaport in general. Help decrease the cost of logistic cost with the availability of terminals which supported with equipment and services

**Progres Pembangunan**

Hingga 31 Desember 2015, perkembangan pelaksanaan pembangunan fisik Terminal NewPriok Tahap I adalah sebagai berikut:

- Progres Pelebaran Fisik Pembangunan Terminal Kalibaru Utara Tahap mencapai 60,01% dari rencana 55,60%.
- Progres Pelebaran Fisik Pembangunan Gerdau Induk 150 KV mencapai 93,86% dari rencana 96,27%.
- Progres Pelebaran Pembangunan Jalan Akses ke Terminal Kalibaru mencapai 93,35% dari rencana 98,45%.
- Progres dragage dan reklamasi mencapai 52,08% dari rencana 55,37%.

**Construction Progress**

Until December 31, 2015, the construction progress of Kalibaru Terminal Phase I is as follows:

- Physical Work Progress in North Kalibaru Terminal reached 60.01% of 55.60%.
- Physical Work Progress of 150 KV Power House reached 93.86% of 96.27%.
- Construction Progress of Access Road to Kalibaru Terminal reached 93.35% of 98.45%.
- Progress of dredging and reclaiming reached 52.08% of 55.37%.

Selain Pembangunan Terminal NewPriok, di tahun 2015 IPC juga telah melaksanakan beberapa proyek strategis yaitu Pembangunan Pelabuhan laut Dalam (Deep Sea Port) Kijang Kalimantan Barat, Pembangunan Pelabuhan Sorong, Pembangunan Pelabuhan Cirebon, Pelabuhan Tanjung Carat, Pengembangan Cruise Terminal, Pembangunan Kanal Cikarang Bekasi Laut (CBL), Kanalisasi Sungai Muar Lemadang, Akses Istimak Kalibaru dan Jalan Tol Cilincing-Cibitung, dan Kawasan Ekonomi Khusus Sorong dan Kijang.

In addition to the construction of New Priok Terminal, in 2015 IPC has also conducted preparation related to several strategic projects, namely construction of Deep Sea Port Kijang, West Kalimantan, and Construction of Cikarang Bekasi Laut (CBL) canal, Access of Istimak Kalibaru and Cilincing-Cibitung Highway, Tanjung Barat Port canalization of Muar Lemadang River Sorong Port, Construction Zone Development Cruise Terminal and Marina area of Tanjung Lingsing Banten, Pelabuhan Kalibaru Port Development NewPriok and Cirebon.

Source: IPC Annual Report 2015

Below is an example of LPSE of Ministry of PUPR web page (see Figure 16). The procurement data contained on the webpage includes procurement code, procurement name, the current stage of the auction, agencies, work units, categories, procurement methods, the method of the document, the budget, the value of the package, the type of contract (method of payments, the fiscal year allocation, sources of funds), business qualification, job location, qualification provision, and the number of bidders. The LPSE data released by the Ministry of Transportation is similar to the LPSE of the Ministry of PUPR.

**Figure 16.** Procurement data on LPSE Public Infrastructure website

Procurement code	
<b>Procurement name</b>	Subsistem Lelang
<b>Current status</b>	29532064
<b>Agency</b>	PAKET PEMBANGUNAN JERBATAN GANTUNG CIPAHENGKIS (KAB. BOGOR)
<b>Work unit</b>	Perencanaan
<b>Category</b>	Tabung Lelang Saat Ini
<b>Method</b>	Perencanaan Pasca Kualifikasi
<b>Budget</b>	Download Dokumen Pengadaan
<b>Package value</b>	Kementerian Pekerjaan Umum dan Perumahan Rakyat
<b>Contract type</b>	PELAKSANAAN JALAN NASIONAL METROPOLITAN II JAKARTA
<b>Business qualification</b>	Kategori
<b>Qualification provision</b>	Metode Pengadaan
<b>Number of bidders</b>	e-Lelang Umum
	Metode Kualifikasi
	Metode Dokumen
	Sifat File
	Metode Evaluasi
	Metode Pembayaran
	Metode Dokumen
	Sifat File
	Metode Evaluasi
	Sistem Gagar
	Anggaran
	2016 - APBD
	Nilai Paku Paket
	Rp 3.500.000.000,00
	Nila HPS Paket
	Rp 3.499.931.000,00
	Jenis Kontrak
	Cara Penyerahan
	Kerja Satuan
	Pembekalan Tahun Anggaran
	Tahun Anggaran
	Sumber Dana
	Persediaan Tanggal
	Kualifikasi Usaha
	Perusahaan Non-Kecil
	Lokasi Pekerjaan
	1. Ipa Usaha
	2. Ipa Usaha
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	98. Ipa Usaha
	99. Ipa Usaha
	100. Ipa Usaha

Source: <https://lpse.pu.go.id/eproc/>

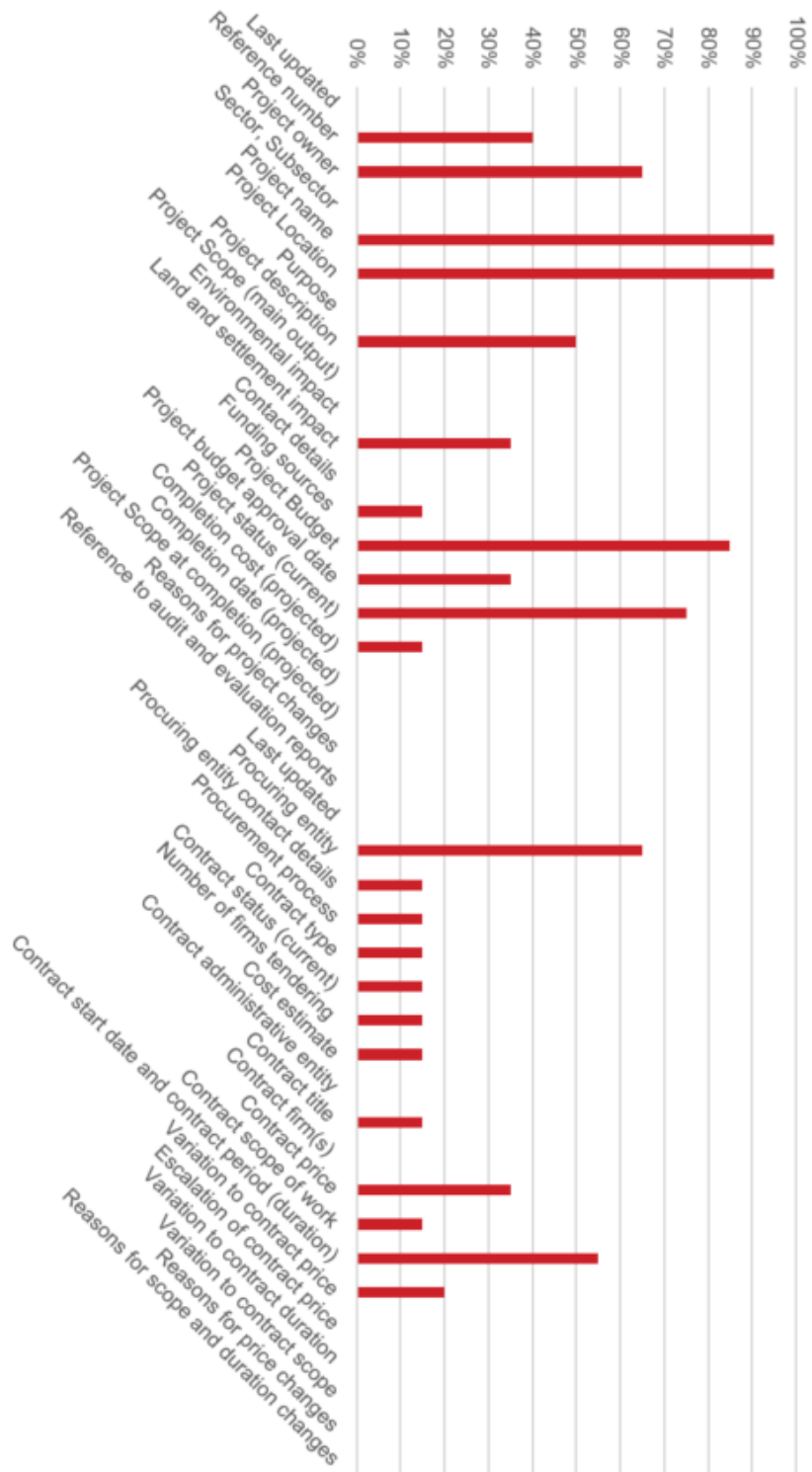
## Case study: Public infrastructure transparency in practice

A case study based on 20 infrastructure projects in Indonesia was conducted to assess the level of transparency against CoST IDS requirements. Table 17 shows randomly selected projects in Indonesia and the availability of disclosed data. As highlighted, legal requirements only cover 25% of the CoST IDS data points in Indonesia. This shows that regulations impose a somewhat low level of information transparency. On the sample of 20 projects, compliance with each of the data points was fairly low; nonetheless, project name and project location ranked as the highest for compliance achieving 95% (Figure 17). The case study of 20 projects shows a level of compliance by project of between 5% to 40%, or 23% on average as shown in the Figure 18. This suggests that a sub-optimal regulation has impacted the transparency of information by producing low level transparency in practice.

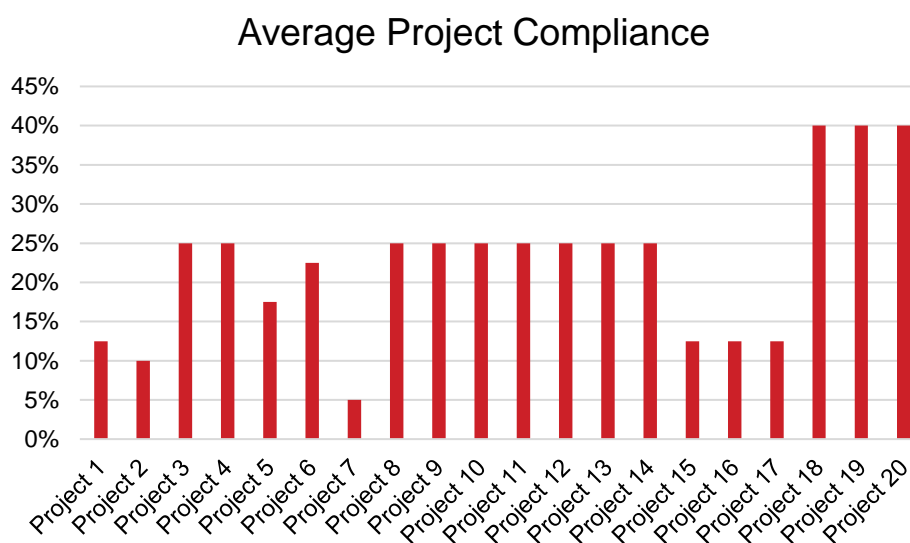
**Table 17. List of 20 Random Infrastructure Projects in Indonesia**

No.	Name of Project	Issued by	Typical data provided	Status published data
1	Extention of Construction of Trestle Mensu Tanjung Datu	PPID Dephub	programme name, start date, end date, contractor name, budget, the contract value, actual cost, variation between budget and the contract value, and project status	available data: budget and project status
2	Samarinda Shipping Channel Dredging			available data: budget
3	Breakwater Rehabilitation in Makassar			complete
4	Dual Line railway construction in the 925-Km.68 Km.66 425 between Maja -Rangkasbitung round 1, kmsp			complete
5	National Road West Sumatra Province			minus: contact number, contractor name, and actual cost
6	Repowering KN Merak			minus: project status
7	Reactivation Detailed Engineering Design Rail Network between Rangkasbitung - Pandeglang			avalibale data: budget, project status
8	Jakarta Sewerage System (JSS)	KPPPI	the value of investments, financing schemes, location, person in charge of the project, the plan began construction, the plan begins operation, the project description, the significance of the project, project implementation schedule, the status of the project, land acquisition and follow up.	complete
9	Project Kilang Minyak di Bontang			complete
10	High Voltage Direct Current (HVDC)			complete
11	West Semarang SPAM			complete
12	National Capital Integrated Coastal Development (NCICD)			complete
13	Refinery Development Master Plan (RDMP)			complete
14	Panimbang – Serang Toll Road	Pelindo II	project name, site map, project description, the benefit of project, and progress.	complete
15	Kalibaru Terminal Developing Plan			minus: benefit project and progress additional : start date, end date.
16	Sorong Port Development (Sea-Toll Program)			minus: benefit project additional : start date, end date.
17	Cirebon Port Development	LPSE PUPR	auction code, auction name, the current stage of the auction, agencies, work units, categories, procurement methods, the method of the document, the budget, the value of the package, the type of contract (method of payments, the fiscal year allocation, sources of funds), business qualification, job location, qualification provision, and the number of bidders	complete
18	Toll Road Development Core Team Bawen - Solo - Karanganyar			complete
19	Maintenance of flats	LPSE Dephub		complete
20	Pier construction crossing Ro-ro traffic in Gunungsitoli Sibolga-Phase II			complete

Figure 17: Average percentage of compliance with 40 CoST IDS Datapoints



**Figure 18:** Percentage of compliance with 40 CoST IDS Datapoints for each project



There are potential factors in Indonesia that may promote compliance to information disclosure for stakeholders, such as:

- The existence of a desire to prioritize public interest. Trusted leaders want to show that their organization is free of corruption and therefore disclose information in a transparent manner.
- The care and concern of the leadership. Leaders who care will check the progress of the work done by subordinates.
- A more information-demanding society that is willing to participate in the decision making process of infrastructure investments for better services. The increasing size of the middle class segment in the demography of the country can be considered as one of the motivating factors for the growth of an open society.
- Strong political will to promote transparency. Adequate legal framework for information disclosure prompted by political leaders will provide a strong platform for all the public agencies in implementing transparency.
- Both an institutional framework and well-structured system for information disclosure are needed for high compliance.

The last two factors are considered as potential areas where CoST could work to produce incentives for implementing better transparency. When supply of information concerning public infrastructure projects becomes more available in a systematic structure, demand for transparency will increase and in turn there will be more demand for better mechanisms for improved transparency.

There are however factors which can be considered as hindrance to information disclosure on infrastructure investments, such as:

- PPID is basically an ad hoc organisation. The officials that are appointed as chairman and team members of PPID in each ministry are usually government officers who already have certain functions and responsibilities related to the mandate of the ministry. This situation creates ambiguity for the appointed officials as they have additional responsibilities and workloads in addition to their original mandate. The burden of the additional job load often results people putting less priority to PPID

responsibility which are considered as less urgent compared to their workload from their main positions.<sup>22</sup>

- There are leaders who are less concerned with public information. There is a lack of supervision, so subordinates are less motivated to comply with disclosure requirement of public information.
- The absence of clear targets and timetables related to the process for updating public information.
- The absence of systems which facilitate its members to update the data. There is no standard for reporting.

The following are potential barriers/challenges to improving disclosure that could be faced during the intervention of CoST:

- Decision or the desire of a head of an institution to be transparent or otherwise. Leadership plays an important role in terms of transparency. It can be regarded as key. The willingness of the leader determines the attention paid to public rights.
- The ability to translate the wishes of the leader to subordinates. In this case, communication is key. Leaders must have the communication skills to motivate subordinates to do their job well.
- There has been no commitment to structural mechanism of information disclosure within the Indonesian government. In organising the transparency of public information, the government did not appoint a special organisation to lead the task other than the PPID which operates under ad hoc leadership. Therefore, it can be stated that information available to the public is not used to the best of its value.
- Most Indonesians are not ready for such transparent communication due to the large immature segment of the population, which can easily be provoked to respond negatively to unverified information.
- Indonesia is very vulnerable to defamation. There are certain parties who want to damage others. Slander that may occur is often related to corruption. Certain parties also regularly manipulate data for their own interests to attack the government. The phenomenon of social media in Indonesia can also be linked to this issue. Numerous people have thrown insults against those who raised a certain issue in social media. As a result, the Indonesian government is still maintaining prudence in terms of transparency of public information.

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<sup>22</sup> The government has made a rule that every ministry should establish a public information management (PPID) officer. PPID officer is appointed from the people in the Ministry organisation so that one person has two different responsibilities. This becomes the second priority for them, so that the practice of openness does not run optimally.



# ***Conclusions and Recommendations***



## **Conclusions and Recommendations**

### *Applicability and viability of CoST in Indonesia*

Information disclosure of infrastructure investment projects in Indonesia in accordance with the international best practices are expected to improve. Based on this study, it is evident that the current practices in Indonesia are far from adequate. A comparative study of current policy and regulations, and CoST requirements shows that there is a big gap in the degree of information transparency. Nevertheless, Indonesia has a desire to improve information disclosure as evidenced by relevant policy, regulatory structure and institutional arrangements, though implementation is not yet complete.

The country study shows that there is room for improvement on the implementation of the national policy on information disclosure in the area of construction of infrastructure. Policy to integrate information disclosure in the decision making process during the planning, implementation and operation/maintenance of public infrastructure must be set up. Regulatory frameworks need to be developed to clearly define what information related to infrastructure construction can be made available to the public, how the information and documentation system should be managed, how the information should be delivered in a more proactive manner, what level of service for information requests should be provided and how public feedback can be escalated to improve the decision-making process.

Next, systems, websites and portals for information disclosure that specifically cater to the needs of the citizen by being easy to navigate and use should be designed. Institutional and human resource capacity also needs to be properly developed. Specific officers responsible for implementing and operating the systems need to be assigned. The institutional design of the system should be directed towards a more structured approach to avoid information disclosure being accorded a lower priority compared to other tasks in infrastructure construction.

CoST intervention would be considered appropriate to stimulate the process. CoST interventions could start by sharing experiences from different country members through dialogues with various stakeholders on how transparency can be improved to produce better infrastructure services. An ideal entry point for CoST intervention would be to develop and implement a demonstration project of a working information disclosure model together with a limited number of participants. The demonstration project, which includes building information disclosure portals, would incorporate experiences in building disclosure systems with citizen needs in mind. This would highlight the efforts required and most importantly show that an information disclosure system can improve public participation in the decision-making process through improved the transparency. A viable CoST intervention could be initiated by engaging and collaborating with the Ministry of Public Works and Public Housing (PUPR) in setting up the demonstration project. The Ministry currently receives the biggest allocation of the national budget for infrastructure. There is already political will from the Ministry to promote transparency, and CoST intervention would be appropriate in supporting the Ministry's effort to instill transparency for their infrastructure development programmes.

As the Ministry of PUPR has several areas of responsibility – water resources, road and highways, human settlement, public housing, housing financing and construction industry development – it would be logical to start the demonstration project on construction transparency with the Ministry's area of responsibility, such as with the Directorate General of

Road and Highway (Ditjen Bina Marga), in collaboration with the Directorate General of Constructin Industry Development (Ditjen Bina Konstruksi). Road infrastructure is one the most important infrastructure types in Indonesia as it touches many public interests through the provision of mobility and connectivity of people and goods. One of the current government's priorities is to improve and strengthen the national logistic system which will increase national productivity and global competitiveness.

During the stakeholder engagement stage, CoST must engage with civil society. CoST can also involve academics from the national academic institutions (such as University of Indonesia and Institut Teknologi Bandung) and NGOs concerned with public infrastructure and construction (NCSDB, MTI, IPKC, etc.).

The demonstration project should be designed to show that an information disclosure system in infrastructure projects complying with the CoST IDS could be developed and implemented successfully in Indonesia. The demonstration project, with the support of CoST and through public consultation with various national infrastructure stakeholders, may develop its own information data set for public disclosure. Proactive and reactive public information disclosure mechanisms may even be developed, implemented and monitored. Project performance can be evaluated based on a set of performance criteria and indicators. Based on the result of the demonstration project, further engagement with the Ministry of PUPR can be in the form of upscaling the experiment with the aim of establishing a full-scale public infrastructure information disclosure system for the Ministry.

### *SWOT Analysis of CoST in Indonesia*

A SWOT analysis is conducted to understand factors that need attention for the success of the CoST intervention in Indonesia as shown in Table 18.

**Table 18.** SWOT Analysis of CoST intervention.

Strengths	Weakness
Existence of earlier regulations/policies regarding transparency such as UU KIP, etc.	Lack of political commitment and support from government and other authorities.
Indonesia's involvement in OGP proves that Indonesia intends to improve public transparency	Lack of technical assistance and conceptual guidelines and methodologies on the nature of transparency and how to include it in public policy.
Cost has experience in improving the transparency of public infrastructure in various countries.	Limited financial resources to execute initiatives.
Some infrastructure-related agencies have already started implementing the process for transparency of information through their websites.	Low capacity in terms of human resources and lack of adequate training.

Freedom given by print and electronic mass media to deliver citizens' aspirations on freedom of information including public infrastructure.	Diverging perceptions between government and civil society stakeholders about their respective roles.
	Shared agreement among stakeholders on common reporting standards can be difficult to reach because each party has long-standing approaches and may be reluctant to make changes.
	Media can be seen as an easy conduit for transparency, but if institutions use it only for one-way broadcast, they are not taking full advantage of its ability to engage with others in dialogue and conversation.

Opportunities	Threats
Strong possibility of garnering support from community or international organisations.	Periodic changes in government risk process disruption.
Possibility to form networks for collaborating and sharing knowledge with other countries.	Difficulties in complying with commitments due to dependence on coordinated work of other institutional actors.
Ability to work jointly with civil society to generate virtual networks in decision-making and public policy formulation.	People who are unprepared for openness. Typically, Indonesians are easily provoked by unverified information.
Indonesia has a desire to build public transparency related to infrastructure.	Mediums that allow for public comment and dialogue require people to reveal their identities, thus exposing their vulnerability to criticisms. The nature of these mediums removes a barrier between the content author and others.
	High levels of corruption in Indonesia generate a lot of political interest.
	National and local election system requires a lot of funds, prompting political parties to target infrastructure projects.

## *Conclusion*

1. Indonesia has public infrastructure priorities which should materialise in 2015-2019.
2. There are mechanisms developed by the government to fulfil the funding gap in realising the construction of public infrastructure.
3. Indonesia already has regulations related to the transparency of public information derived from the 1945 Constitution, Law, Government Regulations, down to ministerial regulations and decisions of the relevant ministries. However, as yet, no regulation clearly defines the terms of the transparency of information specifically for public infrastructure.
4. There is existing ad hoc information disclosure already in place in some ministries and agencies at the national or local level. However, there is still significant room for improvement.
5. Current Indonesian legislation requires 25% of the CoST IDS to be disclosed. On average, in practice there is only a 23% level of transparency with the CoST IDS. These figures show that transparency in Indonesia is still at a low level and in need of improvement.
6. There is room for CoST intervention in Indonesia to support government political will in promoting information disclosure.

## *Recommendations*

Based on the study, it is recommended that an initial dialogue is established between CoST and the Ministry of Public Works and Public Housing (PUPR) to explore opportunities to develop and implement a demonstration pilot project on information disclosure mechanism for the Ministry. The SWOT analysis highlights the areas where CoST, together with the Ministry, could provide support. When there is agreement, the dialogue can be expanded to include other stakeholders (such as academics and civil society) to arrive at a model for pilot project implementation and agree on the level of disclosure and service to be provided. It is important that the project includes procedures for accuracy checking, compliance monitoring, data interpretation and user feedback as disclosure is meaningless if people do not understand the information.

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