



KEMENTERIAN PEKERJAAN UMUM DAN PERUMAHAN RAKYAT
**DIREKTORAT JENDERAL
PEMBIAYAAN INFRASTRUKTUR
PEKERJAAN UMUM DAN PERUMAHAN**

PROYEK PERCONTOHAN KPBU – RUMAH SUSUN CISARANTEN, BINA HARAPAN KOTA BANDUNG



TA on Advisory Services on Project Screening and Prioritization and Outline
Business Cases (OBCs) Development for PPPs in Infrastructure Sector

25 September, 2019

CISARANTEN AFFORDABLE HOUSING

Draft Preliminary Study – Executive Summary (Bahasa)

No.	Project Description	Information
1.	Nama Proyek	PROYEK KPBU RUSUN CISARANTEN BINA HARAPAN - UJUNG BERUNG
2.	Nama PJPK (Penanggung Jawab Pemberi Kerja)	Direktorat Jendral Pekerjaan Umum dan Pembiayaan Infrastruktur Perumahan
3.	Lokasi Proyek	Komplek Pusjatan. Jl. AH. Nasution Kota Bandung
4.	Detil Teknis	Pengembangan pemukiman dan perumahan rakyat dengan harga yang terjangkau dengan penambahan area komersial pada sebidang tanah 5,9 Hektar yang akan terdiri dari empat menara apartemen masing-masing 20 lantai, dengan perkiraan potensi 2.000 unit rumah.
5.	Kesiapan Lahan	Lahan sebesar 5,9 hektar merupakan milik PUPR
6.	Rekomendasi Skema KPBU	Desain-Bangun-Finance-Operasi-Pemeliharaan dan Transfer dengan masa konsesi tertentu.
7.	Latar Belakang Proyek	Proyek ini dibangun oleh PJPK untuk memenuhi kebutuhan pemukiman bagi masyarakat berpenghasilan rendah.

Kebutuhan Proyek

Adanya permintaan yang cukup tinggi untuk perumahan dengan harga yang terjangkau, baik untuk memenuhi kebutuhan tahunan yang baru maupun kebutuhan tahun-tahun sebelumnya. Terdapat sekitar 64,1 juta unit rumah di Indonesia, sekitar 20% di antaranya berada dalam kondisi buruk dan diperkirakan 820.000 hingga 1 juta unit rumah baru dibutuhkan setiap tahun untuk menanggapi permintaan perumahan tahunan dari pertumbuhan populasi, pembentukan rumah tangga baru, dan migrasi ke daerah perkotaan. .

Jumlah populasi penduduk Bandung menurut Sensus 2015 sekitar 2,5 juta dengan jumlah rumah tangga sekitar 657.769 keluarga dan rata-rata 4 orang setiap rumah tangga. Pertumbuhan jumlah penduduk mengakibatkan adanya permintaan untuk layanan perumahan publik. Pemerintah daerah telah menyediakan 1.071 unit perumahan umum untuk memenuhi permintaan selama 20 tahun ke depan.

.Pemerintah daerah telah menyediakan 1.071 unit perumahan umum agar dapat mencukupi permintaan selama 20 tahun ke depan. Tarif sewa untuk perumahan umum berada di kisaran Rp 175.000 - Rp 275.000 per bulan sedangkan untuk sewa perumahan di sektor swasta berada di kisaran Rp 500.000 - Rp 700.000 per bulan. Biaya sewa rumah yang murah akan sangat menarik bagi penduduk berpenghasilan rendah, mengingat profil pendapatan mereka dan kemampuan untuk membayar sewa. Pada segment inilah terdapat sejumlah besar penduduk yang membutuhkan rumah sewa ini.

Oleh karena itu, dapat disimpulkan bahwa ada kebutuhan mendesak untuk menyediakan perumahan yang terjangkau bagi warga kota Bandung, berdasarkan persyaratan populasi yang terus bertambah dan untuk menutupi kebutuhan dari tahun sebelumnya. Sektor perumahan selaras dengan prioritas Pemerintah Indonesia. Sesuai Rencana Pembangunan

Jangka Menengah Nasional (RPJMN). Tujuan utama RPJMN dikelompokkan menjadi tiga kategori: (i) pembangunan manusia (ii) sektor prioritas dan (iii) wilayah / ekuitas. Perumahan dimasukkan sebagai salah satu dari empat indikator pembangunan manusia (bersama dengan pendidikan, kesehatan, dan karakter mental), menunjukkan niat untuk pengembangan sektor ini.

Konstruksi perumahan dan permukiman merupakan salah satu prasyarat untuk pengembangan, kualitas, dan produktivitas sumber daya manusia yang sehat. Kebijakan pembangunan perumahan dan permukiman dalam Rencana Pembangunan Jangka Menengah Nasional 2015-2019 bertujuan untuk meningkatkan akses bagi masyarakat umum (terutama yang berpenghasilan rendah) akan perumahan yang layak, aman, terjangkau dan didukung oleh penyediaan.

Dalam mendukung arah kebijakan, maka fokus pemerintah setiap tahun adalah pada upaya: (1) Mengurangi jumlah kekurangan perumahan; (2) Meningkatkan kualitas rumah yang tidak layak; (3) Penanganan kawasan kumuh perkotaan; (4) Mencapai akses universal ke air minum dan sanitasi; dan (5) Meningkatkan ketersediaan air baku. Kebijakan target tahunan disesuaikan dengan kapasitas dan sumber daya yang tersedia.

Pada bulan April 2015, Pemerintah Indonesia program untuk menurunkan backlog perumahan sebagai prioritas kebijakan eksplisit dalam RPJMN dan meluncurkan program Sejuta Rumah. Ini merupakan sebuah inisiatif yang ambisius untuk menyediakan satu juta unit perumahan yang dibiayai publik dan swasta per tahun. Proyek Perumahan Terjangkau Nasional (NAHP) telah dikembangkan sebagai komponen utama di bawah inisiatif ini. Pemerintah Indonesia juga telah berkomitmen pada target tersebut untuk menghilangkan semua permukiman kumuh pada tahun 2019 sebagai bagian dari "program 100-0-100" melalui Program Peningkatan Permukiman Kumuh Nasional (NSUP) senilai US \$ 1,8 miliar dan berlanjut hingga renstra berikutnya.

Tujuan Proyek

Untuk melengkapi program perumahan publik dan memberikan dorongan kepada partisipasi sektor swasta dalam program perumahan yang terjangkau. Kementerian Pekerjaan Umum dan Perumahan (PUPR) telah mengidentifikasi satu bidang tanah yaitu, Komplek Pusjatan. Jl. AH. Nasution Kota Bandung, untuk pengembangan unit perumahan yang terjangkau dengan target pasar untuk Masyarakat Berpenghasilan Rendah (MBR) dan menggunakan skema Kerjasama Pemerintah dan Badan Usaha (KPBU). Proyek ini dieksplorasi melalui skema KPBU dan akan mengeksplorasi area komersial sehingga dapat melakukan subsidi silang bagi harga sewa rendah dan mengurangi beban anggaran PJP. Konsep awal PUPR untuk proyek ini yaitu telah mengusulkan empat menara apartemen masing-masing 20 lantai dan perkiraan potensi untuk 2000 unit rumah.

Keterangan Lokasi

Desa Cisaranten terletak di kota Bandung di provinsi Jawa Barat. Luas tanah yang diusulkan untuk proyek adalah 5,9 Ha. Lokasinya yang terletak kira-kira pada 6 ° 55'02,2 "S 107 ° 41'14,4" E dan berjarak 3 km dari jalan utama Jalan Nasution, ujung Berung Bandung. Jalan utama dihubungkan oleh jalan Golf dua jalur. Mengingat bahwa lokasi tersebut berada di area perumahan yang dikembangkan, dapat diasumsikan bahwa utilitas publik seperti pasokan air, listrik, saluran pembuangan dan layanan pengelolaan limbah akan tersedia untuk lokasi proyek.

Tujuan dari Konsultasi Publik:

Mengumpulkan informasi dan mengakomodasi berbagai pendapat dari para pemangku kepentingan dan masyarakat mengenai rencana proyek ini melalui skema KPBU (Kerjasama Pemerintah dan Badan Usaha).

Mengapa KPBU?

Proyek ini akan menggunakan skema KPBU untuk memberikan layanan perumahan di wilayah perkotaan, konsep ini yang telah dicoba dan diuji di banyak negara maju dan berkembang. Dengan meningkatnya *backlog* perumahan di kawasan perkotaan, sektor publik telah mengakui banyak sekali manfaat dari penerapan skema perumahan melalui skema KPBU, seperti:

- Memastikan penyediaan stok perumahan berkualitas baik tepat waktu untuk mengimbangi permintaan perumahan perkotaan.
- Memanfaatkan keuntungan efisiensi sektor swasta dalam perencanaan, pengembangan, dan implementasi KPBU perumahan, untuk mengurangi biaya konstruksi untuk perumahan yang terjangkau.
- Mengurangi beban pembiayaan pada kas negara, dengan *crowding* dalam pembiayaan dari sektor swasta dan lembaga pasar modal
- Memberikan insentif kepada sektor swasta dengan meningkatkan *Value For Money* dengan memberikan solusi inovatif untuk memberikan infrastruktur perumahan.
- Memastikan kualitas konstruksi yang lebih baik dan pemeliharaan yang memadai dari unit-unit perumahan, atas nama sektor publik.
- Memungkinkan sektor publik untuk fokus pada hal-hal yang terkait dengan kebijakan dan strategi untuk mengatasi perumahan yang terjangkau, dengan memindahkan tanggung jawab konstruksi dan pemeliharaan dari lembaga sektor publik.

Dengan adanya manfaat tersebut, maka disarankan agar proyek ini juga dikembangkan menggunakan skema KPBU.

Skema KPBU yang diusulkan

Struktur KPBU yang direkomendasikan untuk fasilitas perumahan yang terjangkau di Cisaranten ini adalah model pengembangan gabungan, mengingat keunggulan model ini:

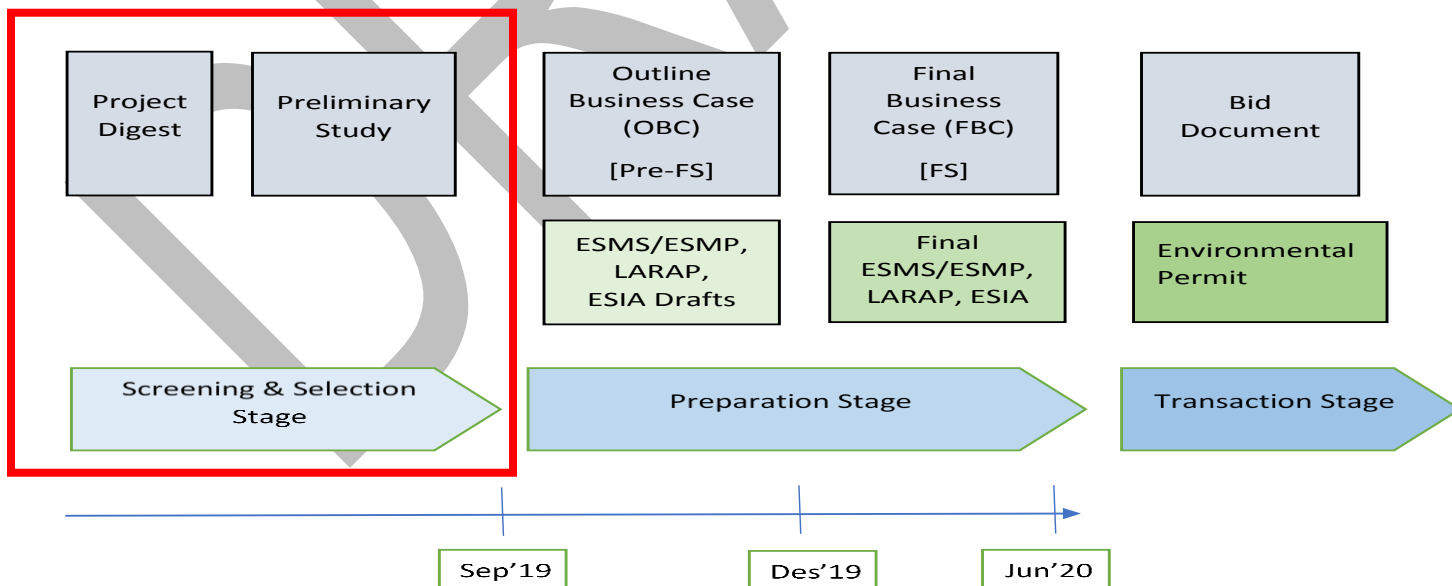
- Penyediaan unit perumahan / komersial premium memungkinkan sektor swasta untuk dikompensasi tanpa tambahan anggaran yang tinggi.
- Sektor swasta dapat bertanggung jawab atas desain, konstruksi, dan pemeliharaan, sehingga meningkatkan penciptaan nilai bagi mereka.
- Dapat disusun dengan tepat, untuk memastikan risiko sektor swasta mendapat kompensasi yang memadai, untuk membuat proyek menarik bagi partisipasi swasta.

Beberapa fitur yang menonjol dari struktur KPBU yang diusulkan akan mencakup sebagai berikut::

- Fasilitas perumahan akan dibangun di atas tanah milik PUPR sebagai PJPK, yang akan diberikan kepada pengembang swasta tanpa biaya
- PUPR akan memberikan hak pengembangan dan penggunaan lahan dan semua izin yang relevan kepada pengembang swasta, untuk pembangunan, pemasaran dan penjualan properti perumahan serta komersial di dalam bidang yang diidentifikasi dalam rencana induk.

- PUPR akan menetapkan spesifikasi teknis, termasuk jumlah minimum unit perumahan yang terjangkau untuk dibangun (atau luas lantai maksimum untuk unit premium dan perumahan komersial), persyaratan konfigurasi / ukuran (jika ada), jadwal pengiriman dan standar layanan minimum.
- Pengembang swasta akan merancang rencana induk untuk situs tersebut, berdasarkan ketentuan yang diberikan oleh PUPR
- Pengembang akan membangun dan memerintahkan unit perumahan dan komersial serta infrastruktur di lokasi, dan akan bertanggung jawab untuk pemasaran dan penjualan unit perumahan / komersial premium berdasarkan sewa rental. Pengembang akan menyerahkan unit rumah yang terjangkau ke PUPR tanpa biaya, untuk dibagikan kepada penerima manfaat.
- PUPR akan mengidentifikasi dan membagikan unit perumahan kepada penerima manfaat dan memastikan penyerahan lengkap unit perumahan kepada penerima manfaat yang diidentifikasi.
- Pengembang akan bertanggung jawab untuk melakukan manajemen dan operasi unit perumahan / komersial dan infrastruktur di lokasi, untuk jangka waktu 30 tahun (tentatif) sejak tanggal commissioning.
- Untuk bagian manajemen dan operasi, pengembang swasta dapat memungut biaya pemeliharaan tetap dari perumahan premium dan unit komersial, sementara MPWH akan menyediakan pembayaran pemeliharaan atas nama penyewa perumahan yang terjangkau, dengan cara pembayaran anuitas.
- PUPR dan / atau Pemerintah Kota Bandung akan bertanggung jawab untuk menyediakan atau meningkatkan infrastruktur trunk untuk lokasi proyek.
- Penerima manfaat akan melakukan pembayaran sewa untuk unit perumahan yang terjangkau langsung ke PUPR.
- Tergantung pada bauran pengembangan yang diusulkan dan disepakati, Pemerintah Indonesia juga dapat memberikan fasilitas penyediaan kesenjangan pembiayaan (viability gap), jika pengembalian dari sewa perumahan premium / unit komersial tidak cukup untuk memberikan pengembalian yang memadai kepada pengembang swasta.

Alur Proses Studi OBC Proyek Rusun Cisaranten Bina Harapan, Bandung



Detil Lini Waktu Proses OBC (Outline Business Case)

TIMELINE OBC 1 MPWH PUBLIC HOUSING									
	Task	August	September	October	November	December	January	February 2020	March
1	Letter of approval on 1stOBC structure from WB/BAPPENAS		★						
2	Submission of PS to WB		★						
3	Consent on PS								
4	Mobilisation and Kick Off for OBC								
5	Site visit and data collection for OBC								
6	Public consultations and market sounding workshops								
7	Incorporation of feedback from consultation workshops								
8	Submission of interim OBC 1						★		
9	Workshop on findings of Interim OBC 1								
10	Submission of final OBC 1						★		
11	Consent on OBC interim						★		
12	Submission of final OBC 1								
13	Workshop on findings of final OBC 1								
14	Final OBC								★
15	Safeguard, Social and Environment Study								
	Safeguard Assessment								
	Public Consultation for Safeguard								

Harapan dari proyek

Adanya subsidi silang untuk sewa perumahan yang terjangkau bagi masyarakat berpenghasilan rendah.

Peningkatan kualitas hidup dengan infrastruktur yang lebih lengkap dalam bidang pendidikan, perawatan kesehatan, olahraga dan rekreasi

Kegiatan Lebih Lanjut

Proyek ini memerlukan studi lebih lanjut dalam bidang: Teknik, Lingkungan, Sosial, Budaya, Finansial dan Ekonomi.

CISARANTEN AFFORDABLE HOUSING

Draft Preliminary Study – Executive Summary (English)

Project Details

No.	Project Description	Information
8.	Name of the Project	PROYEK KPBU CISARANTEN BINA HARAPAN - UJUNG BERUNG
9.	Name of the GCA	Directorate General of Public Works and Housing Infrastructure Financing
10.	Project Location	Komplek Pusjatan. Jl. AH. Nasution Kota Bandung
11.	Technical details	Development of affordable housing plus commercial exploitation on a land parcel of 5.9 Hectares comprising of four apartment towers of 20 floors each, with an approximate potential of 2000 housing units
12.	Land Readiness	The land for the project admeasuring 5.9 hectares is owned by BMN PUPR
13.	Recommended PPP structure	Design – Build – Finance – Operate – Maintain and Transfer with an appropriate concession period.
14.	Project Background	Project is proposed by the GCA to meet residential needs of persons in the low-income segment in Bandung.

Project Need

There is a huge demand for affordable housing both contributed by new annual demand and the backlog. There are approximately 64.1 million housing units in Indonesia, around 20% of which are in abysmal conditions and an estimated 820,000 to 1 million new units are needed each year to respond to annual housing demand from population growth, new household formation and migration to urban areas.

The number of households in Bandung is 657,769 households with an average of 4 persons each household. The growth in population resulted in demand for public housing services. It is estimated that there will be a need for 352,637 housing units. As per the 5 years horizon for Indonesia medium term development planning, there is demand for developing 88,157 unit public housing every five years, implying that 17,631 public housing would need to be developed every year for the next 20 years. This demand however does not take into consideration the provision of low cost housing by the private sector.

The local government has provided 1071 units of public housing as comparing to demand for the next 20 years. The rent rates for public housing are in the range of Rp 175.000 – Rp 275.000 per month while housing available in the private sector are in the range of Rp 500.000 – Rp 700.000 per month. The cost of public housing is extremely attractive to the citizens given their income profile and the ability to pay rents. Hence, there is a large backlog of citizens awaiting these houses.

Hence, it can be concluded that there is an immediate need to provide affordable housing for the citizens of Bandung based on the requirements of a growing population and to cover the backlog of the past. Housing sector is aligned with priorities of Government of Indonesia (GOI). As per the National Medium Term Development Plan (RPJMN). The main objectives of the RPJMN are grouped into three categories: (i) human development (ii) priority sectors and (iii) territorial/equity. Housing is included as one of four indicators of human development (along with education, health, and mental character), demonstrating intent for development of this sector.

Housing and settlement construction is one of the prerequisites for healthy human resource development, quality, and productivity. Development housing policy and settlements in National Development Middle-Term Plan (Rencana Pembangunan Jangka Menengah Nasional) 2015- 2019 is aimed at increasing access for public community (especially low income-earners) to decent, safe housing, and affordable and supported by provision

In supporting of policy direction, there are focused annually on: (1) Reducing the number of housing shortages; (2) Improving the quality of unfit homes; (3) Handling slum areas urban; (4) Achieve universal access to drinking water and sanitation; and (5) Increase availability raw water. Annual targets policy are adjusted to available capacity and resources.

In April 2015, Government of Indonesia (GOI) made reducing the housing backlog as an explicit policy priority in RPJMN and launched the Sejuta Rumah (One Million Homes) program. This is an ambitious initiative to provide one million publicly and privately financed housing units per year. National Affordable Housing project (NAHP) has been developed as a key component under the initiative. GOI has also committed to an ambitious target of eliminating all slums by 2019 as part of the “100-0-100 program” through the US\$ 1.8 billion National Slum Upgrading Program (NSUP) and extended until to the next renstra.

Project Objective

To complement its public housing program and provide a fillip to private participation in affordable housing program, the Ministry of Public Works and Housing (PUPR) has identified one parcel of land namely, Komplek Pusjatan. Jl. AH. Nasution Kota Bandung, for development of affordable housing units with target market for low income earner. The project would explore through PPP scheme and the partial commercial exploitation of the site so as to cross subsidize the low rentals and reduce the burden of the GCA budget. PUPR’s preliminary concept for the project has proposed four apartment towers of 20 floors each and an approximate potential for 2000 housing units.

Site Description

Cisaranten of Hope, Cisaranten Urban Village is located in Bandung city in West Java province. The area of land proposed for the project is a 5.9 Ha. It is a site located approximately at 6°55'02.2"S 107°41'14.4"E and is 3 kms from the main road Jalan Nasution, ujung Berung Bandung. The main road is connected by a two-lane Jalan Golf road. Given that the site is in a developed residential area it can be assumed that public utilities like water supply, electricity, sewerage and waste management services will be readily available for the project site.

Public Consutation Objectives

This event aim to gather information and accomodate opinions from public and stakeholders in relating to the project plan through PPP scheme.

Why PPP?

Using the PPP route to deliver housing services in urban regions is a tried and tested concept across many developed and developing countries. With increasing housing backlog in urban regions, the public sector has recognized the myriad benefits of implementing housing schemes through PPP models, such as:

- Ensuring a timely provision of good quality housing stock to keep pace with the urban housing demand.
- Utilizing private sector efficiency gains in the planning, development and implementation of housing PPPs, to reduce the construction costs for affordable housing.
- Reducing the financing burden on the state treasury, by crowding in financing from the private sector and capital market institutions.
- Incentivizing private sector to deliver increased value for money by providing innovative solutions to delivering housing infrastructure.
- Ensuring better construction quality and adequate maintenance of the housing units, on behalf of the public sector.

- Allowing the public sector to focus on policy and strategy related matters to address affordable housing, by moving the responsibility of construction and maintenance away from public sector agencies.

Given these benefits, it is advocated that this project be also developed using the PPP model.

Proposed PPP Structure

The PPP structure recommended for the affordable housing facility at Ujung Berung is the mixed-use development model, given the following advantages of the model:

- Provision of premium housing/commercial units allows for private sector to be compensated without high incremental budgetary pay-outs.
- The private sector can be made responsible for the design, construction and maintenance, thereby increasing value creation for them.
- Can be structured appropriately, to ensure private sector risks are adequately compensated, to make the project attractive for private participation.

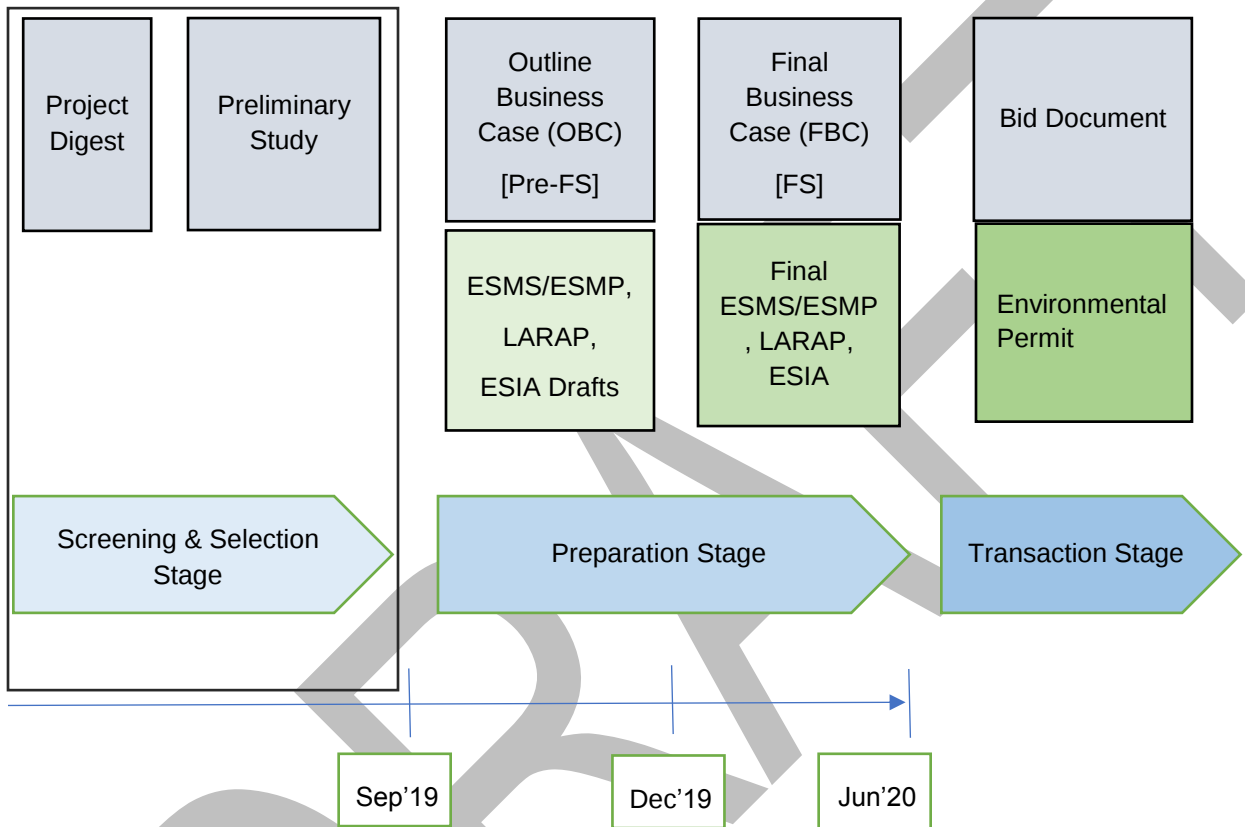
The salient features of the proposed PPP structure will include the following:

- The housing facility will be built on land owned by MPWH as the GCA, which will be provided to the private developers at no charge. The applicable FSI for development at the subject site will be determined during the OBC stage.
- MPWH will provide development and land use rights and all relevant permits to the private developer, for the construction, marketing and sale of the residential and commercial property within the parcels identified in the master plan.
- MPWH will define technical specifications, including a minimum number of affordable housing units to be built (or maximum floor space area for the premium housing and commercial units), configuration/size requirements (if any), delivery schedule and minimum service standards.
- The private developer will design a master plan for the site, based on stipulations provided by MPWH.
- The developer shall construct and commission the housing and commercial units and onsite infrastructure, and will be responsible for the marketing and sale of premium housing/commercial units on a lease rental basis.
- The developer will hand over affordable housing units to MPWH at no charge, for distribution to beneficiaries.
- MPWH will identify and allot housing units to beneficiaries and ensure complete hand-over of the housing unit to the identified beneficiaries.
- The developer will be responsible for undertaking management and operations of the housing/commercial units and onsite infrastructure, for a period of 30 years (tentative) from the date of commissioning.
- For the management and operations portion, the private developer can collect a fixed maintenance fee from the premium housing and commercial units, while MPWH will provide maintenance payments on behalf of the affordable housing tenants, by way of annuity payments.
- MPWH and/or the Government of Bandung will be responsible for providing or upgrading the trunk infrastructure for the project site.
- The beneficiaries will make rental payments for the affordable housing units directly to MPWH.
- Depending on the development mix proposed and agreed, GOI could also look at providing viability gap financing, if returns from the lease of premium housing/commercial units is insufficient to provide adequate returns to the private developer.

- The key bidding parameter for this structure could be the maximum built up area of the premium housing/commercial units that the developer proposes to build.

OBC Flow Process for Cisaranten Affordable Housing Bandung

OBC Flow Process for Cisaranten Affordable Housing Bandung



Further study

This project need further study in Technic, Social , Economic, Envrioment and Culture

CISARANTEN AFFORDABLE HOUSING

Draft Preliminary Study

Detil Proyek

No.	Keterangan Proyek	Informasi
15.	Nama Proyek	PROYEK KPBU CISARANTEN BINA HARAPAN - UJUNG BERUNG
16.	Nama PJPK (Penanggung Jawab Pemberi Kerja)	Direktorat Jendral Pekerjaan Umum dan Pembiayaan Infrastruktur Perumahan
17.	Lokasi Proyek	Komplek Pusjatan. Jl. AH. Nasution Kota Bandung
18.	Detil Teknis	Pengembangan pemukiman dan perumahan rakyat dengan harga yang terjangkau dengan penambahan area komersial pada sebidang tanah 5,9 Hektar yang akan terdiri dari empat menara apartemen masing-masing 20 lantai, dengan perkiraan potensi 2.000 unit rumah.
19.	Kesiapan Lahan	Lahan sebesar 5,9 hektar merupakan milik PUPR
20.	Rekomendasi Skema KPBU	Desain-Bangun-Finance-Operasi-Pemeliharaan dan Transfer dengan masa konsesi tertentu.
21.	Latar Belakang Proyek	Proyek ini dibangun oleh PJPK untuk memenuhi kebutuhan pemukiman bagi masyarakat berpenghasilan rendah.

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1. Project summary

No.	Project Description	Information
22.	Name of the Project	PROYEK KPBU CISARANTEN BINA HARAPAN - UJUNG BERUNG
23.	Name of the GCA	Directorate General of Public Works and Housing Infrastructure Financing
24.	Project Location	Komplek Pusjatan. Jl. AH. Nasution Kota Bandung
25.	Technical details	Development of affordable housing plus commercial exploitation on a land parcel of 5.9 Hectares comprising of four apartment towers of 20 floors each, with an approximate potential of 2000 housing units
26.	Land Readiness	The land for the project admeasuring 5.9 hectares is owned by BMN PUPR
27.	Recommended PPP structure	Design – Build – Finance – Operate – Maintain and Transfer with an appropriate concession period.
28.	Project Background	Project is proposed by the GCA to meet residential needs of persons in the low-income segment in Bandung.

2. Need analysis

This chapter covers various aspects such as technical and Economic rationale for the housing project in Indonesia, service need for the project and project support from stakeholders

2.1. Country context

Indonesia is undergoing a rapid urbanization. As per “*Project Appraisal Document of IBRD’s National Affordable Housing Program project*”, the country’s cities are growing at a rate of 4.1% per year between years 2000 to 2010, faster than other Asian countries (compared to 3.8 percent in China, 3.1 percent in India and 2.8 percent in Thailand). In 2012, the urban population was 52% of the total population and by 2025, nearly 68% of the Indonesians will be living in cities¹. Approximately 18 million of the 21 million jobs created between 2001 and 2011 were in urban areas, marking a major shift of the employment base toward cities.

Urbanization of the country can provide many benefits such as formal employment and better labour productivity. Giving example of the other Asian peers, every 1% growth in urban population correlated with the per capita GDP results an increase of 13% for India, 10% for China and 7% for Thailand. However, in case of Indonesia the increase is only 4%, due to the congestion, pollution and disaster risks from insufficient infrastructure investment. Indonesian cities are not spending well on its infrastructure. As per the World Bank’s infrastructure sector assessment program report, 2018, the GDP growth of Indonesia has averaged ~5.6% for the ten-year period (2005-2015), but infrastructure stock grew by only 3%. These years of underinvestment in infrastructure space is expected to slow labour productivity, rising inequality and shortage of affordable housing will constrain the benefits of urbanization and poverty reduction.

In urban areas, quality housing and access to basic services, such as water, sanitation, or transport connections, remain poor relative to Indonesia’s wealth and level of income. Only 48% of households now have access to safe water, compared to 50% more than a decade ago, whereas, the Sewerage coverage exists for only 11 of the country’s 98 cities. Only 2% of city residents have access to centralized sanitation systems². Approximately 22 percent of Indonesia’s urban population (~ 29 million people) is estimated to live in slums, which cover an estimated 38,000 hectares. Additionally, given large increase in urban population with limited affordable housing options for lower income households has led to overcrowding and the growth of slums with substandard housing, inadequate access to basic services such as sanitation, poor health and vulnerability to disaster risks³.

As more people transition to urban areas, well-planned urbanization and increase of the supply of affordable housing in well serviced and well-connected neighborhoods will be critical to enhance living standards. Also, as income rises and existing large metropolitan cities such as Jakarta and Surabaya become saturated, there is a need to provide affordable housing facilities to next big cities. Bandung, which is the third largest city in Indonesia which is growing fast and needs urgent interventions in the development of infrastructure and provision of affordable housing stock for its citizens.

2.1.1. Substantial demand for affordable housing in Indonesia

There is a huge demand for affordable housing both contributed by new annual demand and the backlog. There are approximately 64.1 million housing units in Indonesia, around 20% of which are in abysmal conditions and an estimated 820,000 to 1 million new units are needed each year to respond to annual housing demand from population growth, new household formation and migration to urban areas. However, against this demand, the private sector only produces approximately 400,000 units per year and Public sector programs, including incremental home improvement assistance, rental housing, and social housing programs, enable an additional 150,000 to 200,000 solutions. Therefore, this leaves

¹ *Project Appraisal Document of IBRD’s National Affordable Housing Program project*

² <https://www.worldbank.org/en/news/feature/2016/06/14/indonesia-urban-story>

³ *Development Policy Review 2014, Indonesia: Avoiding the Trap. PREM Department, EAP Region. World Bank*

a gap of an estimated 220,000 to 370,000 households that resort to informal solutions or overcrowding in existing units each year.

Based on 2015 National Household Survey data by the Central Agency of Statistics (BPS), Ministry of Public Works and Public Housing (PUPR) estimates a housing backlog of 11.4 million units⁴. However, this data may be overstated as it is based on the home ownership information and does not consider people staying in rented houses and those not willing to take up house ownership. Using the alternative definition of 'overcrowding', the number of substandard units was estimated at 7.5 million in 2013. Also, substandard housing estimates that 45 percent of all units are substandard by some measure, i.e. overcrowding, constructed built of at least one poor quality material, or lack access to basic services.

Affordability remains a key constraint in the country, only the richest 40 percent of households in metro areas can comfortably afford to acquire housing in the formal commercial market based on an estimated IDR 250 million (US\$ 18,775) cost for a 36 sq. m basic unit⁵. Also, the 40 percent of households within the 3rd to 6th decile of the population need subsidies to afford house. Whereas, in the case of the bottom 20 percent of the population, they cannot afford a basic unit without deep and extensive subsidies⁶. As a result, the vast majority of Indonesia's housing stock is self-built. Available data suggests that informal, self-built housing continues to produce the majority of housing in Indonesia, with a recent survey estimating that 71 percent of the housing stock in the country is self-built. Relying exclusively on self-built and incremental construction has severe limitations in relation to the systematic provision of services and infrastructure in a rapidly urbanizing context. Indonesia's housing production system is demonstrating severe signs of stress as evidenced by the growing housing deficit, poor urban service indicators and the increase of slums.

Table 1: Estimated Housing Affordability in Metro Areas (2016)

Household Decile ¹⁴	Mo. HH Income ¹⁵ (IDR million)	Mo. Payment Capacity (IDR million)	Estimated Affordable Home Loan (IDR million)	Estimated Affordable Home Price (IDR million)
10	20.3	8.1	665	949
9	10.1	3.8	306	438
8	8.4	2.9	240	300
7	7.1	2.3	192	240
6	6.0	1.8	146	183
5	4.9	1.4	113	141
4	4.2	1.1	86	107
3	3.6	.9	74	93
2	3.1	.6	20	21
1	2.3	.4	8	9

Notes: Deciles 3-10 with commercial bank rates of 12% at 15-year loan term, Deciles 1-2 with MFI bank rates of 24% at 3 to 5-year loan term.

2.1.2. Housing sector is aligned with priorities of Government of Indonesia

Housing sector is aligned with priorities of Government of Indonesia (GOI). As per the National Medium Term Development Plan (RPJMN). The main objectives of the RPJMN are grouped into three categories: (i) human

⁴ MPWH 2016 (<http://ppdpp.id/konsep-backlog/>).

⁵ Estimated home price for basic commercial unit of IDR 250 million (US\$ 18,775) is based on an analysis of 36m2 or below BTN non-subsidized loan portfolio.

⁶ While the definition of 'basic unit' in Indonesia varies from region to region, in this instance it refers to a minimally socially acceptable dwelling. This entails a degree of tenure security, access to water and sanitation, adequate construction (e.g. sturdy materials and good construction of the roof, walls and floor), and sufficient space to avoid overcrowding (by regulation, more than 9 m2 per occupant). Self-built construction can achieve these standards; no formally produced units are currently available at this price.

development (ii) priority sectors and (iii) territorial/equity. Housing is included as one of four indicators of human development (along with education, health, and mental character), demonstrating intent for development of this sector.

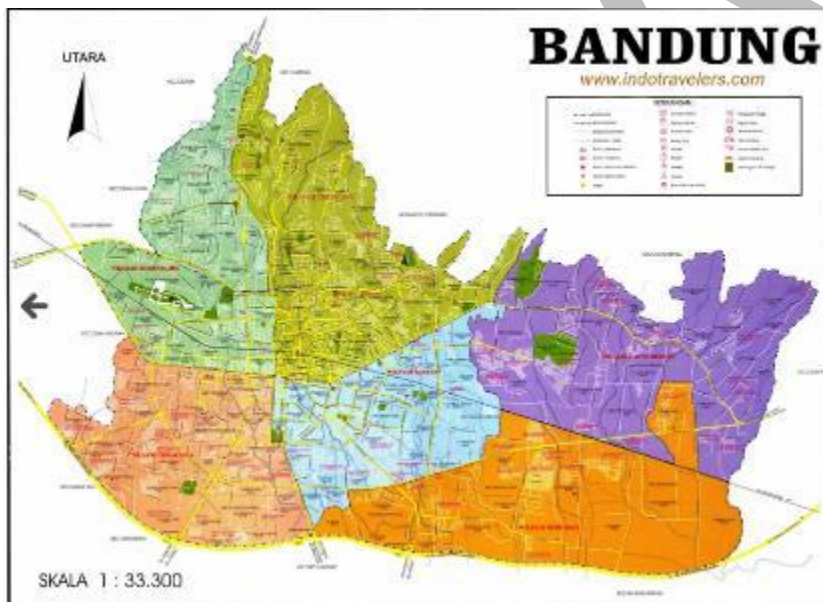
In April 2015, Government of Indonesia (GOI) made reducing the housing backlog as an explicit policy priority in RPJMN and launched the Sejuta Rumah (One Million Homes) program. This is an ambitious initiative to provide one million publicly and privately financed housing units per year. National Affordable Housing project (NAHP) has been developed as a key component under the initiative. GOI has also committed to an ambitious target of eliminating all slums by 2019 as part of the “100-0-100 program” through the US\$ 1.8 billion National Slum Upgrading Program (NSUP) – supported by the World Bank, Asian Development Bank (ADB), and Islamic Development Bank (IDB). The Project will provide support to home improvement in coordinated manner with NSUP investments in slum areas.

2.2. About Bandung

2.2.1. Spatial and administrative boundaries

Bandung is the capital of West Java province in Indonesia. According to 2015 census, it is Indonesia's fourth most populous city after Jakarta, Surabaya, and Bekasi with over 2.5 million inhabitants. Greater Bandung is the country's second-largest metropolitan with over 8.5 million inhabitants. It has a total area of 167.67 sq. Km and is located 768 metres (2,520 feet) above sea level, approximately 140 kilometres (87 miles) southeast of Jakarta. It is also the third largest city in Indonesia.

Figure 1: Administrative map of Bandung



2.2.2. Population and demographics

The total population of Bandung municipality in 2019 is projected at 2.50 million, out of which 2.30 viz. almost 100 percent of the people lived in urban areas. The Male population of Bandung Municipality is 1.3 million and women population is 1.2 million. The sex ratio is 103 i.e. there are 103 males for every 100 women. Average population density is 15.71 persons/ km square with Bojongloa Kaler the most densely populated area with 39.82 persons/km square.

The city administration is divided into 30 districts (kecamatan) and 153 villages (kelurahan). For development purposes, the 30 districts are grouped into eight sub-city regions. The sub-city regions of Bandung are Arcamanik, Cibeunying, Kerees, Kordon, Gedebage, Ujungberung, Bojonagara and Tegalega. As per the 2010 Census, the population of 30 districts are as below:

Table 1: Population of 30 districts in Bandung

Arcamanik Region	
Antapani	72,006
Arcamanik	65,607
Mandalajati	60,825
Bojonagara Region	
Andir	94,361
Cicendo	96,491
Sukajadi	104,805
Sukasari	79,211
Cibeunying Region	
Bandung Wetan	29,807
Cibeunying Kaler	68,807
Cibeunying Kidul	104,575
Cidadap	56,325
Coblong	127,588
Sumur Bandung	34,486
Gedebage Region	
Gedebage	34,299
Rancasari	72,406
Karees Region	
Batununggal	116,935
Kiaracondong	127,616
Lengkong	69,307
Regol	79,316
Kordon Region	
Bandung Kidul	57,398
Buahbatu	92,140

Tegalega Region	
Astanaanyar	66,658
Babakan Ciparay	143,203
Bandung Kulon	138,644
Bojongloa Kaler	117,218
Bojongloa Kidul	83,600
Ujungberung Region	
Cibiru	67,412
Cinambo	23,762
Panyileukan	37,691
Ujung Berung	72,414
Cibiru	67,412

2.2.3. Household income statistics

The following table indicates the income distribution statistics of the population

No.	Province	Income Distribution Proportion					
		Poor Income below IDR < 1 mio	Almost Poor Range Income IDR (1-2 mio)	Lower Income 1 IDR (2,5-4mio)	Lower Income 2 IDR (4-7mio)	Middle and Up Income IDR (>7 mio)	Total
1	North Sumatera Province	6,66%	45,08	30,24%	13,35%	4,66%	100%
2	West Java	11,02%	46,56%	21,61%	12,93%	7,88%	100%
3	Central Java	14,38%	49,92%	20,45%	10,69%	4,56%	100%
4	East Java	12,77%	42,75%	21,20%	14,71%	8,58%	100%

2.2.4. Climate

Bandung experiences tropical monsoon climate (Am) according to Köppen climate classification as the driest month precipitation total is below 60 millimetres, bordering with subtropical highland climate (Cfb). The wettest month is February with precipitation total 255.0 millimetres, while the driest month is September with precipitation total 50.0 millimetres. The average temperature throughout the year tends to be cooler than most cities in Indonesia due to its altitude. The average temperature throughout the year only has little variation due to its location near the equator.

2.2.5. Topography

In topography, Bandung is located at an altitude of 791 meters above sea level, the highest point located in the area north to altitude 1,050 meters and the lowest is South side 675 meters above sea level. The state of geological and land in the city of Bandung and surrounding areas formed on the quaternary era and has a layer of alluvial soil eruption of Mount Tangkuban Perahu. The Types of materials in the north is generally a kind andosol, in the south and in the eastern part consists of the distribution of gray with a kind of alluvial clay materials deposition. The central and western spread of soil types andosol. Bandung city is divided into two parts, the northern part which has the properties of topographic mountainous with an altitude of about 1,050 meters above sea level and the south are relatively flat with a height of about 675 meters above sea level. Bandung City area mostly consists of shaped topographic depression bordered by volcanoes in the north, east, and south. Bandung is located in the northern part of the basin. On the west, the limits of this basin is formed by a network of northeast - southwest increasingly steep mountain ranges to the northwest. Basin mountain range is divided into two parts, namely the Bandung Basin in the east and Batujajar Basin in west Cimahi. The mountain heights ranging from 200-2400 meters, while the height of the hollow base 600-725 meters with the basin axis 15 and 45 km.

2.2.6. Transportation

Road

Bandung can be accessed by highways from Jakarta. An intercity toll highway called Cipularang Toll Road, connecting Jakarta, Karawang, Purwakarta, Padalarang and Bandung is the fastest way to reach Bandung from the capital by road. Driving time is about 1.5 hours on average. There are three other options: the Puncak route (Jakarta-Cianjur/Sukabumi-Bandung), Purwakarta route (Jakarta-Cikampek-Purwakarta-Cikalong Wetan-Padalarang-Cimahi-Bandung) and the Subang route (Jakarta-Cikampek-Subang-Lembang-Bandung). From cities further east (Cirebon, Tasikmalaya and Central Java province), Bandung can be accessed through the main provincial road. Indonesian National Route 3 links Bandung with the rest of Java towards Cilegon and Ketapang (Banyuwangi).

Public transportation

The primary means of public transportation is by Angkot minibuses; Angkot are privately operated and serve multiple routes throughout the city, and although cheap, they are considered basic and uncomfortable. City-owned buses, DAMRI, operate on longer high capacity routes.

Bandung has two intercity bus terminals: Leuwipanjang, serving buses from the west, and Cicaheum, serving buses from the east. Both are at full capacity and are to be replaced by a new terminal at Gedebage on 15 hectares land, after which the old terminals will function as inner-city terminals. The new terminal will be located next to the Gedebage railway station near Gedebage container dry port.

Railway

Bandung has two large railway stations, Bandung and Kiarcondong Stations. Other smaller stations are Cimindi, Andir, Ciroyom, Cikudapateuh, and Gedebage Stations (only for freight service). Railway lines connect Bandung to Cianjur, Jakarta, Purwakarta, Bekasi, Karawang, and Cikampek to the west, and Surabaya, Malang, Yogyakarta, and Solo to the east. It is also a major means of transportation for people living in the suburban areas of Cimahi, Padalarang, Rancaekek, Cicalengka, and Cileunyi. In 2012, Bandung Commuter Train phase-1 was scheduled to be built to connect Padalarang, Cimahi, Bandung, and Cicalengka with 13 Trans Metro Bandung bus corridors to serve as feeders. Phase-2 will connect Cicalengka to Jatinangor.

Air

Bandung Husein Sastranegara International Airport serves direct domestic flights to Batam, Pekanbaru, Medan, Bandar Lampung, Surabaya, Yogyakarta, Denpasar, Semarang, Banjarmasin, Makassar, and also international services to/ from Kuala Lumpur and Singapore. The airport is located near the Dirgantara aerospace complex and Dirgantara Fairground. The Kertajati International Airport in Majalengka Regency is built to replace the Husein Sastranegara Airport

2.2.7. Education facilities

Bandung has nearly fifty higher educational institutions and is among the most popular destinations for education in Indonesia. There are hundreds of public and private schools in the city and several state-funded and administered Junior High Schools (SMP Negeri) and State High Schools (SMA Negeri). At least sixteen universities—three of which are state-owned—and 45 professional schools are scattered across the city. Education from social sciences and technology to tourism education can be found at these universities.

Among the universities located in Bandung include Bandung Institute of Technology (Institut Teknologi Bandung, ITB), Universitas Padjadjaran (Padjadjaran University), Parahyangan Catholic University, Universitas Islam Bandung, (Bandung Islamic University), Universitas Kristen Maranatha (Maranatha Christian University), Universitas Islam Nusantara (Nusantara Islamic University), Universitas Pendidikan Indonesia (Indonesia University of Education), Universitas Islam Negeri Sunan Gunung Djati (Sunan Gunung Djati Islamic State University), Universitas Pasundan (Pasundan University), Institut Teknologi Telkom (Telkom Institute of Technology), Politeknik Negeri Bandung (Bandung State Polytechnic), and Sekolah Tinggi Pariwisata Bandung (Bandung Institute of Tourism), all being considered among the best universities in their respective fields of specialty in Indonesia. Established in 1920, ITB is Indonesia's oldest and most prestigious technical university. Universitas Pendidikan Indonesia (formerly IKIP Bandung, established in 1954) is one of the first institutions of higher education established after Indonesian independence and is currently a leading education university in the country. Universitas Padjadjaran (established in 1956) is considered to be one of the best universities in the country in the fields of medicine, law, communication, and economics.

International schools are also available in the city. They include the Bandung Alliance Intercultural School, Bandung Independent School, Bandung Japanese School, Bina Bangsa School Bandung, Bina Persada School, and Stamford School. In the north of Bandung, Bosscha Observatory is the only observatory in Indonesia. Construction of the observatory began in 1923 and was completed in 1928. In 1922, the first international publication from Bosscha Observatory was published, and in 1959, the observatory was absorbed as a part of the Department of Astronomy at the Bandung Institute of Technology).

2.2.8. Economy

The city's economy is mainly built upon tourism, business, creative industry, high-tech and manufacturing industries, educational institutions, technology, retail services, financial services, pharmaceutical companies, and food production. The once quiet residential district of Dago has become an important business and entertainment centre with cafés and restaurants spread out along Jalan Dago. In the early 1990s, Jalan Cihampelas became a popular clothing store location, and remains so today.

Creative culture has shaped specific parts of the city's economy. Small businesses, known as "distro", sell non-trademarked products made by local designers. Books, indie label records, magazines, fashion products, and other accessories are typical distro products. Distros are popular with young people and distance themselves from factory outlets in term of philosophy. They arise from individual designers and young entrepreneurs, while factory outlet products generally come from large-scale garment factories.

The city administration has agreed to substantially develop seven industrial and trade areas for Bandung speciality products. These include Binong Jati Knitting Industrial and Trade Center, Cigondewah Textile Trade Center, Cihampelas Jeans Trade Center, Suci (T and Oblong) Shirt Industrial Center, Cibaduyut Shoes Industrial Center, Cibuntu Tofu and

Tempeh Industrial Center, Sukamulya Sukajadi Doll Industrial Center. The city is also a part of the UNESCO Creative Cities Network which it joined in 2015.

2.3. Site appreciation

Cisaranten of Hope, Cisaranten Urban Village is located in Bandung city in West Java province. The area of land proposed for the project is a 5.9 Ha. It is a site located approximately at 6°55'02.2"S 107°41'14.4"E and is 3 kms from the main road Jalan Nasution, ujung Berung Bandung. The main road is connected by a two-lane Jalan Golf road.

The site has a flat terrain with trees and some farming areas. There is a river canal passing through the site. The locality is largely a middle-income residential locality with low traffic. The site can be reached by bus based public transport. The site is about 5 kms from the main intercity bus terminal of Cicaheum.

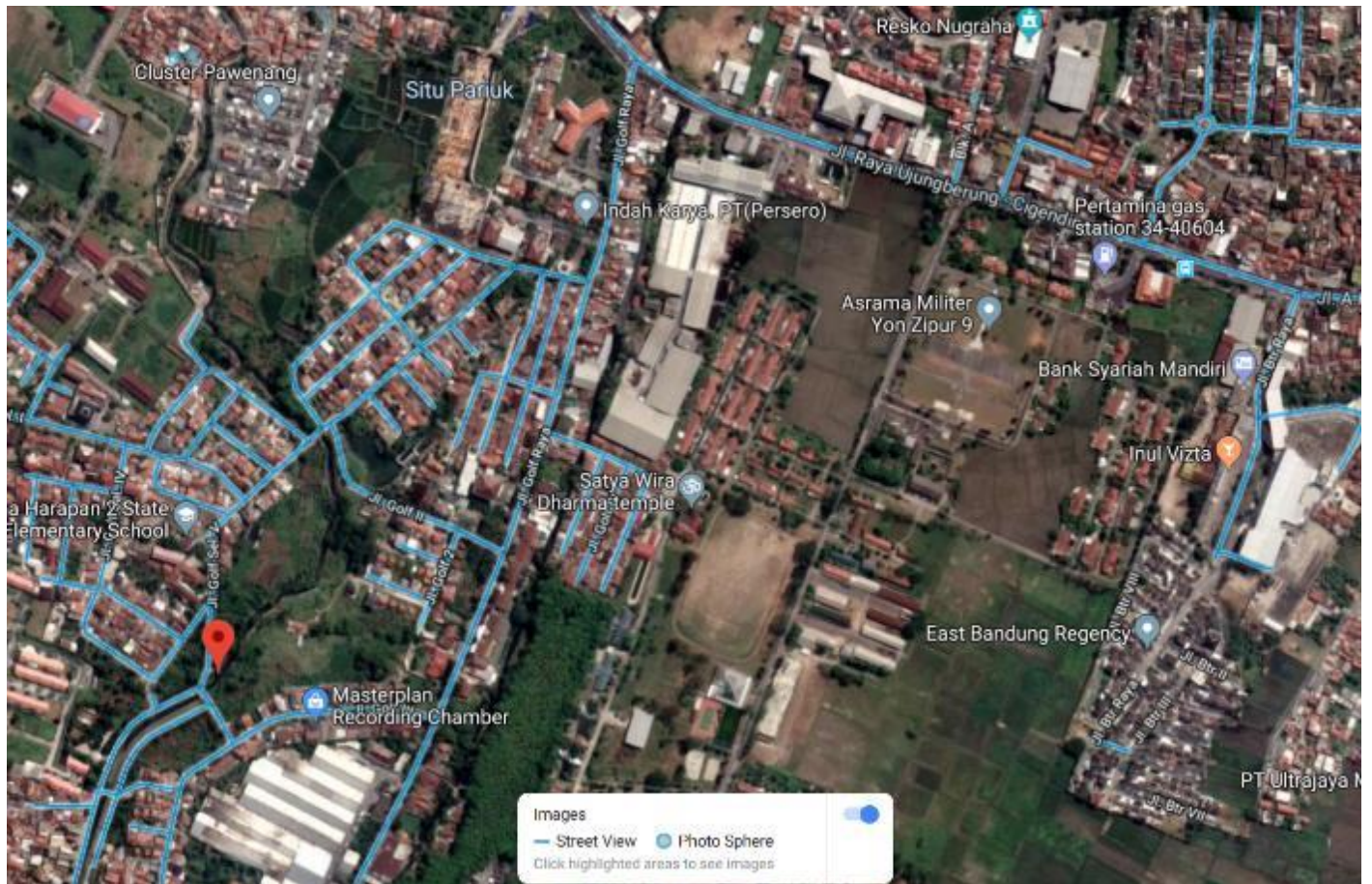
In the near vicinity of the site there are houses for MPWH employees, kindergarten and elementary schools. There is also premium housing project currently being developed about 2 kms away from the site by Adhi Karya.

There are good public amenities close to the site, hospitals include - Hospital Ujung Berung/ RSUD ujung berung, Hospital Hermina Arcamanik, Hemolife (Hemodialisa Clinic) etc.; Schools - SMAN 24 Bandung (High School), SD andir kidul (elementary school), SMP SMK karya pembangunan etc.; Universities - Universitas Al-Ghifari and Univeristy Islam National, Muhammadiyah University (about 4 kms away)

The location also has retail areas like - Gudang Garments, Matahari Mall (Ace hardware, Starbucks, Dunkin Donut) Stores, banks like Mandiri, BTN, BRI and post office. Private housing like Ujung Berung Indah, Wisma Reksa Nugraha, Bellazona Park etc.

Given that the site is in a developed residential area it can be assumed that public utilities like water supply, electricity, sewerage and waste management services will be readily available for the project site.

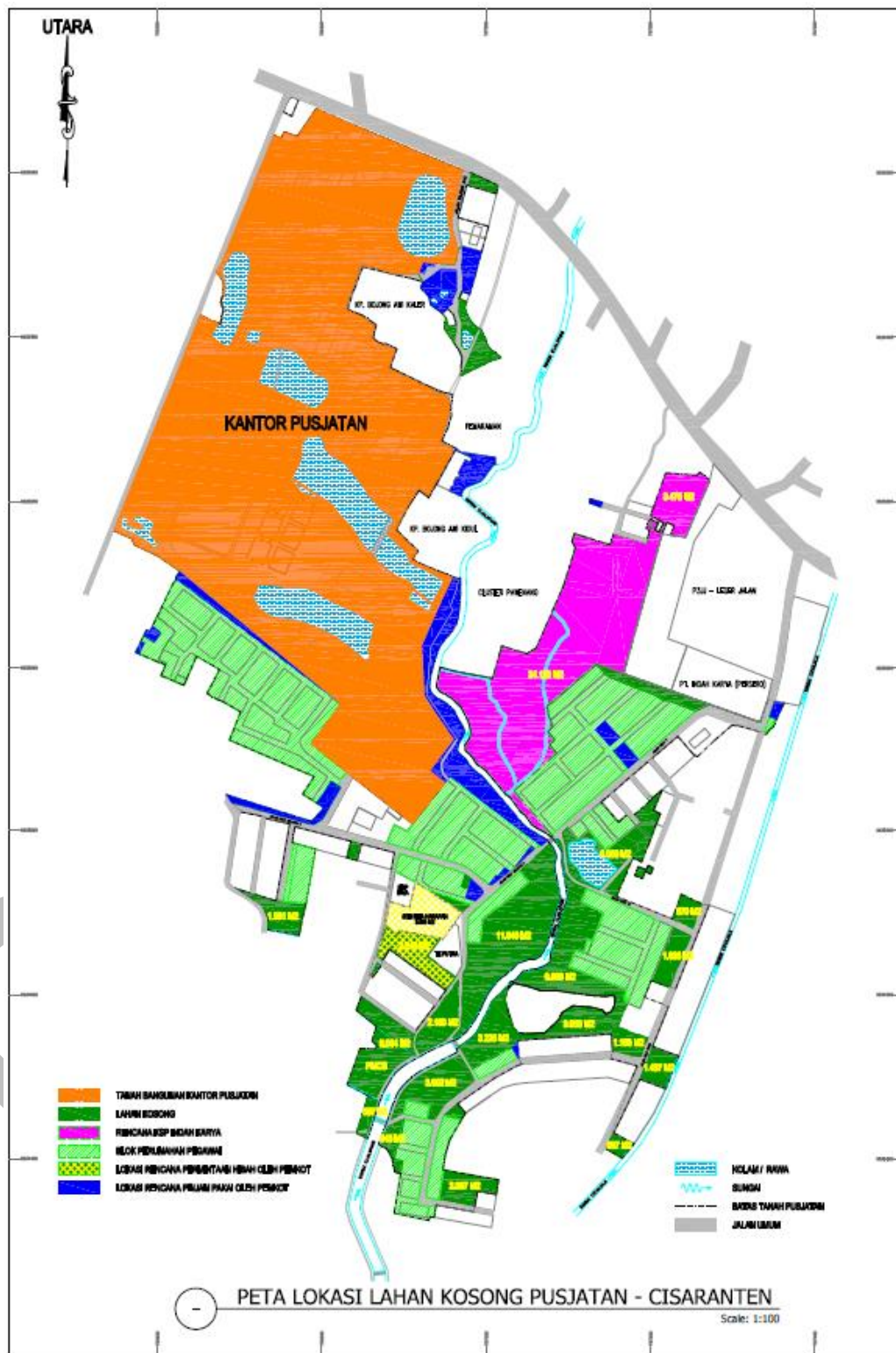
Figure 2: Satellite view of the project site



Source: Google maps,

DRAFT

Figure 3: Site map



Source: MPWH and PUPR

Draft – For Discussion Purposes Only

Figure 4: Site pictures





Source: CRISIL site visit

2.4. Need for the project

The number of households in Bandung is 657,769 households with an average of 4 persons each household. The growth in population resulted in demand for public housing services. It is estimated that there will be a need for 352,637 housing units. As per the 5 years horizon for Indonesia medium term development planning, there is demand for developing 88,157 unit public housing every five years, implying that 17,631 public housing would need to be developed every year for the next 20 years. This demand however does not take into consideration the provision of low cost housing by the private sector.

The local government has provided 1071 units of public housing as comparing to demand for the next 20 years. The rent rates for public housing are in the range of Rp 175.000 – Rp 275.000 per month while housing available in the private sector are in the range of Rp 500.000 – Rp 700.000 per month. The cost of public housing is extremely attractive to the citizens given their income profile and the ability to pay rents. Hence, there is a large backlog of citizens awaiting these houses.

Hence, it can be concluded that there is an immediate need to provide affordable housing for the citizens of Bandung based on the requirements of a growing population and to cover the backlog of the past.

2.5. Project objective

To complement its public housing program and provide a fillip to private participation in affordable housing program, the Ministry of Public Works and Housing (PUPR) has identified one parcel of land namely, Komplek Pusjatan. Jl. AH. Nasution Kota Bandung, for development of affordable housing units and through a PPP route. Affordable housing project with public housing rental rates would require substantial support from the GCA in the form of availability payments for financial viability through PPP. The project would explore partial commercial exploitation of the site so as to cross subsidize the low rentals and reduce the burden of availability payments for the GCA.

PUPR's preliminary concept for the project has proposed four apartment towers of 20 floors each and an approximate potential for 2000 housing units.

2.6. Stakeholder support for the project

The project has been proposed by the Ministry of Public Works and Housing (PUPR) vide their letter reference ____ dated ____ as part of its strategy to provide affordable housing units in the city of Bandung. The development of the project through the PPP route has been supported by BAPPENAS vide their letter reference ____ dated _____. BAPPENAS in turn has requested the World Bank vide their letter ____ dated ____ to support the project through a technical assistance arrangement to help prepare the Outline Business Case for the project on PPP. The letters referred above are attached vide Annexure ____ to this PS.

The World Bank has appointed CRISIL Risk and Infrastructure Solutions for preparing the OBC for this project.

The stake holders for the project includes – MPWH, BAPPENAS, BAPPEDA, City Council of Bandung, beneficiaries of the affordable housing, project affected persons (if any), real estate project developers, etc. A stakeholder consultation meeting was held at ____ on ____ to understand the stakeholder requirements from the project. The detailed outcome of the stakeholder consultations is attached vide Annexure ____ to this preliminary study. The key expectations of the stakeholders from this project are:

To be filled in after the stakeholder consultations.

To cover information/evidence/commitment from local government, society, and local parliament supports, including budget allocation for preparing the study and/or developing the project, etc.

3. Compliance criteria

This section covers the review of legal and institutional assessment for the preliminary stage of the project to ensure that the project is carried out in accordance with the prevailing laws and regulations related to infrastructure, legislation and government policy.

3.1. Compliance with prevailing laws and regulations

As per the regulations of the Minister of National Development Planning/Head of Planning National Development No.4 of 2015 on provisions of Joint Implementation between Government of Indonesia and the Business Entities in Infrastructure Provision. There are 19 sectors permitted as per these regulations including:

1. Transportation
2. Roads
3. Water resources and irrigation
4. Water supply
5. Centralized water waste management systems
6. Local water waste management system
7. Waste management system
8. Telecommunication and informatics
9. Energy and Electricity infrastructure
10. Oil and gas and renewable energy
11. Energy conservation
12. Urban facilities
13. Education facilities
14. Sports and art facilities
15. Zone infrastructure
16. Tourism
17. Health
18. Penitentiary
- 19. Public Housing**

Under these 19 sectors, there are 62 sub-sectors. In case of *Public Housing Infrastructure*, there are two sub-sectors:

1. Public Housing for poor, and/or
2. Simple flat to rent

The proposed Ujung Berung Housing project falls under category of Public Housing for Poor.

As a step to accelerate provisions of infrastructure to achieve the targets of the National Medium Term Plan (RPJMN) 2015-2019, the government has issued Presidential Regulation 38 of 2015 about the Cooperation between Government and Business Entities in Infrastructure Provision.

3.1.1. Regulations pertaining to Public Private Partnership

As per the regulations concerning Public Private Partnership project (PPPs) (Presidential Regulation No. 38 of 2015), the provision of infrastructure is permitted through the PPP scheme with the aim of:

- a) To meet the funding needs for Infrastructure Provision in a sustainable manner through the use of private funding.
- b) To accomplish Infrastructure Provision with quality, effectiveness, efficiency, accuracy and promptness.

- c) Realizing the provision of quality infrastructure, effective, efficient, right on target and on time;
- d) To create an investment climate that encourages the participation of Business Entities in the Provision of Infrastructure based on principles of good cooperate governance
- e) To promote the principle that the user pays for the service received, or in certain cases considering the ability of the user to pay.
- f) To provide certainty to the Business Entities about the return on investment in the Infrastructure Provision through

The principles that must be applied in the PPP scheme are:

- a) Partnership, namely cooperation between the government and the Business Entity is based on the provisions of the legislation and requirements that take into account the needs of both parties;
- b) Utilization, namely the Provision of Infrastructure carried out by the government and business entities to provide social and economic benefits for the community;
- c) Competing, namely the procurement of business entity cooperation partners carried out through stages of elections that are fair, open and transparent, and show the principles of fair business competition;
- d) Risk control and management, namely cooperation in the Provision of Infrastructure is carried out by risk assessment, development of management strategies, and mitigation of risks;
- e) Effective, namely cooperation in Provision of Infrastructure able to accelerate development while improving the quality of infrastructure management and maintenance services; and
- f) Efficient, namely cooperation in Providing Infrastructure to meet funding needs on an ongoing basis through the support of private funds.

This Ujung Berung housing project in Bandung City is expected to be implemented as Public Private Partnership (PPP) project. The PPP Scheme of the Country, requires the Government to act as the Contract Agency or PJPK for the project. The PJPK will be Minister/Head of Institution or any other party that has been delegated to act on behalf of Ministry/Institution/Region. In case of this project, we refer to Article 6 paragraph 2 of PPP 58/2015, public housing development, which is currently in the authority of the Ministry of Public Works and Public Housing.

As per the PPP regulations, the Private Sector responsible for the project can be State Owned Enterprise (SOE), Regional Owned Enterprise (ROE). The project proposes mix of low cost housing and commercial development. The project proposes simple rental flats in accordance with Article 3 letter f number 2 of the Minister of PPN Regulation Number 4 of 2015 in addition to this project. In addition to simple rental flats, the project may consider the other than rent in line with the rules of the PPN Regulation 4/2015 Article 4 paragraph 1.

The returns on investment of the business entity from the PPP investment can be source from three ways:

- a. Payments by users in the form of rates;
- b. Payment of service availability (*Availability Payment*) and / or
- c. Other forms as long as they do not conflict with statutory regulations

In case of the Ujung Berung Housing project which aims to provide affordable housing along with commercial facilities. The private partner will be responsible for designing, construction, finance, maintenance of affordable housing units, proposing developmental mix of commercial and affordable housing facilities to cross subsidize the affordable housing stock and managing the project. The housing stock developed by the Private Partner will be transferred by the private sector to the Ministry of Public Works and Public Housing or individual beneficiaries nominated by the Ministry. The GCA will undertake recovery of cost of affordable and commercial housing from the allottee. The allottees would be required to make monthly/annual payments of a pre-determined amount to private developer for the predetermined period of times. Also, the private partner may receive Viability funding gap (VGF) or the Availability payment from the Ministry of Public Works and Public Housing based of the detailed assessment undertake during Outline Business stage case. The Assessment of Availability payments will be based on the willingness and ability of authority to make the payment,

financial viability of the project, development mix of affordable housing and commercial facilities and the amount of affordable housing units to be distributed free by the government.

The private partner will also generate income through sales of housing units, pay and park facility and revenue derived from other commercial facilities.

3.1.2. Land availability for the project

As per the Presidential Regulation 38/2015, the land acquisition for the PPPs should be carried out by the Government. In case of this project, the land is already in the possession of Central Ministry of Public Works and Public Housing. Therefore, there is no need to carry out funding process for the land acquisition of the project. However, we have not yet sighted the certificate(s) of title to the land. The review of land title documents will be crucial to confirm such land belongs to Ministry of Public Works and Public Housing and the nature of use of land.

As per the PPP project option proposed, the land to the private sector will be provided by the Ministry of Public Works and Public Housing on a long term lease (preferable on a nominal lease rental) or free of cost. This will be evaluated at the Outline Business Case depending on the financial viability of the project and expectation of the authority from the project. It may be necessary to formulate an agreement between Government and Private sector under the project mentioning clearly the arrangement between both the entities on Land during tenure of Concession agreement.

3.1.3. Legal aspects regarding Utilization of State/Regional Property

The Government Regulation, Number 27 of 2014, is related to Management of State / Regional Property in Indonesia. The regulation states that the State Property is all goods purchased or obtained at the expense of the State Budget and derived from other legal acquisition (Article 1 paragraph 1 PP 27/2014). To further explain the purpose of other acquisition, namely (Article 2 paragraph 2 PP 27/2014):

- a) goods obtained from grants / donations
- b) goods obtained as an implementation of the agreement / contract
- c) goods obtained in accordance with statutory provisions; or
- d) goods obtained based on court decisions that have permanent legal force.

Whereas Regional Property is all goods purchased or obtained at the expense of the Regional Revenue and Expenditure Budget or derived from other legitimate acquisition (Article 1 paragraph 2 of PP 27/2014). It is necessary to know about the transfer of State / Regional Property in accordance with statutory regulations. These regulations state that the state / regional property can be transferred by way of selling, exchanging, giving grants or involving the capital of the central / regional government (Article 54 paragraph 2 PP 27/2014). This transfer requires prior approval if in the form of land and / or buildings or other than land and / or buildings with a value of more than IDR 100 Bn, carried out after obtaining approval from the People's Legislative Assembly / Regional Representative Council (Article 55 paragraph 1- 2 PP 27/2014). There are exceptions for items in the form of land and / or buildings that do not need to require approval from the House of Representatives if:

- a) It is not in accordance with the spatial planning or city planning
- b) Must be written off because the budget for a replacement building has been provided in the budgeting document
- c) Intended for public servants
- d) Intended for public use, or
- e) Controlled by the state based on court decisions that have permanent legal force and / or based on statutory provisions, which if their ownership status is maintained is not economically feasible.

Regarding the scheme of selling goods belonging to the state / region can be done with consideration (Article 60 PP 27/2014):

- a) for the optimization of State / Regional Excessive or unused / utilized assets
- b) economically more profitable for the country / region if sold; and / or
- c) as the implementation of statutory provisions

In the case of Ujung Berung Housing project, the land is in possession of Ministry of Public Works and Public Housing. The land will be handed over to private partner for development of affordable and commercial housing during tenure of Concession agreement. Since it is an affordable housing project, it is necessary to determine whether the ownership of the housing units after allocation will be passed to the allottee or reside with the Ministry of Public Works and Public Housing during the tenure of Concession agreement and post concession agreement.

3.2. Compliance with the National/Regional/Medium Term Plan

The Housing sector is regarded as one of the priorities of GOI. The main objectives the National Medium-Term Development Plan (Rencana Pembangunan Jangka Menengah/RPJM) 2014–2019, are categorized into three categories. One the categories is the human development. Housing sector is classified as one of the four indicators under human development. The medium term plan also prioritized the development of housing and settlements for households that fall within the 40% lowest income range. Slum eradication was selected as the first national housing development priority by aiming for zero slums by 2019.

Also, In April 2015, GOI made reducing the housing sector backlog as of the priorities in Medium Term plan and launched the Sejuta Rumah (One Million Homes) program. The program aims to provide one million housing units per year. Also to spear head the housing scheme of the country, National Affordable Housing project was launched.

3.3. Compliance with the Spatial Plan in Bandung

The Spatial Plan of Bandung City (RTRW, 2011–2031) sets the overall vision for Bandung city. Within the context of Bandung striving towards becoming a modern and global Asian city, the city promotes itself as the “City with Dignity” (Kota Bermartabat). Under this overarching vision, the Bandung City Government focuses on the improvement of the quality of life by addressing the provision of improved housing and basic urban services such as water, waste management, transportation linkages, urban space safety and amenities, standardized service provision at neighborhood level and disaster mitigation. The Spatial Plan of Bandung divides the city into three main areas: restricted areas for development in North Bandung (such as water catchments), controlled areas for development in West Bandung, and areas for housing and local center expansion such as in East Bandung.

The project location lies in East Bandung.

3.4. Compliance with the project area and medium term plan in Bandung

The Bandung City Government has identified three types of programs for Village (kampung) and slum upgrading, namely, short, mid and long term. The Short term improvements focus on housing and precincts in adverse condition by undertaking a “make-over” such as painting, small scale drainage and environmental improvements, while mid-term policies focus on in situ improvements for housing, infrastructure and public facilities. The Long term programs increasingly focus on the provision of low cost flats (*rusunawa*).

3.5. Compliance with prevailing laws and regulations related to Flats

3.5.1. Legal aspects related to authorization of flats

Based on regulations in Indonesia, the authority to administer flats lies with the Government. It is necessary to revisit the rules (Law number 23 of 2014) of division of authority between the Central Government and the Regional Government regarding the implementation of flats. As per the regulations, the determination of the authority of the organizer of flats can be further divided depending on several considerations. The following considerations in terms of organizing City Flats in Ujung Berung, Bandung are:

1. The flat which will be held through the PPP is a general flat
2. Public flat is a flat designed to serve low income people (MBR)
3. The financing system used to carry out its implementation is through PPP

Based on these considerations, it can be concluded that the one authorized to conduct the Bandung City Ujung Berung flats is the Central Government, in this case the Ministry of Public Works and Public Housing. Hence, the rules governing the authorization of flats are Law Number 20 of 2011 (hereinafter referred to as Law 20/2011). Also the land for the project is in possession of Ministry of Public Works and Public Housing.

As we know the definition of the implementation of flats according to Article 1 paragraph 2 of Law 20/2011 that includes aspects of planning, construction, control, management which includes maintenance and care, and rebuilding. Therefore the Central Government is authorized and responsible for carrying out all these aspects.

Table 2: Authorization of various levels of Government for provision

Sr. No.	Subscription	Central Government	Provincial Government	DISTRICT /CITY REGION
1.	Housing	a) Provision of houses for Low cost housing (MBRs); b) Provision and rehabilitation of houses for victims of national disasters; c) Facilitation of providing housing for people affected by Central Government relocation programs;	a) Provision and rehabilitation of houses for provincial disaster victims; b) Facilitate the provision of houses for communities affected by the relocation of Provincial Government programs.	a) Provision and Rehabilitation of houses for regency / city disaster victims; b) Facilitating the provision of housing; c) for people affected by the relocation of district / city regional government programs; d) Issuance of development and housing development permits; e) Issuance of building ownership certificates (SKBG).

Sr. No.	Subscription	Central Government	Provincial Government	DISTRICT /CITY REGION
		d) Development of housing finance system for MBR		

3.5.2. Requirements for implementation of flats

In case of this project, the flats are proposed to meet the housing needs of low-income people. Therefore, the project should be in compliance with Law number 20 of 2011 which details the provision of administration of Public Flats. As per the provisions of this Law related to administration of Public Flats. The implementation of flats must aim to:

- a) Ensuring the realization of habitable and affordable flats in a healthy, safe, harmonious and sustainable environment and creating integrated settlements to build economic, social and cultural resilience;
- b) Increase the efficiency and effectiveness of the use of space and land, and provide green open space in urban areas in creating a complete and harmonious residential area by taking into account the principles of sustainable development and environmental insight;
- c) Reduce the area and prevent the emergence of housing and slums;
- d) Direct the development of a harmonious, balanced, efficient and productive urban area;
- e) Fulfil the social and economic needs that support the lives of residents and the community while still prioritizing the purpose of fulfilling adequate housing and settlement needs, especially for MBR;
- f) Empower stakeholders in the development of flats;
- g) Guaranteeing the fulfilment of affordable and affordable housing needs, especially for MBR in a healthy, safe, harmonious and sustainable environment in an integrated housing and settlement governance system; and
- h) Provide legal certainty in the provision, occupancy, management and ownership of flats.

Additionally, Article 14 of Law 20/2011 which states that the plan to build flats should be carried out based on: a. building density; b. population size and density; c. detailed spatial plan; d. infrastructure services, facilities, and public utilities; e. transportation mode services; f. alternative development of the concept of using flats; g. information and communication services; h. balanced housing concept; and i. analysis of the potential needs of flats.

The proposed project should also consider provisions of Article 80 letter f of Law 20 of 2011, which states that the government in carrying out the development of flats has the task of compiling and setting minimum service standards for flats.

3.5.3. Conformity of Construction of Public Flats with construction requirements

The Law number 28 of 2002 concerning Buildings, Minister of Public Works Regulation Number 60 / PRT / M / 1992 concerning Technical Requirements for Construction of Flats and Regulation of the Minister of Public Works Number: 05 / PRT / M / 2007 related to Technical Guidelines for the Construction of High-rise Simple Flats. These regulations govern the technical guidelines in the planning, design and construction of flats. As these guidelines:

- 1) Requirements in the construction of flats for MBR include: Planning criteria: administrative provisions, technical requirements for building layout, technical provisions for building reliability, and financing requirements for building

- 2) The general criteria in question are the criteria for the fulfilment of the purpose of building arrangements. Specific Criteria referred to above are the criteria for the fulfilment of the purpose of the regulation of high-rise building (high).
- 3) Administrative provisions for high-level rusuna, which include clarity on the status of land rights, building ownership status, licensing status including building permits.
- 4) Technical provisions for high-rise towers include: a) Technical provisions for building arrangements which include site designation requirements and intensity, architecture, and environmental impact requirements. b) Technical requirements for building reliability including safety, health, comfort and convenience requirements.

Above provisions are a necessary part of the requirements in the Public Flats PPP agreement document as a reference for the BUP to design, construct and maintain the intended public flat building.

3.5.4. Incorporation of Project Implementing Agency

According to Law 20/2011, the government needs to assign or form an implementing body to realize the provision of decent and affordable flats for MBR. It means that in this project, a Flat Board Implementing Agency needs to be formed by aiming to:

- a) Accelerate the provision of public flats and special flats, especially in urban areas;
- b) Guarantee that public flats are only owned and occupied by the MBR;
- c) Guarantee the achievement of the principle of benefit of flats; and
- d) Implement various policies in the field of public flats and special flats.

While the functions of the Implementing Agency are the implementation of development, transfer of ownership, and distribution of public flats and special flats in a coordinated and integrated manner. While the duties of the implementing agency which in this case is Ministry of Public Works and Public Housing is to: carry out the construction of public flats and special flats, carry out cross-sectoral operational coordination, including in the provision of infrastructure, facilities and public utilities, improve the quality of public flats and special flats, facilitate the provision of land for construction of public flats and special flats, facilitate occupancy, transfer, utilization, and management of public flats and special flats, carry out verification of the fulfilment of the requirements of prospective owners and / or occupants of public flats and special flats and develop cooperative relations in the field of flats with various agencies inside and outside the country.

Provisions of Article 73, further states that assignment or formation of an implementing body as referred to in Article 72 shall be regulated by Government Regulation. Other provisions related to general flat management in the regions can be considered Law No. 20 of 2011 concerning Flats, at least regarding General Provisions Article 1; Planning in Article 13 and Article 14 and their explanations; Development in Articles 15, 16, 17.18 and 20; Mastery, Ownership and Utilization in Article 45; Management of Articles 56, 57, 59 and 60; Quality Improvement in Articles 61, 62, 64, 65, 67; and Institutions in Articles 72 and 73; Duties and Authorities in Articles 80, 81, 82, 83, 84, 85, 86, 87, 88, 8; Funding and the Financing System in articles 92 and 93; Prohibition and Criminal Acts in Articles 97 and 109.

3.5.5. Requirements of Building layout

The City of Bandung Government had issued regulation Number 14 of 2018 for governing technical specifications of the buildings. This regulation states that technical requirements in terms of building layout and environment as well as their reliability and in accordance with allotment of locations arranged in the RTRW (Guidelines for Spatial Plans), RDTR (Preparation of Spatial Planning) and / or RTBL. In case of Ujung Berung flat tower project in Bandung City, some portion of the housing has some residential function. As per Article 5 paragraph 2 letter a Bandung City Regulation 14/2018, the residential housing can be in the form of:

- a) Single Residential building
- b) The housing building in a row
- c) Flat building
- d) Temporary residential building.

This Ujung Berung housing project falls in the form c, viz. is a Flat building. The flats are being built with a certain height of the building, therefore, it is necessary to determine the height classification of Building. As per Article 7 paragraph 10 of the Bandung City Regulation 14/2018, the height classification of buildings are divided into as follows:

- a. *Low-rise buildings*, namely buildings that have a number of floors up to 4 (four) floors;
- b. *Medium-rise buildings*, namely buildings that have a number of floors ranging from 5 (five) floors to 8 (eight) floors; and
- c. *High-rise buildings*, ie Buildings that have more than 8 (eight) floors.

The proposed project falls under the classification of High rise. Therefore, the project will have to comply with maximum height allowed by the City of Bandung. The Government of Bandung through Bandung Regional Regulation No. 18 of 2011 concerning Spatial Planning Bandung City Region, has set a maximum standards for development in its jurisdiction with the limits for Coefficient of Building Floor (KLB)⁷, Basement Site Coefficient (KTB)⁸ and Green Zone Coefficient (KDH)⁹.

Table 3: Limits of KLB, KTB and KDH in Bandung City for Tall Buildings

Area	Maximum KLB			Maximum KTB			Minimum KDH	Building arrangement	Information
Housing-Tall Buildings	Arteries	Collector	Local Circle	Arteries	Collector	Local Circle	50%	Buildings Line Perimeter (GSB) considers the safety and noise aspects, Minimum GSB =1/2 x width of space. For lots less than 60 m2, GSB of at least 2 m. The maximum building height takes into account the carrying capacity of the land, the safety zone of the flight operation and the	Tall buildings are buildings with a height of more than 8 floors (for example for Apartments). Medium buildings are buildings with a height between 4-8 floors (for example flats / flats). Medium and high buildings must be equipped with
	40%	40%	25%	4	3.6	2.5			

⁷ KLB is the percentage of proportion between the all ground floor area and the area of land/plot/planning area owned according to spatial planning and building and environmental planning

⁸ KTB is the percentage of the proportion between the area of basement site and the area of land/plot/planning area owned according to spatial planning and building and environmental planning.

⁹ KDH is the percentage of the proportion between area of all open area outside the building that is used for landscaping / green zone and the area of land/plot/planning area owned according to spatial planning and building and environmental planning

Area	Maximum KLB			Maximum KTB			Minimum KDH	Building arrangement	Information
								occupational safety aspects.	environmental infrastructure and facilities and parking according to minimum standards Requests for development must go through a design review that assesses the impact of the development on various related aspects KDB for lots less than 60 m2 are specifically regulated

The project is expected to harmonize the needs of the Central Government with the rules of the Regional Government. This is also to implement the provisions of Law Number 1 of 2011 concerning Housing and Settlement Areas Article 33 paragraph 1 which states that the Regional Government is obliged to provide licensing facilities for legal entities that submit plans for construction of low cost housing.

In the rules regarding the Bandung City RDTR there are exceptions to the provisions regarding the KDB KLB and KDH provisions. Arrangements regarding the RDTR and zoning of the City of Bandung can be seen from the Regional Regulation of the City of Bandung Number 10 of 2015 concerning the Detailed Spatial Planning and the Bandung City Zoning Regulation of 2015-2035. The zoning arrangement allows spatial use activities but the spatial use must be in accordance with the applicable zoning regulations.

In case of Ujung Berung housing project in the city of Bandung, the use of space is allowed because it is included in the category of occupancy (Article 294 paragraph 1 letter A of Regional Regulation RDTR and PZ 10/2015). Then if examined in terms of activities that are permitted in the use of space then there are activities that are allowed in all zones except the protection zone. These activities are (Article 297 Regional Regulations on RDTR and PZ 10/2015):

- a. Flats for low-income people (MBR), public and government service activities carried out by the government; and / or
- b. Public and social infrastructure implemented by State / Regional Owned Enterprises; and / or
- c. Regional infrastructure in a network in the context of public services.

The green open space activities are allowed in all zones to achieve the target of 20% open green open space. Then in addition there are also arrangements regarding conditional permitted activities. These activities are (Article 299 Regional Regulations on RDTR and PZ 10/2015):

- a. B1 for activities that are required to carry out permits and environmental studies as stipulated in the legislation
- b. B2 for activities that are required to conduct a traffic impact analysis
- c. B3 for activities that are required to provide the minimum infrastructure specified
- d. B4 is for carrying out public or housing facilities for MBR funded by the government or the private sector.

It is also necessary to obtain conditional licensing activities for which the licensing is stated in the City Plan Statement based on the provisions stipulated by the Head of Service in charge. In addition there are rules regarding the Zoning Management Technique (TPZ). This TPZ was determined by the Mayor after obtaining consideration from BKPRD with the aim of providing more flexibility or arrangements that are more stringent in implementing PZ in the sub zone. The application of TPZ uses certain codes such as bonus with code a, growth control with code b, overlapping rules or overlay with code c, and transfer of development rights / TDR (Transfer of Development Right) with code d. Whereas those included in the TPZ with bonuses were given by the Regional Government in the form of increasing / exceeding the floor area or KLB and directed to the following locations (Article 310 of Regional Regulations on RDTR and PZ 10/2015):

- a. City Service Center (PPK), City Service Sub-Center (SPK) Sadang Serang, Kopo Kencana SPK, Male SPK, SPK Arcamanik, Ujungberung SPK, Kordon SPK, and Derwati SPK, and City Strategic Areas based on economic interests
- b. Compact integrated area with the development of the Transit Oriented Development (TOD) concept
- c. The location has a function as parking facilities modal transfer (*Park and ride*)
- d. Meeting location for mass public transportation
- e. Public service center location with mixed functions consisting of traditional markets and other functions
- f. The location for the construction of public towers for MBR is built by private parties or cooperated with private parties.

3.5.6. Minimum Service Standards for the Flat

Regulations to set minimum service standards for flats are contained in the provisions of Article 80 letter f of Law 20 of 2011, the government in carrying out the construction of flats has the task of compiling and setting minimum service standards for flats. In this case the Ministry of Public Works and Public Housing has authority to set Minimum Service Standards. The aspects for Minimum Service Standards are provided below:

A. Residential Services

1. **Managing Office**

- a) Availability of management offices
- b) Operational office management time
- c) Unit / section in the management office

2. **Utilities**

- a) Clean water
- b) Electricity
- c) Elevator
- d) Waste Water Disposal System (Dirty, Used, Kitchen Water)
- e) Rainwater Disposal Network
- f) Electric generator
- g) Communal Gas

3. **Cleaning and Waste Management**

- a) Janitor
- b) Time to Clean Up the Flat Environment
- c) Garbage dump
- d) Waste separation
- e) Waste management

4. **Information**

- a) Media information facility
- b) Information media laying place
- c) Flat occupant manuals
- d) Meeting hall facilities
- e) The meeting hall usage system
- f) Flat information dissemination

5. Security

- a) Security officer
- b) Operational time of security personnel
- c) How to monitor daily
- d) Security guard post
- e) Security equipment
- f) Occupancy access

6. Safety

- a) Hydrant
- b) Safety tool
- c) Lightweight Fire Extinguisher
- d) Fire alarm
- e) Emergency door
- f) Emergency stairs
- g) Evacuation route system and safety signs
- h) Lightning rod
- i) Dissemination / training and formation of an emergency response team

7. Service of Persons with Disabilities

- a) Accessibility
- b) Special signs for disability
- c) Disability-specific toilets

8. Parking

- a) Parking area
- b) Parking payment system
- c) Residents' parking system
- d) Motorcycle parking rates
- e) Car parking rates

B. Repair, Maintenance and Care Services

1. Unit of Maintenance and Care of Flats

- a) Special repairs, maintenance and maintenance
- b) Number of maintenance and repair maintenance officers

2. Maintenance and Maintenance

- a) Clean Water Tank (ground reservoir)
- b) Dirty water tank (Septic tank and Sewerage treatment plant)
- c) Piping (clean water pipes, hydrant pipes and sprinkler pipes)
- d) Pumps (AC Pump, Clean Water, Dirty Water, Hydrant, Sprinkler)
- e) Hydrant
- f) Light Fire Extinguisher (APAR)
- g) Grass cutting
- h) Cleaning of sanitation channels
- i) Maintenance of gas lines
- j) Spraying fogging
- k) Maintenance of sports fields
- l) Maintenance of places of worship
- m) Elevator maintenance
- n) Replacement lamps for shared facilities

- o) Replacement of firefighting equipment
- p) Playground maintenance period
- q) Maintenance of building wall paint
- r) Cleaning tools replacement

The Ujung Berung Housing project must comply with these Minimum Service Indicators. These Minimum Service Indicators will also serve as a reference to select and assess the performance of the Private sector in managing the project. Also, the Government support viz. Availability Payment disbursements (if any), the requirement of which will be assessed in Outline Business stage of the project will be linked to Minimum Service Indicators. Any shortfalls/deficiencies in performance will be adjusted to the service value of the BUP (Special Business Entity) set by the Ministry of Public Works and Public Housing.

4. Deciding factor criteria of value for money of business entity participation

4.1. PPP models for affordable housing

Using the PPP route to deliver housing services in urban regions is a tried and tested concept across many developed and developing countries. With increasing housing backlog in urban regions, the public sector has recognized the myriad benefits of implementing housing schemes through PPP models, such as:

- Ensuring a timely provision of good quality housing stock to keep pace with the urban housing demand.
- Utilizing private sector efficiency gains in the planning, development and implementation of housing PPPs, to reduce the construction costs for affordable housing.
- Reducing the financing burden on the state treasury, by crowding in financing from the private sector and capital market institutions.
- Incentivizing private sector to deliver increased value for money by providing innovative solutions to delivering housing infrastructure.
- Ensuring better construction quality and adequate maintenance of the housing units, on behalf of the public sector.
- Allowing the public sector to focus on policy and strategy related matters to address affordable housing, by moving the responsibility of construction and maintenance away from public sector agencies.

Given these benefits, it is advocated that this project be also developed using the PPP model. This section provides an overview of basic models for affordable housing, based on international good practices, which have been evaluated for the housing project under study.

Fundamentally, there are two typical project structures that are implemented for affordable housing projects on publicly owned land, depending on how the private sector gets compensated: annuity-based subsidized development and mixed-use development.

4.1.1. Annuity-based (availability payments) subsidized development

In this model, the government provides land to the private sector for free of cost, which effectively functions as a government subsidy/support mechanism for the project. The private sector is responsible for designing, building and financing the affordable housing project, based on specifications set forth by the public sector, which could also include stipulations on the total cost and time to deliver the project.

The public sector compensates the private sector through fixed annuity payments, over a pre-determined period. These annuity payments commence from the hand-over of the housing units by the private sector to the public sector, in line with the design stipulations defined by the public sector during the procurement stage. Typically, the private sector is also made responsible for providing maintenance services for the housing units during the said period, and the annuity compensation is linked to the private sector meeting the maintenance service standards set out in the concession agreement.

The public sector identifies the beneficiaries and allots housing units to each, with the beneficiaries making either lump-sum or installment payments for the housing units allotted to them. Alternatively, the public sector can also give these units on rental/lease basis to the beneficiaries and collect a pre-determined monthly rental charge from them, which are at subsidized rates. Thereby, in this model, the demand risk is retained entirely by the public sector.

An indicative risk allocation matrix for this structure is provided below:

Table 4 Indicative risk allocation matrix for annuity-based subsidized housing PPP models

Risk category	Public sector	Private sector	Remarks
Site risks	✓	✓	- Public sector retains risk of land acquisition, complex resettlement processes, site accessibility and land tenure. - Private sector retains the risk of any damage to/contamination of the site environment, and limitations in construction working space
Design, construction and commissioning risks		✓	Private sector retains all risks pertaining to this category, such as increase in construction costs, poor performance/defaults by sub-contractors, design faults, delay in construction completion, and commissioning risks.
Sponsor risks		✓	Private sector retains all risks including defaults by project sponsor(s) and lender(s), defaults by project consortium.
Financial risks	✓	✓	- Public sector retains risks of VGF disbursement or availability payments. - Private sector retains all other risks in this category including financial close, foreign exchange risk, inflation, interest rate risks, and insurance risks.
Operating risks		✓	For models wherein the private sector is also mandated for O&M of the site, the private sector retains all risks (availability of facilities, service performance, O&M cost over-runs, social and cultural risks etc.)
Revenue risks	✓		For an annuity based payment scheme, all tariff related risks, including indexation and collection, off-take risks, are retained by the public sector.
Network connectivity risks	✓		The public sector retains risks on providing trunk infrastructure (such as roads, transport connectivity, access to utilities etc.) for the housing site.
Interface risks	✓	✓	Interface risks relate to disparity in understanding of project outcomes and miscommunications impacting delivery. These are shared between the public and private sector.
Political risks	✓	✓	The private sector only retains the risk of a general change in law, while the public sector retains risks on currency conversion, expropriation, project specific change in law, delay in obtaining approvals, and delay in gaining access to the site.

Risk category	Public sector	Private sector	Remarks
Force majeure risks	✓	✓	All force majeure risks are typically shared by the private and public sectors, and insured to the extent possible.
Asset ownership risks		✓	Asset loss event risk, and completion of the asset transfer risk is retained by the private sector.

Source: IIGF Risk Allocation Guidelines 2018, CRIS analysis

4.1.2. Mixed-use development

In the mixed-use development model, akin to the annuity-based subsidized development model, the public sector provides land for the facility, on a no-charge basis. The private sector is responsible for undertaking design, development and financing for the housing facility, but is not directly compensated by the public sector through annuity payments. Instead, the private sector is provided freehold land, or additional rights, to build premium housing/commercial units on an allotted portion of the land. The private sector can then sell/lease these units on commercial principles, based on prevailing market rates to provide compensation for the affordable/low-cost housing portion of the facility. Thereby, proceeds from sale/lease of private sector owned units cross-subsidizes the lower proceeds from the affordable portion of the facility.

Often, the public sector provides additional incentives to increase value creation for the private sector, such as:

- Provision of additional floor space index (FSI) to build premium housing/commercial units, at no cost.
- Purchase of additional FSI to build premium housing/commercial units at subsidized cost.
- Provision of transfer developmental rights, wherein the private sector is permitted to utilize additional FSI to develop premium housing elsewhere, wherein the land conditions are similar to the site under development.

In this model, the public sector could provide the minimum affordable housing units to be built by the private sector, along with technical specifications for the units. The maintenance of these housing units could either rest with the private sector, who could be compensated by maintenance payments from the unit owners (or the government in case of affordable housing units), or could be moved to an association created by members from all economic classes of residents.

The affordable housing stock is typically distributed by the public sector to the beneficiaries, while the private sector bears the demand risk for the premium stock. In cases wherein the returns from the cross-subsidized portion of the facility are inadequate, the public sector can also explore providing viability gap funding to the private sector, in accordance with the extant regulations in Indonesia. This model could also have availability payments instead of VGF if the amount of commercial exploitation allowed does not fully subsidize the requirements of affordable housing. The indicative risk allocation matrix for this model is provided below:

Risk category	Public sector	Private sector	Remarks
Site risks	✓	✓	- Public sector retains risk of land acquisition, complex resettlement processes, site accessibility and land tenure. - Private sector retains the risk of any damage to/contamination of the site environment, and limitations in construction working space

Risk category	Public sector	Private sector	Remarks
Design, construction and commissioning risks		✓	Private sector retains all risks pertaining to this category, such as increase in construction costs, poor performance/defaults by sub-contractors, design faults, delay in construction completion, and commissioning risks.
Sponsor risks		✓	Private sector retains all risks including defaults by project sponsor(s) and lender(s), defaults by project consortium.
Financial risks	✓	✓	- Public sector retains risks of VGF disbursement. - Private sector retains all other risks in this category including financial close, foreign exchange risk, inflation, interest rate risks, and insurance risks.
Operating risks		✓	For models wherein the private sector is also mandated for O&M of the site, the private sector retains all risks (availability of facilities, service performance, O&M cost over-runs, social and cultural risks etc.)
Revenue risks		✓	For this model, the private sector retains the revenue risks for all premium units, including demand risk, tariff collection and indexation.
Network connectivity risks	✓		The public sector retains risks on providing trunk infrastructure (such as roads, transport connectivity etc.) for the housing site.
Interface risks	✓	✓	Interface risks relate to disparity in understanding of project outcomes and miscommunications impacting delivery. These are shared between the public and private sector.
Political risks	✓	✓	The private sector only retains the risk of a general change in law, while the public sector retains risks on currency conversion, expropriation, project specific change in law, delay in obtaining approvals, and delay in gaining access to the site.
Force majeure risks	✓	✓	All force majeure risks are typically shared by the private and public sectors, and insured to the extent possible.
Asset ownership risks		✓	Asset loss event risk, and completion of the asset transfer risk is retained by the private sector.

Source: IIGF Risk Allocation Guidelines 2018, CRIS analysis

4.2. Preliminary value for money analysis

Based on the proposed arrangement with MPWH and Private sector partner for the proposed PPP option viz. Mixed use development of the project. Provided below is the table showing the preliminary value for money analysis for this option:

Table 5: Preliminary value for money for Mixed-use development

	Determinant of Value for Money	Questions	Response	Low	Medium	High
A	Advantages	<i>The next seven lists of questions assess the presence and strength of driving factors behind advantages of PPP. On the basis of the answers to the questions, the table indicates in the right columns the extent to which the driver is present in the project being studied.</i>				
1.	Output-based contracting	Does some degree of flexibility remain in the nature of the technical solution/service and/or the scope of the projects? Is the solution adequately free from the constraints of imposed by the procuring authority, legal requirements and/or technical standards? Is there scope for innovation in either the design of the solution or in the provision of the services?	The scope of work for the project provides full flexibility to the Private Party to design, develop, operate and maintain the project as per the requirements of the Housing industry The contract allows for innovation in the design and construction of various facilities by only providing minimum specifications and Key Performance Indicators (KPIs). Also, annuity payment (if any), will be linked to KPIs			✓
2.	Optimal risk allocation	Is there scope for significant risk transfer to the private partner (in accordance with the principle of optimal risk allocation)? Can the payment mechanism and contract terms incentivize good risk management by the Private Partner?	The contract envisages optimal risk transfer arrangements. The risk transferred to the private sector includes, design, construction, operations and maintenance. The market/ demand risk for the commercial aspect of housing will also be borne by the private party in the case of proposed mixed use development PPP option. However, in case of Annuity based subsidized developments, the Revenue risk will have to be borne by MPWH. MPWH undertakes risks related Land acquisition, resettlement and network connectivity. MPWH is also responsible for undertaking maintenance of the affordable housing units. The risks related to force majeure and political risk will be shared. The change in law, termination and other aspects of the risk sharing arrangements will be as per international practices.			✓

	Determinant of Value for Money	Questions	Response	Low	Medium	High
3.	Private outsourcing	Does the private sector have significant cost advantages in comparison with the Government Authority in the delivery of the project services (owing to greater efficiency, economies of scale, greater experience/expertise) Could the private sector achieve a better commercial utilization of the assets underpinning the project, resulting in higher revenues?	The private sector will be selected with extensive experience in the Housing sector business. He will be expected to have significant experience in constructing Mixed use developments such as premium housing/commercial units and affordable housing. He will need to market premium/commercial housing units through advertisement and collaboration with other value chain stakeholders. Also, the area of the project is 5.9 Ha, which will provide sufficient economies of scale to developer and will attract International developers. These skills exist with MPWH and the private sector will bring in high levels of efficiency in this area. Private Sector will also sell/lease the premium/commercial housing units based on prevailing market rates. He will be motivated to maximize the recovery of investments through this. Besides, the private sector will also be given rights to generate revenue from pay and park facilities, revenue from club houses (gymnasium, banquet halls, leisure centres) and other commercial facilities in the project site.			✓
4.	Life-cycle optimization	Does the project offer the potential to achieve efficiency gains from life-cycle optimization? Is it possible to integrate the design, build and operation elements of the project? Are there significant ongoing operating costs and maintenance requirement? Are these likely to be sensitive to the type of construction?	The project involves development of premium/commercial housing project. The private partner will be responsible for the operations and maintenance of the project throughout tenure of Concession agreement. Private developer will construct the project facilities on structures that are cost effective and appropriate to the scale of business expected. Hence, the private party has the ability to use the benefits of life cycle optimization. The premium/commercial aspect of housing will involve greater operation and maintenance. However, this risk has been passed on to the private party. Also, at the end of the tenure of the project, the private partner will have to undertake the		✓	

	Determinant of Value for Money	Questions	Response	Low	Medium	High
			maintenance of the asset before handing over the asset to government sector.			
5.	Performance based payments	Can the outcomes or outputs of the investment programme be described in contractual terms, which would be objective and measurable? Would incentives for service delivery be enhanced through a performance payment mechanism as proposed in the PPP?	The private sector will be allowed to sell premium/commercial housing at market linked rates. Private sector will be motivated to generate the maximum value from the commercial portion of housing as it will have to recover its investment from the project. Therefore, there is an inbuilt mechanism to drive performance. The market linked fees and charges from other revenues derived from private partner will depend substantially on the quality and standards of service delivered to the users of the project. The contract will also include KPIs which will further assure MPWH on performance of the private partner. The KPIs will be linked to incentives and penalties.			✓
6.	Private financing	Is financing by the private sector necessary to undertake the project? Is it the case that no or insufficient public funds are available, so that the project cannot be undertaken (or only with large delays) unless private financing steps in.	The financing from the private sector is not a major motivating factor for the project. The project essentially seeks involvement of private party to develop mixed use developments. This includes development of Premium/ Commercial as well low cost housing. The private party need to market the project facilities well as the revenue risk is allocated to private partner. These roles are very different from the normal roles delivered by the government agencies. These models of private sector participation for attracting commercial users for mixed use development has been prevalent in Indonesia and been very successful in the other parts of the world.			✓
7.	Revenue base	Is there an identifiable revenue base for the project? In case of revenue-based project: are there users of the project services with the willingness and ability to pay of the services? In case of availability-based project: can the IA commit to	The Bandung city is the second largest metro of the Indonesia. Also, there are lot of urban infrastructure developments happening in Bandung (Bandung LRT being considered) given its business importance and proximity to Jakarta. We expect that the project will have an identifiable revenue base. The same will be corroborated during stakeholder		✓	

	Determinant of Value for Money	Questions	Response	Low	Medium	High
		the payment of the availability fees. Is the revenue base stable and predictable?	consultations. The private party will be fully in control of the commercial aspect of the project and the charges levied will also be market linked (lease/sell rates for the premium/commercial housing) and charges levied on other commercial facilities.			
B	Disadvantages	The next five lists of questions assess the presence and strength of driving factors behind disadvantages of PPP and obstacles to PPP. On the basis of your answers to the questions, the table indicates in the right columns the extent to which the driver is present in the project being studied.				
1.	Output specifications	Is it possible to describe the services in clear, objective output- and result-based terms (and not in terms of activities), which can be included in a long term contract? Can the contractual outputs be defined so that they can be objectively measured? Can the quality of the service be objectively measured and assessed? Is it possible to establish an objectively verifiable link between the output specifications, the monitoring of the actual performance and the payment mechanism?	Yes, it is possible to articulate the expectations from the private party in the form of output specifications and KPIs. These are clearly measurable and will follow best practices in this area from successful projects executed elsewhere. As per the proposed PPP model, MWPH is responsible for undertaking maintenance of low cost housing, therefore, it will also be ensured that there are output specifications and KPIs based on government regulations in Indonesia and benchmarks available Internationally.	✓		
2.	Capacity of Government Contracting Authority	Does the Government contracting authority have sufficient human and financial resources to prepare and tender the PPP Project?	The Ujung Berung, project will be the second Housing project to be proposed through a PPP route. MPWH will be supported by consultants and transaction advisors for PPP. MPWH has executed large projects in the past and is well aware of challenges involved in such projects.	✓		
3.	Policy and regulatory barriers	Is it the case that there are there no legal or regulatory obstacles to delegating the provision of the services to a private party? Is the provision of the services under a PPP Arrangement compatible	We do not see any major regulatory barriers for the project. However, it is necessary to determine the aspects related to parties to Sale agreement/Lease agreement (will these agreements be undertaken with Private or Public sector) and also tenure of lease hold of Land.	✓		

	Determinant of Value for Money	Questions	Response	Low	Medium	High
		with the safeguarding of public interests (for instance with respect to environmental sustainability, workers' safety, fair competition)? Is the provision of the services under a PPP Arrangement compatible with other policy goals (for instance with respect to land use,	These aspects will be examined under Legal assessment at the OBC stage.			
4.	Large and uncontrollable risks	Does the project involve large risks that are largely outside the control of the Private Partner and that may make private finance unfeasible or very expensive? Examples are traffic risk (especially for greenfield projects and if macroeconomic conditions are highly uncertain), large uncertainties about the costs of meeting requirements imposed by environmental regulations, the use of unproven technology, difficult terrain conditions.	The project is a greenfield project. The PPP option proposed for this project involves both commercial as well residential i.e. low cost housing development. There is also a huge economic potential in the region, which can be validated with availability of Housing projects, Schools, Hospitals and public mode of transportation in near vicinity. However, since the project is huge and private partner will need sufficient time to generate the demand for the commercial aspect of the project, we will propose the development of project in phases in line with demand. This aspect will also make the project financeable as the entire drawdown will not happen at the first stage.	✓		
5.	Private sector capacity and interest	Is there evidence that the private sector is technically and financially capable of implementing the project? Is there likely to be a sufficiently large number of bidders interested in the project to ensure effective competition? Is there evidence that financiers are willing to provide funds for investing in this type of projects?	Consultant will undertake market consultation for the project during OBC stage. Given, the size of the project is 5.9 Ha, the project is expected to attract large no. of International bidders with expertise in Real Estate.	✓		

4.3. Conclusion of the qualitative VFM

The qualitative VFM assessment indicates that the risk sharing arrangements seem optimum and there is substantial scope to derive VFM from the project through PPP. The project structuring brings in efficiency of the private party in the mixed use development business along. Also, cross subsidizing the affordable housing stock for the project will ensure skin in the game for the private sector to make the project successful.

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5. Analysis of revenue potential and project fund scheme

5.1. Income potential for the project and proposed income structure

The initial cost estimates for the project indicate a capital cost of Rp. 1.10 Trillion and cumulative operations and maintenance cost is in the range of Rp. 369 Billion. The project could require an availability payment of Rp. 150 billion per annum for the period of 30 years if the entire housing stock is provided on a subsidized basis to the occupants. This is assuming a weighted average cost of capital of 13% for the private sector partner.

The subsidized rates assumed are:

Type of housing units	Area in sqmtr	Monthly rental Rp Subsidized housing	Monthly rental Rp Commercial housing
Type 24	24	500,000	2,500,000
Type 36	36	750,000	3,750,000
Type 48	48	1,000,000	5,000,000

A detailed assessment of commercialization will be done during the preparation of the Outline Business Case to ensure that the burden of availability payments is reduced by exploring options of commercialization. The difference in rental rates is in the range of 5 times for commercial housing. This difference could be effectively exploited to achieve better returns from the project. The options explored will include:

- Part subsidized and part commercial – fully rental housing model
- Part subsidized and part commercial – partial rental housing and partial sale model
- Residential real estate only
- Residential plus commercial real estate

The effective mix and development options will be evolved using a market demand study and modeling various development mix to arrive at an optimal development mix for the project.

5.2. Extent of the government fiscal support

Indonesia's government budget has witnessed an increasingly positive trend, owing to a year-on-year increase in revenue collections by the government from 2013: In 2018, revenue collections increased 16.6% from the previous year, on the back of tax administration, and tax policy reforms along with a cyclical increase in commodity prices. As a result, the country's fiscal deficit narrowed to 1.8% of the GDP, its lowest ever since 2012. This was partly also a result of the sluggish government capital budget spending, with the spending decreasing ~2% in the March 2019 quarter, from the same period in 2018¹⁰. Against this backdrop, the government is continuously trying to improve upon the quality of government spending, by increasing focus on programmes/activities that are economically productive. Given the inadequate infrastructure services in the country, government spending on infrastructure development continues to remain one of the key priorities of the government. Thereby, the government of Indonesia has set the 2020 fiscal revenue and spending growths of 9% and 8%, respectively, from 4% and 6% in 2019 (based on the new Outlook).

¹⁰ Source: World Bank Indonesia Economic Quarterly, June 2019.

As is evident from the table below, the total realization of the budgetary ceiling for MPWH has averaged at 90% for the years 2018 and 2017, with the realization for the DG of Housing Provision and Housing Finance being a high 95%.

Table 6 MPWH budget realization: 2017 and 2018¹¹

Organizational Unit	2018 – Realization (IDR billion)	2018 – Realization (%)	2017 – Realization (IDR billion)	2017 – Realization (%)
MPWH	103,185	89.35%	96,922	91.24%
DG of Housing Provision	9,541	95.51%	7,686	94.31%
DG of Housing Finance	239	94.05%	211	89.23%

In the draft 2020 APBN, the total infrastructure spending stands at IDR 419.2tn, a 4.9% YoY growth compared to the 2019 new outlook (+1.0% to 2019 APBN) or accounting for 96.4% of budget realization. Reflecting the increased commitment of the government to spend on infrastructure development, MPWH's budget ceiling for 2020 has been proposed at IDR 120.21 trillion, a ~21% growth from the 2019 budgetary ceiling¹². Of this, ~ IDR 8.5 trillion has been allocated for the DG of Housing Provision/DG of Housing Financing. Assuming a similar realization rate for the budget ceiling for 2019 and 2020, a preliminary conclusion can be arrived upon the adequacy of budgetary support to meet the possible payment obligations for this project, under its budgetary ceiling. However, it is recommended that the same be analyzed in detail during the OBC stage. Refer to the tables below for details:

Table 7: Infrastructure Budget in State Budget 2014-2020

	2016	2017	2018	2019		2020
	APBN	APBN	APBN	APBN	Outlook	RAPBN
Economic Infrastructure	307.1	390.3	396.5	399.1	384.8	405.2
Ministry of Public Works And Housing	94.7	101.5	104.7	101.7	97.0	120.21

Table 8: RAPBN 2020 Posture (in IDR Trillion)

	2016 Realizations	2017 Realizations	2018 Realizations	APBN 2019	1H 19 Realization	Outlook 2019	RAPBN 2020
A. Revenue and Grant	1558	1666	1943.76	2165.11	898.76	2030.84	2221.50
1. Domestic Revenue	1546.8	1654.7	1928.2	2164.7	898.0	2029.5	2221.0
2. Grant	9	11.6	15.6	0.44	0.73	1.34	0.50
B. Expenditure	1864.0	2007.4	2213.0	2461.1	1034.5	2341.7	2528.8
1. Central Government Expenditure	1153.7	1265.4	1455.2	1634.3	630.6	1527.3	1670
2. Transfer to Region and Village Fund	710.3	742.0	757.8	826.8	403.9	814.4	858.8

¹¹ Performance Reports, MPWH, 2017 and 2018

¹² Source: MPWH <https://www.pu.go.id/berita/view/17382/pagu-anggaran-tahun-2020-sebesar-rp-120-21-triliun-pembangunan-infrastruktur-dasar-permukiman-menjadi-prioritas-kementerian-pupr-bagian-3>

	2016 Realizations	2017 Realizations	2018 Realizations	APBN 2019	1H 19 Realization	Outlook 2019	RAPBN 2020
C. Primary Balance	(125.4)	(124.5)	(11.2)	(20.1)	(1.0)	(34.7)	(12.0)
D. Fiscal Surplus/Deficit (A-B)	(304.2)	(341.0)	(269.3)	(296.0)	(135.8)	(310.8)	(307.3)
As a % of GDP	-2.48%	-2.53%	-1.81%	-1.84%	-0.84%	-1.93%	-1.76%

Source: MANDIRI Investor Digest August 2019

5.3. Other potential revenues

The private developer will undertake mixed use development of project in terms of residential and commercial Real Estate.

The *retail and allied assets* could include:

- School and Colleges
- Health care centers such as General Hospital, Specialty Hospitals, and Medical Stores etc.
- Grocery Stores
- Discount stores for people with people with low spending ability
- Leisure facilities such as Club House including Gymnasium, Banquet halls to be given on rent for special occasion
- Place for Relaxed sitting of people, Parks for walking etc.

The *commercial assets* could include:

- Office space, co-sharing working facilities to encourage walk to work for services such as banks, financial institutions, travel agencies
- Factory outlets for large-scale garment factories
- Shops of non-trademarked products such as boutiques of local designers, accessories, clothing etc. arising from individual designers and young entrepreneurs
- Shopping Mall, Multiplex and combination of both
- Café terrace seating and al fresco dining around
- Large recreational gathering structures such as amphitheaters or stage areas for local civic events
- Pay and park facilities

The private developer will be fully in control of these facilities and will derive charges linked to market rates.

5.4. Nature of government support

- In the implementation of proposed PPP option, the private sector will bear the demand risk for the premium/commercial aspect of housing. However, in case of affordable housing stock, the government will typically allot the housing units to beneficiaries. In turn, government will levy subsidized leases payments from allottees. In cases wherein the returns from the cross-subsidized portion of the facility are insufficient, the public sector can also explore providing viability gap funding to the private sector, in accordance with the extant regulations in Indonesia.
- The support in form of viability gap funding, will also reduce capex cost for the private sector.

- MPWH will also assist Business Entity/Investor in procurement of applicable licenses and permits relating to Entity Incorporation, Environmental permit, Location permit, design certifications, relevant approvals for VGF, Availability payment (if any), Land, Rent agreement etc. for project implementation of the Ujung Berung Housing Supply project according to Law and regulations.
- Further, MPWH will provide annuity payments to the private developer for the maintenance of the affordable housing units.

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6. Recommendation and follow-up plan

6.1. Recommendation on the form of PPP

The PPP structure recommended for the affordable housing facility at Ujung Berung is the mixed-use development model, given the following advantages of the model:

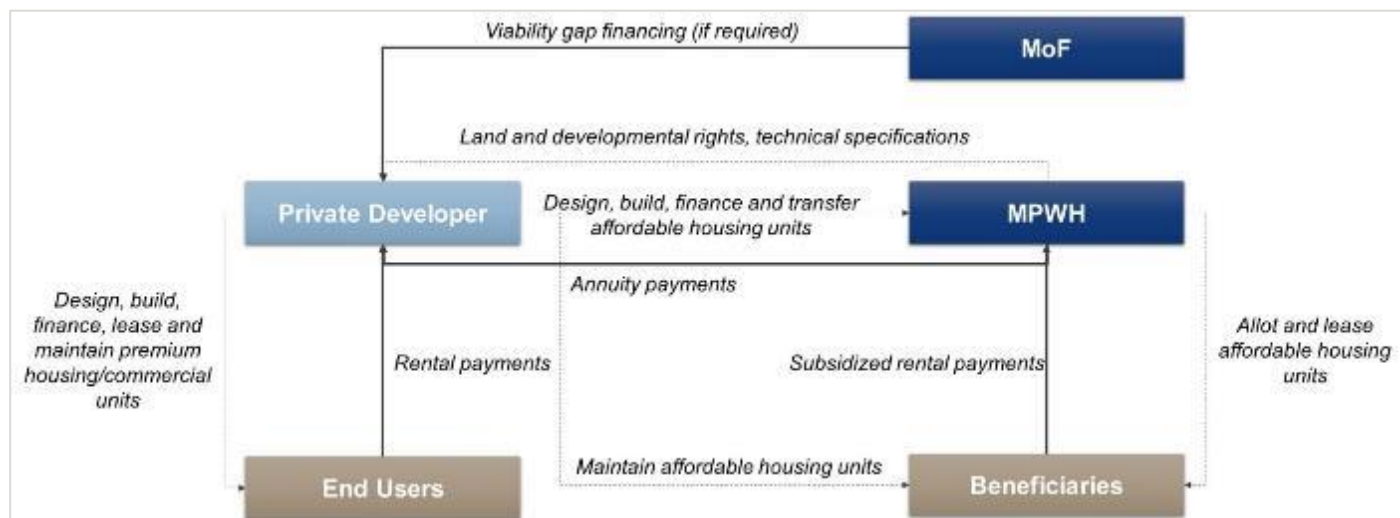
- Provision of premium housing/commercial units allows for private sector to be compensated without high incremental budgetary pay-outs.
- The private sector can be made responsible for the design, construction and maintenance, thereby increasing value creation for them.
- Can be structured appropriately, to ensure private sector risks are adequately compensated, to make the project attractive for private participation.

The salient features of the proposed PPP structure will include the following:

- The housing facility will be built on land owned by MPWH as the GCA, which will be provided to the private developers at no charge. The applicable FSI for development at the subject site will be determined during the OBC stage.
- MPWH will provide development and land use rights and all relevant permits to the private developer, for the construction, marketing and sale of the residential and commercial property within the parcels identified in the master plan.
- MPWH will define technical specifications, including a minimum number of affordable housing units to be built (or maximum floor space area for the premium housing and commercial units), configuration/size requirements (if any), delivery schedule and minimum service standards.
- The private developer will design a master plan for the site, based on stipulations provided by MPWH.
- The developer shall construct and commission the housing and commercial units and onsite infrastructure, and will be responsible for the marketing and sale of premium housing/commercial units on a lease rental basis.
- The developer will hand over affordable housing units to MPWH at no charge, for distribution to beneficiaries.
- MPWH will identify and allot housing units to beneficiaries and ensure complete hand-over of the housing unit to the identified beneficiaries.
- The developer will be responsible for undertaking management and operations of the housing/commercial units and onsite infrastructure, for a period of 30 years (tentative) from the date of commissioning.
- For the management and operations portion, the private developer can collect a fixed maintenance fee from the premium housing and commercial units, while MPWH will provide maintenance payments on behalf of the affordable housing tenants, by way of annuity payments.
- MPWH and/or the Government of Bandung will be responsible for providing or upgrading the trunk infrastructure for the project site.
- The beneficiaries will make rental payments for the affordable housing units directly to MPWH.
- Depending on the development mix proposed and agreed, GOI could also look at providing viability gap financing, if returns from the lease of premium housing/commercial units is insufficient to provide adequate returns to the private developer.
- The key bidding parameter for this structure could be the maximum built up area of the premium housing/commercial units that the developer proposes to build.

The figure below provides a diagrammatic representation of the proposed project structure:

Figure 5 Recommended PPP structure



Source: CRIS analysis

6.2. Recommendation on the main criteria of the business entities for procurement

In this section, indicative criteria for evaluation of a suitable private developer for the affordable housing facility at Ujung Berung is detailed, based on prevailing practices in Indonesia and international procurement. These criteria will be revalidated at the OBC stage, and include administrative aspects, technical experience and financial qualification requirements.

Administrative Criteria

- The company is a legal business entities and has a valid legal license to undertake business activities.
- The company is not affiliated to the GCA (MPWH), or the Government of Bandar Lampung City.
- The company has not been blacklisted for fraudulent practices by any public authority as on the date of the RFP.
- Proposal(s) in consortium or Joint Venture to not be allowed/accepted.

Technical Criteria

- The company should have development and/or construction experience in the residential and commercial development sector with a minimum built up area of one million square meters in the last five years, and the project should be in successful operations phase, post completion of construction.
- The total value of each eligible project should be at least IDR 750 billion.
- For each eligible project, the company claiming construction experience should have been appointed as a contractor (either as principal contractor or as a consortium partner in the main contract) directly by the GCA developing such project.

Financial Criteria

- The company must have a net worth of IDR 600 billion or more, for the previous financial year.

- Average annual net cash accruals of the company for the preceding three financial years should be at least equal to IDR 150 Bn.
- The company should have a healthy balance sheet, and not incurred any cash losses for the preceding three financial years.

6.3. Schedule of preparation and PPP transaction facility

The figure below provides an indicative project development and transaction schedule:

Table 9 Indicative project development and transaction schedule

Activity	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Preliminary study						
Outline business case						
Full business case						
Pre-qualification completion						
Request for proposal completion						
Bid award						
Signing of PPP agreement						
Financial closure of project						
Commencement of Construction						