

# Updated rules on granting government guarantees in infrastructure sector

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## Introduction

### What will the guarantee cover?

### Extensions

### Credibility

## Introduction

Ministry of Finance Regulation 95/PMK.08/2017 was issued and took effect on July 19 2017 in order to implement Regulation 50/2016 on the amendment of Regulation 35/2009, which provides for the establishment of state-owned infrastructure guarantee corporations (BUPI). The only BUPI established to date is the Indonesia Infrastructure Guarantee Fund.

As mandated by Article 2 of Regulation 50/2016, Regulation 95/PMK.08/2017 sets out more detailed provisions on government guarantees for infrastructure projects, as well as the nature and scope of, and procedures governing, such guarantees.

## What will the guarantee cover?

A guarantee provided by a BUPI may cover infrastructure, political and default risks, among others. The earlier Regulation 260/PMK.011/2010, as amended by Regulation 8/PMK.08/2016, also covers:

- infrastructure risks caused by the government or a project manager – a 'project manager' is:
  - a minister or head of a government institution;
  - the head of a local government; or
  - a state or local-government enterprise;
- infrastructure risks caused by a policy of the government or a project manager;
- infrastructure risks caused by a unilateral decision of the government or a project manager;
- and
- breach of contract by the government or a project manager.

## Extensions

An extension of a BUPI guarantee may be proposed to the Ministry of Finance or the BUPI by:

- a minister or head of a government institution;
- the head of a local government; or
- a state or local government enterprise.

The proposal must state which partnership scheme will be employed for the purpose of the infrastructure project and any anticipated risks. The following documents must be provided:

- the project's financial scheme;
- the final draft of the infrastructure project contract;
- a risk mitigation plan; and

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- any other documents as required.

## **Credibility**

To maintain the credibility of its guarantees, a BUPI must:

- invest its assets;
- maintain adequate liquidity;
- maintain adequate capital; and
- conduct proper risk management.

A BUPI must also submit regular reports on its operations to the Ministry of Finance.

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