

Risk Threats in a Creative Funding Scheme for Infrastructure Project in Indonesia: Cileunyi – Sumedang - Dawuan Toll Road Project Case

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ABSTRACT

A creative solution to financial gap in Indonesian infrastructure development is the Public Private Partnership (PPP) scheme. One of the constraints in PPP implementation in toll road infrastructure is the lack of interest from the private sector, which are caused by the uncertainties defined as risks surrounding the project. This urges the importance of risk analysis on project investment to describe the measurement of risk allocated to the private sector. This paper aims at measuring the risks impacts on the project viability using Cileunyi – Sumedang – Dawuan (Cisumdawu) Toll Road section as the case and finding some creative way out. By employing Monte Carlo risk analysis technique we are able to measure the risk impact perceived by the private sector through probability distribution of the project NPV and IRR. Based on the result of Monte Carlo analysis on the Cisumdawu toll road, the overall risk impact perceived by the private sector is too much to bear. The risks considered as high-impact are risks on land acquisition, risks on construction, risks on toll revenue, risks on interest rates and disaster risks on post construction phase. The result shows the importance of decreasing the risk level on the mentioned risk that can be done through the increased participation of local government in managing the toll road projects. A creative solution again is needed to strike balance between the interest of private sector and that of public sector to deal with risks.

Keywords: *toll road, investment risks, Monte Carlo simulation, local government participation*