



## MINISTRY OF FINANCE OF THE REPUBLIC OF INDONESIA FINANCIAL EDUCATION AND TRAINING AGENCY

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# Foreword

Chairman of Financial Education and Training Agency and Acting President  
Director of the Educational Fund Management Institution, the Ministry of Finance

Infrastructure development plays a vital role in social and economic growth in any emerging nation. It encompasses the improvement of essential physical structures, systems, and facilities that support the functioning of society and the economy. By investing and maintaining a robust infrastructure system, countries can create enabling environments that attract investments, fosters innovation, and promotes sustainable economic growth.

Acknowledging the crucial role of infrastructure in fostering competitiveness and facilitating development across the nation, Indonesia's President Joko Widodo has made infrastructure development his top priority agenda. One of his notable policies is issuing the National Strategic Projects (Proyek Strategis Nasional, PSN) scheme. The government initiated the PSN scheme as one of the strategic steps to accelerate the fulfilment of essential infrastructure requirements to support economic growth and improve people's well-being.

### Introduction to the National Strategic Projects Scheme

The PSN scheme, first signed on 8 January 2016, through Presidential Regulation Number 3 of 2016, is a project or programme implemented by the government, regional governments, and/or business entities that have strategic significance for promoting growth and equitable development, with the aim of improving the welfare of society and regional development. The inclusion of a project in the PSN list requires a thorough evaluation of proposals by the Committee for the Acceleration of Priority Infrastructure Provision (KPPIP) based on three criteria: basic, strategic, and operational. By being selected as a National Strategic Project, an infrastructure project will gain numerous advantages. However, the implementation of the PSN scheme is not without its challenges.



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To provide a comprehensive introduction to the PSN scheme, Chapter 1 has been dedicated to exploring the background of the PSN scheme, the criteria for national strategic projects, advantages of being listed as a national strategic project, the cumulative progress achieved from 2016 to 2022, followed up with pertinent issues that need attention for the continued success of the PSN scheme.

### PSN Development in Indonesia and Case Studies of 20 Completed PSNs

Since its establishment from 2016 to December 2022, a total of 153 PSNs have been successfully completed with an investment value surpassing Rp1,040 trillion. The construction progress of the PSN scheme across different sectors has made a substantial contribution to infrastructure development in Indonesia. It has generated a wide-ranging multiplier effect with social and economic implications. These projects have contributed to improving regional connectivity and economy. Notable achievements include the operation of the first mass rapid transit (MRT) in Indonesia, the expansion of the rail network, the construction of dams, the expansion of toll roads, and the implementation of drinking water supply.

As we dig into the development of PSNs in Indonesia, the chapters will first explain the needs of infrastructure development, highlight the importance of economic and social infrastructure development, present a literature review on national strategic projects, and provide an in-depth overview of the benefit and impact of PSNs.

Chapter 3 will provide in much greater detail, accompanied with photo illustrations, 20 selected PSNs. These PSNs have been clustered into three distinct groups: connectivity economic infrastructure, non-connectivity economic infrastructure, and social infrastructure. Connectivity economic infrastructure focuses on enhancing the economy by improving the mobility of people and goods. Non-connectivity economic infrastructure aims to stimulate economic activities aside from transportation. Social infrastructure refers to projects that contribute to the well-being of people.



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The PSNs were chosen to represent diverse regions across Indonesia (spanning from Sumatra to Papua) and showcase innovative financing approaches (such as SPAM Umbulan), as well as breakthrough solutions to existing challenges (as demonstrated by the Benowo waste-to-energy plant). The chapters will explore the history and background of the selected PSN projects, the urgency of each project, the cost and financing schemes, project implementation, challenges faced, and the benefits these projects have on society, both in terms of economic and social aspects. It is hoped that the stories in this book, which are presented in a lighter format than the first book, can serve as an effective illustration of the distribution of social and economic infrastructures throughout Indonesia.

### **Appreciation to ERIA, KPPIP, and the Ministry of Public Works and Housing support**

On behalf of the Financial Education and Training Agency (FETA), I would like to thank the Economic Research Institute for ASEAN and East Asia (ERIA), for its invaluable support and contribution to the publication of this book. We would also like to extend our deep appreciation to Fauziah Zen for her role as ERIA's representative in the collaborative work between FETA and ERIA. In addition, I thank the KPPIP and the Ministry of Public Works and Housing for their support in providing data and facilitating discussion regarding each PSN case study. Finally, let me express our gratitude toward everyone who has been involved in documenting knowledge about PSN.

We hold that this book and the first book that explains Indonesia's strategy to achieve inclusive development through the National Strategic Project scheme, will serve their purpose to showcase the importance of infrastructure development for a developing country.

Chairman of Financial Education and Training Agency,  
Ministry of Finance

**Andin Hadiyanto**