

A thick black L-shaped frame surrounds the text. The top-left corner is a horizontal bar extending to the right, then a vertical bar extending downwards. The bottom-right corner is a horizontal bar extending to the left, then a vertical bar extending upwards.

STUDY ON PUBLIC  
PROCUREMENT SYSTEM  
FOR JCM PROJECT

# To achieve sustainability and replication of JCM Project Model

- To achieve JCM sustainability, it is necessary to promote widely JCM project model in cooperation with public organization, namely with central and regional/local government institutions beside to promote JCM project cooperation with private sector.
- Project model in collaboration with governmental Institution or regional government, can be as **PILOT PROJECT** for other local areas, hence, making it possible to replicate JCM project models further, not only to other government institution and regional government but also to other private sectors. JCM project is cost sharing-project, so alternative source of funding for JCM project counterpart fund can be from Indonesia State Budget.

## KEY FINDINGS:

### in the application of the JCM projects which plan to use counterpart fund from Indonesia state budget

- Since August 2013, when Bilateral Cooperation on the Joint Crediting Mechanism for Low Carbon Growth Partnership between the Republic of Indonesia and Japan was signed, there are 29 JCM Model projects Indonesia. All of them are JCM model project in collaboration with private sectors (business to business cooperation)
- There are several cooperation projects with the (regional) government that plan to use JCM scheme, among others, as mentioned in below table of Plan of JCM Project for Cooperation with Government, but these projects have not been able to continue due to the unavailability of the rupiah counterpart fund after JCM project are approved by the government of Japan. So, in this case, there is mismatch budget cycle between Indonesia State Budget and JCM cycles

## KEY FINDINGS:

### in the application of the JCM projects which plan to use counterpart fund from Indonesia state budget

- The other obstacle in the JCM project that will use Rupiah counterpart fund from state budget as part of funding is in the spending of the rupiah its self or procurement system. In City to city Bandung-Kawasaki projects, it is found that even Rupiah counterpart fund is to be available for the project, but procurement system for spending Rupiah counterpart fund sources from state budget must follow Indonesia Government Regulation.
- JCM scheme, as Japan initiative cooperation, promotes City to City cooperation. In this scheme, the city stakeholder from Japan also promotes the industries or manufacturers domicile or locate in that city, hence, in the JCM proposal to MOEJ certain industries or manufacturers or certain product brand has been determined before. So, this predetermined certain manufacture or brand creates problem in the procurement for spending Rupiah counterpart sourced from state budget.

## Key Findings:

# JCM Projects planned to use Indonesia (Regional Local) State Budget

Name of JCM Project planned to use Rupiah Counterpart Fund from State Budget	Problem
Bandung-Kawasaki City to City Project:	
Bandung Led Street Lighting project	Mismatch Budget cycle & procurement
Bandung Bio-digester project	procurement
Batam-Yokohama City to City Project	
Batam Hang Nadim Air Conditioning Project	Mismatch Budget Cycle
Rooftop Solar PV Project	
Semarang – Toyama City to City Project	
Solar PV Project	Mismatch Budget Cycle
CNG Kit for BRT Bus Semarang	Mismatch Budget Cycle

## KEY FINDINGS:

in the application of the JCM projects which plan to use counterpart fund from Indonesia state budget

**1. Mismatching budgeting plan cycle**

**2. Difference in Procurement System**

## Key Findings:

### 1. Mismatching budgeting plan cycle:

- Rupiah counterpart fund just can be proposed for Indonesia State Budget Plan after JCM Feasibility Study and/or project model proposal is approved by Japanese Government (Ministry of Environment of Japan/MOEJ).
- This will lead to the availability and utilization of rupiah counterpart fund from state budget to be late one year, hence, resulted in the model project might be cancelled or not accepted

## *Key Findings:*

### 1. Mismatching budgeting plan cycle:

- Batam-Yokohama City to City Project
- *Hang Nadim-Batam Air Conditioning Project*
- Chronology:
- August 2015: Beginning of Feasibility Study (F/S) City to City Yokohama – Batam
- January 2016: F/S recommended Hang Nadim Air Conditioning Project under City to City Yokohama-Batam to be proposed as JCM project.
- **March/April 2016:** JCM Japanese Participant and Consultant submitted the Batam JCM project proposal to Ministry of Environment Japan
- **June 2016:** Hang Nadim Batam Air Conditioning Project proposal was received by MOEJ and become one of project candidate
- **July 2016:** The Batam JCM project get approval for JCM subsidy
- August 2016: Japanese Partner Participant informed by Indonesia Partner that counterpart fund of the project is not in the 2016 State Budget (Rupiah Fund is to be available in 2017)
- September 2016: Japanese Partner Participant informed to MOEJ side regarding timing for the proposal and the unavailability of counterpart fund for 2016 project. MOEJ, then, excluded Batam JCM Project from 2016's JCM List as it is impossible to implement in the fiscal year 2016.
- March – April 2017: Japanese partner participant re-submit the project proposal for JCM subsidy.
- May -June: 2017: It was announced that Batam JCM project accepted by MOEJ



## Key Findings:

### 1. Mismatching budgeting plan cycle

(In case for one year period-project)

- In accordance with the JCM's Call of Proposal given by MOEJ, the process of proposal submission, project selection, and implementation of JCM Project (Supply, Construction/ Installation as well as invoicing & payment) is to be done within one Japanese fiscal year (April up to March). The proposal submission and project selection themselves may occur twice in Japan (May-June and September-December).
- In the other hand, to have counterpart fund from state budget, the proposal submission and approval process of Indonesia state budget (APBN/APBD) occurs in the current year (January – December), it means that the project implementation (Expenditure/Tender, Supply, Construction/ Installation) can only be done in the following (next) year.  
→ There is mismatched budget process cycle.

## Key Findings:

### 2. Difference in Procurement System

- JCM Financial support is just given to the consortium through a Japanese representative participant in the form subsidy
- The JCM call proposal may accept “low carbon technology manufacture or brand” in the JCM proposal

In other side:

- Rupiah counterpart fund from Indonesia State Budget (APBN/APBD) is proposed separately and thus, cannot be incorporated into one budget item with the JCM financial support
- Rupiah (counterpart fund) from State Budget must be spent in accordance with the Presidential Regulation No. 54, 2010 (Perpres 54/2010)
- Based on Perpres 54/2010, Rupiah counterpart fund cannot be spent in a procurement package in which the manufacturer or brand of low-carbon equipment/goods or services has been determined previously (by Japanese Partner Participant). Suppliers and manufacturers or brands of the equipment/goods will be selected and determined in the procurement.

***Recommendations:  
Adjustment JCM project proposal submission  
into state work-plan & budget cycle***

- In order to facilitate JCM Project that uses state budget as counterpart fund, then this JCM project - approved by the Japanese government in the current year (June) and also approved for its rupiah counterpart fund from Indonesia state budget in December of the current year - is suggested to be re-proposed and follow again the selection of the Government of Japan (MOEJ) as the next year's project model.
- So, project implementation can be started in the following (next) year in accordance with availability of rupiah state budget which shall be disbursed within Indonesia one fiscal year (January – December).

Or, approval by the Japanese government in the current year (June) could be as preliminary approval of JCM project proposal subject to confirmation of counterpart fund from Indonesia state budget approval (in December). So that, it is necessary 2 (two) fiscal years to proses JCM project which planned to use rupiah counterpart from state budget.

**Recommendations:  
Adjustment JCM project proposal submission into state work-plan & budget cycle (simulation)**

Month	Activity
January	Preparation of JCM corporation between Japanese and Indonesia Participant (for example signing MOU) → Indonesia and Japan
February	<ol style="list-style-type: none"> <li>1. Preliminary Term of Reference: project description and indicative budget of JCM Project (indicative Total budget and Rupiah Counterpart Fund)</li> <li>2. Start making Detail JCM project proposal/Detail TOR/JCM In-House Feasibility Study → in Indonesia and/or Japan</li> </ol>
March	Making Detail JCM project proposal/Detail TOR/JCM In-House Feasibility Study in Indonesia or Japan
April	Announcement of JCM Call for proposals → in Japan
May	Submission proposal
June	<ol style="list-style-type: none"> <li>1. Submission Work Plan and Budget by Indonesia participant (final budget plan) → in Indonesia</li> <li>2. Selection of model projects → in Japan</li> <li>3. Information session for participants of selected projects → Japan</li> </ol>
July	

**Recommendations:**

***Adjustment JCM project proposal submission into state work-plan & budget cycle (proposed countermeasures)***

July	
August	
September	
October	Information on Rupiah Counterpart Fund budget approval
November	Preparation on Budget Execution Document (DIPA) Draft by Ministries → Indonesia
December	Approval Budget Execution Document → Indonesia
January	
February	
March	
Next Japan Fiscal Year	
April	Announcement of JCM call for proposals → Japan
May	Re-submission (re-propose) of proposal for JCM project → Japan
June	<ol style="list-style-type: none"><li>1. Selection of model projects → in Japan</li><li>2. Information session for participants of selected projects → Japan</li><li>3. Start of Project Procurement → in Indonesia and/or Japan</li></ol>
July	

## ***Recommendations: Adjustment JCM project proposal submission into state work-plan & budget cycle (proposed countermeasures)***

Notes on official foreign assistance project in cooperation with the government:

- In accordance to Government Regulation PP10/2010, (as required in the Grant aid agreement or MOU), the Ministry are required to provide counterpart fund for the implementation from the state budget. In the case of Central Government activity, the Implementing Ministry and the Ministry of National Planning plan the project of foreign assistance or grant aid related project and then include them in the Government/Ministry Working Plan and draft budget, and List of Grant Activity Plan of Ministry of National Planning (DRKH).
- In case foreign assistance to Regional/Local Government, Head of Region (Governor or Major or Head of District) must submit draft of agreement or Memorandum of Understanding to Ministry of Home Affairs (MOHA) where MOHA will get involvement of other related Ministry/Institution for having other consideration.
- In case of SISTER cooperation (Province to Province, City to City cooperation), MOHA will submit the agreement/MOU to State Secretary to get governmental approval. Based on the governmental approval, Minister of Foreign Affairs or authorized Institution who get full power from MOFA signs the MOU.

## Challenges in adoption of Indonesia Procurement System (Perpres 54/2010) by JCM scheme

- Procurement of good/service for spending Rupiah counterpart fund must be in Indonesia
- Perpres 54/2010 required not to specify certain brand or manufacturer before procurement, while certain brand, manufacture of low carbon technology equipment and/or system might be pre-determined by Japanese partner
- Perpres 54/2010 has no country preference, so the procurement shall allow the supplier of goods sources from the countries out of JCM scheme preference (other eligible countries)

***Recommendation:  
Application of Indonesia Public Procurement System in JCM  
Project Procedure***

- For JCM project using Rupiah Counterpart fund from state budget (APBN/APBD), it is suggested “to procure Low Carbon Technology goods by using Indonesia procurement system” or based on Presidential Regulation No. 54, 2010
- Rupiah counterpart fund will be utilised to pay unsubsidized expenses of cost of the goods



## ***Recommendation: Application of Indonesia Public Procurement System in JCM Project Procedure***

→ → As to use Indonesia procurement system then:

- In the F/S or proposal stage before submission budget draft by Indonesia participant (as Indonesia Executing Agency of the project), it is necessary to propose the specific need of the project in advance and to check whether the procurement can be accommodated by regulation Perpres 54/2010 or there are rules that could be harmonised.
- The specific needs include the Low Carbon Technology Specification to be used, the price estimate of good, allowable of discounted price offer, allowable Japanese content, etc. This specific need must be included in term of reference (or f/s) of the project as part of working plan and budget draft of Indonesia participant, so that when the state budget is approved, the specific need can be as requirement to implement the harmonized procurement and/or stipulated in the harmonized tender document.

## ***Recommendation: Application of Indonesia Public Procurement System in JCM Project Procedure***

→ To be prepared far in advance →

Agreement/MOU is to mention “harmonisation on procurement system:

As it is possible for harmonisation of the articles for Provision on Procurement of Good/ Service which funded either partly or wholly from Foreign Loan/Grant (PHLN). It is suggested that the necessity of harmonisation can be exercised far in advance, and it can be included in Umbrella Cooperation (Bilateral Cooperation on the Joint Crediting Mechanism) and/or Memorandum of Understanding (like City to City MOU or other typed individual MOU).

For example:

- In Umbrella cooperation of JCM: For the JCM project used Rupiah counterpart fund from Indonesia State Budget, Indonesia Procurement System (Perpres 54/2010) is to be applied
- In City to City MOU/Individual MOU: the specific rules of Indonesia Procurement system (Perpres 54/2010) can be harmonised in order to obtain low carbon technology

## ***Recommendation: Application of Indonesia Public Procurement System in JCM Project Procedure***

- Harmonisation in tender document:
  - The tender document in Indonesia procurement system is to allow the supplier candidate to offer the discounted price (for example 50% or 40% or 30% of contract price in accordance with the JCM Subsidy) → to encourage JCM-eligible Japanese supplier of low carbon technology to join the procurement
  - The tender document in Indonesia procurement system is to allow some percentage of Japanese content as there is Japanese subsidy
  - Low Carbon Technology Specification to be more specified

## Illustration in case Indonesia Procurement System process is applied and suggestion for steps to be done by Japanese proponent

	PROCESS OF PROCUREMENT SYSTEM (Perpres 54/2010)	TO BE DONE BY EXECUCUTING AGENCY/INDONESIA PARTNER	TO BE DONE BY JAPANESE PROPONENT	TO DONE BY JAPANESE SUPPLIER OR MANUFACTURER
1	Proposal	Program and project is referring to Gov. Plan (RPMJ and RKP) (January or before)	Proposing JCM Project by introducing Low Carbon Technology (January of before)	
2	MOU	Sign MOU	Sign MOU	
3	Preparation TOR (FS) and Budget	Discuss Technology & Specification to be used and budget (January of before)	Discuss: 1. Technology & Specification to be used and budget; 2. Plan for Procurement and harmonisation of tender document (January or before) (In June: JCM Project is approved)	
4	Approval of Budget	Procurement Preparation (October- December)	Procurement Preparation (October -December)	
5	Procurement Preparation	Determination Unit Procurement Service (ULP) /Tender Committe (December or before)		

## Illustration (continued)

	PROCESS OF PROCUREMENT SYSTEM (Perpres 54/2010)	TO BE DONE BY EXECUTING AGENCY/INDONESIA PARTNER	TO BE DONE BY JAPANESE PROPONENT	TO DONE BY JAPANESE SUPPLIER OR MANUFACTURER
6		1. Planning of Procurement 2. Preparation Tender Document (December or before)	Confirmation on Specification and harmonisation of tender document	
7		Tender Announcement – Pre-qualification (January or before)		Apply Pre-qualification with Local Partner
8		Evaluation of Pre-qualification (pass and fail system)		Pass and Fail Pre-qualification
9		Bidding Announcement		Submission of Bidding Document
10		Evaluation on Technical Proposal		Pass or Fail Technical Proposal

## Illustration (continued)

	PROCESS OF PROCUREMENT SYSTEM (Perpres 54/2010)	TO BE DONE BY EXECUTING AGENCY/INDONESIA PARTNER	TO BE DONE BY JAPANESE PROPONENT	TO BE DONE BY JAPANESE SUPPLIER OR MANUFACTURER
11		Opening of Bid Price		The lowest Bidder will be winner
12		Contract Preparation	Re-proposed JCM Project (April-June)	Contract
13		Project Implementation	Project Implementation	Delivery, Project Implementation
14		Payment (December is last payment for the current year)		Invoicing of unsubsidized amount of the contract price

## ***Recommendation: Application of Indonesia Public Procurement System in JCM Project Procedure***

### **Recommendation to Japan Government**

- Project model in collaboration with Central or regional government, for example, can be as pilot project for other local areas, hence, making it become possible to replicate JCM project models further, not only to Central and regional government but to other private sectors. So, it is suggested to consider as GRANT for the portion low carbon technology from Japan for the JCM project planned to be in collaboration with central and/or regional/local government. In case it is required rupiah counter fund from state budget for this JCM project, then it can be used to procure additional or supporting low carbon technology equipment under Indonesia procurement system.



**TERIMA KASIH**