Cross Work Units to Handle PPP in Transportation Sector

NPPA Ready to Be Procurement Institution Government Business Partner

Key to PPP Success: Strengthening Institutional Framework
Infrastructure plays an important role as one of the driving wheels of economic growth to accelerate national development. Financing effectiveness and creating project added value become the basis for optimizing the availability of infrastructure development funds in Indonesia. In addition, some successful keys of infrastructure development lies on the development planning, the right institutional management and effective cooperation.

Project planning is one of the key roles to create a successful infrastructure development. The optimum benefit of a successful infrastructure is the infrastructure itself, accessible infrastructure for the communities, and benefits provision for the private sector involved.

In order to develop the institutional framework, the Government has attempted various breakthroughs to support the implementation of the Public Private Partnerships. One of which is the new presidential regulation as a replacement of Presidential Regulation number 67, which is the Presidential Regulation Number 38 year 2015 on Public Private Partnership (PPP) in the Provision of Infrastructure.

To support the PPP implementation, the government had established several institutions, such as the National Committee for the Acceleration of Infrastructure Provision (KKPPI) which has been revitalized by Presidential Regulation Number 12 year 2011. Then it was renewed by the Presidential Regulation Number 75 year 2014, on the Committee for the Acceleration of Priority Infrastructure Provision (KPPIP). Meanwhile, PT Sarana Multi Infrastructure (SMI), PT Indonesia Infrastructure Finance (IIF) and the Indonesia Infrastructure Guarantee Fund (IIGF) have also fully operated, each as the financing instrument and infrastructure development guarantee through PPP scheme.

There is an idea that the PPP regulation should be enhanced and become a law, thus there will be no more sectorial ego and the PPP implementation could be optimized. In addition, PPP implementation could be improved by increasing the competency of institution and human resources who handle PPP.

The Government needs to support the establishment of PPP nodes in ministries / agencies and regions. It is expected that by enhancing the institutional framework could leads to infrastructure acceleration. (*)
REPORTAGE

PPP’s Success in South Korea Starts from PIMAC

Public and Private Infrastructure Investment Management Center (PIMAC) is an institution with technical function to carry out Public Private Partnership (PPP) in South Korea. Through PIMAC, South Korea succeeded in applying PPP.

HEADLINE NEWS

Institutional Framework in Public Private Partnership (PPP)

Considering the importance of business entity’s role in the infrastructure development, the government has provided facilities for the business entity to participate in the infrastructure development through Public Private Partnership (PPP) scheme.

HEADLINE NEWS

Cross Work Units to Handle PPP in Transportation Sector

Public Private Partnership (PPP) scheme in Transportation sector is not a new thing. Since 10 years ago, the Ministry of Transportation has started to try PPP scheme for the development of ports and airports.

REPORTAGE

Institutional of Nambo TPPAS Ensures Synergy of Four Governments

Final Waste Disposal and Processing Site (TPPAS) Nambo Region, Bogor Regency, West Java, is one of the three TPPAS in West Java Regional Area.

EDUCATION

Require Institutional to Ensure PPP Project Run in the Region

The establishment of Presidential Regulation Number 38 year 2015 on Public Private Partnerships has facilitated the provision of infrastructure.

FIGURE

Enhancing PPP Procurement System

Improving the human resources competency is the key to a successful PPP implementation.
The business entities play an important role in infrastructure provision, therefore the Government provided several facilities to ensure their participation in PPP scheme. In line with the Government’s action to stimulate the economic growth, PPP could be the alternative option to resolve the continuous increase of the investment needs. One of the efforts made by the government to speed up and encourage the provision of infrastructure through PPP scheme is by making improvements to the regulation by issuing Presidential Regulation Number 38 year 2015 concerning Public Private Partnership in the Provision of Infrastructure. The presidential regulation defines PPP as the cooperation between government and business entity in infrastructure provision for the public interest in accordance with the specification previously determined by the Minister / Heads of the Institution / Head of Region / SOEs / ROEs, which partially or fully uses the business entity’s resources, with particular regard to the risk allocation between the parties.

One of the aspects in supporting the successful implementation of the whole PPP project is the PPP institutional framework. Strong institutional framework could be achieved if the parties have carried out their roles and obligations. In this case, the institutional organization is a set of system of interrelated elements which interact one another in an effort to achieve the success of PPP project. Institutional framework in the PPP implementation phase consists of Government Contracting Agency (GCA), PPP Node, PPP Team and Procurement Committee. Each organization has interrelated roles and responsibilities.

GCA is the Minister / Head of the Institution / Regional Head, or SOEs / ROEs as the executing agency. Minister / Head of the Institution here is head of the ministry / head of institution or the delegated party to act on behalf of the ministries / institutions in accordance with the legislation. Their scope, duties, and responsibilities of the infrastructure sector is as regulated in Presidential Regulation Number 38 year 2015. Regional Head as GCA is the governor or regent / mayor or the delegated party based on the legislation to represent the head of the region.

If PPP project is a combination of two or more infrastructure, Minister / Head of Institution / Regional Head who has the authority in the infrastructure sector, can act together as GCA by signing a memorandum of understanding regarding the coordination of GCA. As long as it is stipulated in the legislation sector, SOEs and ROEs may also act as GCA. In this case PPP is implemented through agreements with the Implementing Business Entities which is a Limited Liability Company established by the winning bidder or the direct appointed entity.

In terms of investment return, GCA role is to determine the cost recovery method which include covering the capital expenditure, operational expenditure and the business entities profit. The investment return could be covered through tariffs, availability payment or...
Organization in PPP Operation Stage

Minister/Head of Agency/Head of Region

GCA

PPP Nodes

PPP Team

Procurement Committee

Minister / Chairman of the Institution / Regional Head as GCA in conducting PPP established PPP node which attach to an existing unit in the Ministry / Agency / Region or newly established unit within the Ministry / Agency / Region. The purpose of PPP node is to formulate policy, synchronization, coordination in planning stage and preparation of PPP activities, and monitor and evaluate the PPP activities on the preparation stage and the transaction stage, including the management of the PPP implementation.

PPP node plays an important role in the management stage of PPP Implementation Agreement. PPP node helps GCA to oversee the implementation of PPP in accordance with terms agreed upon in the PPP agreement. Management of PPP implementation agreement is performed during the preconstruction, construction, commercial operations and the expiration of the PPP agreement. In the pre-construction period, PPP node supervises the implementation of PPP agreement and the financial close. In the construction period, PPP node

Other forms that do not conflict with laws and regulations. In terms of return on investment in the form of tariffs, GCA plays role in establishing the initial rates for the provision of infrastructure to ensure a return on investment within a certain period of time. Tariffs are set based on the user’s ability level. In terms of return on investment in the form of availability payment, GCA allocate the budget for the period stipulated in the Cooperation Agreement. Availability payment is paid if the infrastructure has been built and ready to be operate and fulfill the agreed criteria upon the agreement.

PPP Team has roles and responsibilities:

a. perform activities of early study preparation for pre-feasibility study and final study of pre-feasibility study
b. ensure preparation stage activities and PPP transactions after the determination of Implementing Entities (BUP) until the financial close is obtained
c. deliver report to GCA periodically through PPP Node; and
d. have coordination with PPP Node in doing its job

Procurement Committee has role and responsibility to prepare, conduct process of Business Entity Procurement after completing Pre-feasibility Study Document, starting from pre-qualification process, procurement, preparation and quotation input, evaluation and winner determination, and procurement finalization by signing the PPP agreement

PPP Nodes’ duties are to formulate policies and/or synchronize and/or coordinate and/or supervise, and/or evaluate PPP activities
performs new facility plan implementation management, as well as combining the new facility with the existing facility. PPP node can report to GCA if there are problems related to the failure and inability of the business entities to meet the PPP agreement, issues pertaining to labor and the risk borne by GCA. PPP node monitors the construction schedule, construction design variations, job readiness, compliance technical planning with the construction work. In the period of operation, PPP node carries out implementation management of the PPP implementation agreement and monitoring of standard performance services in accordance with the PPP agreement. By the end of the PPP agreement period, if the form of PPP uses the diversion option, PPP node considers the asset to be redirected to GCA. PPP node performs asset evaluation of all facility components included in the PPP agreement. In performing its duties, the PPP node is assisted by PPP team and procurement committee.

PPP team is formed by GCA to assist PPP Node in conducting the preparation stage and the PPP transaction stage, including after the establishment of the Implementing Business Entities until obtaining financial close. PPP team in carrying out their duties have roles and responsibilities for coordinating and delivering report to GCA periodically through PPP node. PPP team conduct the PPP preparation stage covering initial assessment of pre-feasibility study and final pre-feasibility study. PPP team is also conducting PPP transaction stage until achieving compliance of financial close, except procurement activities of the Implementing Business Entities.

Procurement Committee is formed by GCA to assist the PPP node in carrying out the procurement activities of Implementing Business Entities. Procurement Committee has a role and responsibility to prepare and carry out the process of Procurement Implementing Business Entities on the stage of the PPP transaction, after completing the document of pre-feasibility study, from pre-qualification process, procurement, preparation and submission of bids, evaluation and determination of the bid winners, as well as the finalization of procurement with the signing of the PPP agreement.

Basically, the infrastructure development responsibility ultimately remains in the hands of the Government. Institutional system and effective monitoring mechanism should be implemented to ensure that the provision of public services built by private sector is feasible with acceptable quality, and efficient cost.

Therefore, the role of institutional analysis as specified in the chart is very important at the stage of PPP preparation. The PPP preparation itself aims to assess the feasibility of PPP. The institutional analysis is part of the legal study implementation and institutional at the preparation stage of the pre-feasibility study. Hopefully, through institutional analysis, GCA authorization can be ensured including GCA determination on multi infrastructure projects. Moreover, determination of the responsibilities of the institutions in the implementation of PPP and institutional regulation device setup is also part of institutional analysis implementation. (*)
SUBJECTS IN PPP (Presidential Regulation Number 38 year 2015)

Government Contracting Agency (GCA)

Minister/Head of Agency
- Head of Ministry/Head of Agency: Or
- The delegated Parties to act on behalf of the ministry/agency based on Law

Head of Region
- Governor/Regent/Mayor: Or
- The delegated parties to represent the Head of Region based on Law

SOEs/ROEs
- SOEs and ROEs can act as GCA as long as stipulated in the sectoral legislation

Business Entities

State Owned Enterprises (SOEs)

Region Owned Enterprises (ROEs)

Foreign Legal Entities

Private Entities in the form of Limited Liability Company (PT)

Cooperatives

INSTITUTIONAL ANALYSIS

Ensuring the authority of the minister/Head of agency/Head of region/Board of SOEs and ROEs Directors as GCA in PPP implementation including GCA determination in multi infrastructure projects

Making stakeholders mapping by determining the roles and responsibilities of the relevant institutions in PPP implementation

Determining the roles and responsibilities of PPP Team concerning the activities of early study preparation of Pre-feasibility Study and the completion of final study of Pre-feasibility Study, as well as determining the reporting system of PPP Team to GCA

Determining and preparing institutional regulatory device; and

Determining the reference framework of decision making
HEADING NEWS

Strengthening the PPP Institutional in Public Works Sector

Institutional strengthening is one of the challenges that need to be addressed in order to make Public Private Partnership (PPP) scheme in the provision of infrastructure more effective. For that, the government continues to encourage the formation of work unit as a PPP node in the Ministry/Agency and Region.

The Ministry of Public Works and Public Housing (PUPR) as the organizing agency of government affairs in the field of PUPR realized the importance of a work unit to streamline PPP schemes as an alternative of infrastructure financing. Therefore, the Ministry of PUPR committed to immediately establish a PPP node to further encourage the implementation of PPP in PUPR sector.

Director of Infrastructure Investment, Directorate General of Construction, Ministry of PUPR, Dudi Suryobintoro, said that currently the PPP node in PUPR sector was still in the process of formation. His party will soon propose to the Minister of PUPR to appoint the Directorate of Infrastructure Investment (DBII) as a PPP node in Ministry of PUPR. “Our proposal is based on the fact that the duties and functions of each sub directorate under DBII is a reflection of the PPP node embodied in the Presidential Regulation Number 38 year 2015. We hope that with the establishment of the PPP node in the Ministry of PUPR, can further encourage the implementation of PPP in the Ministry of PUPR,” said Dudi Suryobintoro to Partnership Magazine, mid-November 2015.

According to Dudi, the executing agency and contracting agency in the PUPR sector is already quite clear. Presidential Regulation Number 38 year 2015 has mandated clearly as to who can act as the Government Contracting Agency (GCA), both at the central government level (Ministry / Agency) and local government level. What needs to be improved in the future is the synergy and coordination from each PPP institutional.

To strengthen the PPP institutional in PUPR sector, DBII tries several things, among others, strengthening coordination with PPP related work partners, both government and non-government agencies in the preparation of infrastructure investment policies, for example, with the Ministry of Finance, Ministry of National Development Planning / Bappenas, PT Sarana Multi Infrastruktur (SMI), and the Indonesia Infrastructure Guarantee Fund (IIGF). Additionally, DBII has cooperation with all PPP stakeholders, especially at the

Kualanamu International Airport
central government level in terms of implementation and solution of PPP problems. For example, whenever there is a new strategic issue concerning PPP, DBII will coordinate with relevant agencies to promptly solve it together. The next step taken by DBII in order to strengthen PPP institutional is developing risk mitigation information system by involving all stakeholders in PPP, including the Implementing Business Entities (BUP).

Three Steps to Increase Apparatus Capacity

In terms of comprehension concerning PPP, Dudi sees, there is still a huge gap, especially between central and local governments. For example, many local governments still rely on deconcentration fund from the state budget (APBN) or the regional budget (APBD) in the infrastructure development. While at the central government, there are many Ministries / Agencies that currently no longer tend to choose state budget to finance their infrastructure projects, but through creative financing. In fact, local governments also have the opportunity to develop creative financing, such as the PPP scheme.

The steps that can be sought to increase the competency of government apparatus on PPP scheme, are among others, first, holding training activities including for the government apparatus related to the implementation of the infrastructure, especially with PPP scheme. Second, providing guidance and facilitating the problem handling in the implementation of PPP. Third, developing an information system for PPP implementation. For example, concerning the risk of project failure, every PPP stakeholder, especially government apparatus, is required to always fill up and update data in the information system.

Dudi assessed, PPP scheme strongly supported the government’s target in the provision of infrastructure. Through PPP scheme, the government’s budget for infrastructure provision can be reduced, business entities’ participation in the development in Indonesia can also be further improved. However, there are a number of other challenges that need to be addressed to make PPP scheme run optimally. These challenges are among others, inadequate preparation of planning documents; performance evaluation system of infrastructure investment that has not been formulated; inter institutional coordination between the government and the stakeholders of PPP that is still less optimal; and for some parties, PPP is misunderstood as privatization. "We will facilitate to find the solution of these problems,” he said.

One PPP Unit in Each Province

The success of the PPP scheme is not only by simply strengthening the nodes in the Ministry / Agency. Setting up PPP nodes in the region is also important, considering that infrastructure projects are generally located in the regions. Therefore, the PPP node should also be set up in each region.

According to the Assistant Deputy of Housing, Land and Infrastructure Financing, the Coordinating Ministry for the Economy, Bastary Pandji Indra, until now, the PPP nodes are only established in several ministries. In fact, PPP nodes are not only needed at the central level but also in the regions. The Government has decided that for the next five years at least PPP nodes should be established at each province.

The government’s desire that each region establish a PPP node received a positive response from the local government. At least, the Government of Bandung City is committed to set up a PPP node in the region. Bandung Mayor, Ridwan Kamil, had requested the establishment of a work unit specifically to handle PPP. The PPP work unit that is targeted to be formed in 2016 later on will be in Regional Development Planning Agency (Bappeda) of Bandung City. "We’ve been asked by the mayor to form a PPP special unit to handle PPP projects so that it will be more focused,” said the Head of Bappeda Bandung City, Kamalia Purbani, to the Partnership magazine, early November 2015. (*)
Cross Work Unit to Handle PPP in Transportation Sector

The scheme of Public Private Partnership (PPP) in the transportation sector is not a new thing. Since 10 years ago, Ministry of Transportation has begun implementing PPP’s scheme for the construction of ports and airports. To make the implementation of the provision of infrastructure in the transportation sector with PPP’s scheme is more well managed, Minister of Transportation since 2010 and has formed PPP node of Ministry of Transportation.

This PPP node was established by the Ministerial of Transportation Regulation Number 90 year 2010 on the Establishment of PPP node of Ministry of Transportation. The Ministry of Transportation PPP node is a functional unit which is responsible to the Minister. The PPP node of Ministry of Transportation is an empowering organizational work unit within the Ministry of Transportation based on its duties and functions in the provision and development of infrastructure. The PPP node of Ministry of Transportation has the task to prepare the formulation of policy, synchronization, coordination, monitoring and evaluation of development infrastructure projects with PPP’s scheme.

The Head sub Division of Study of Partnership Sea Transportation and Management of Multimodal Transportation, Partnership Study Center and Transportation Services (PKKPJT), Ministry of Transportation, Sandi Mahendra, said although the regulation on PPP has already undergone several reforms, until recently PPP node of Ministry of Transportation still refers to the Ministerial Regulation Number 90 year 2010.

According to Ministerial Regulation Number 90 year 2010, the PPP node of Ministry of Transportation consists of the Director and Executor. Director is led by the Minister of Transportation with the general directors of technical as its members. Director has duties such as: first, provide guidance and direction of policy related to the substance of programs and implementation of PPP transportation development sector, directly or indirectly, in the Ministry of Transportation to the Executor in the effectiveness of the implementation of the tasks. Second, decide and establish policies and strategic issues related to the implementation of PPP in transportation sector in the Ministry of Transportation, which has been formulated by the Executor. Third, monitor the implementation and guide in overcoming any obstacles and problems in implementation of transportation sector PPP in the Ministry of Transportation. Fourth, coordinate the implementation of infrastructure transport sector PPP in the Ministry of Transportation to the Ministry / Agency and other parties that are cross-field / sector.

In carrying out its duties, the Director needs the help of the Executor and the head of Partnership Study Center and Transportation Services. Implementing organization consists of joint project coordinator, the coordinator of pre-feasibility study, a joint project transaction coordinator, and the coordinator of the executive management. In carrying out its duties, the Executor has duty in coordinating and monitoring the implementation of transportation sector of PPP in the Ministry of Transportation; preparing the formulation of PPP implementation policy to be determined by the Director; helping Contracting Agency in the preparation and implementation of PPP policies; as well as assisting the Director in coordination with the Ministry / Agency and other parties related to cross-sectorial / field matters.

The head of Partnership Study Center and Transportation Center of Study of Partnership Sea Transportation and Management of Multimodal Transportation should be responsible for the implementation of the transportation sector PPP in the Ministry of Transportation.
Services which acts as Chief of Executor assisted by the Head of Planning as Vice Chairman I, and the Head of Legal and International Cooperation as Vice Chairman II. To assist the Executor, there are four coordinators in PPP node of the Ministry of Transportation. The four coordinators, namely the Head of Planning as coordinator of the joint project planning; Head of Partnership Study Center and Transportation Services as coordinator of the preparation of pre-feasibility study of cooperation projects; coordinator of the joint project of transactions consisting of land, sea, air, rail, and facilities / infrastructure of development of Human Resources (HR), coordinated by the secretary of each directorate; as well as management coordinator for the implementation of the cooperation agreement contained on land, sea, air, rail, and facilities / infrastructure development of human resources coordinated by each director.

Each Executor has each task but they are united that cannot be separated. Chief Executive, has the task of leading the implementation of the coordination mechanism of PPP implementation, including planning, preparation of pre-feasibility study, and project transaction and implementation management of cooperation project agreement. Vice Chairman I is assigned to assist the Chief Executive in coordinating the joint project on the planning and management of the implementation of the agreement. For coordination of cooperation project matters in the stage of the transaction, the Chief Executive will be assisted by Vice-Chairman II.

Meanwhile, Coordinator of Cooperation Project Planning is in charge for organizing the process of planning, programming and budgeting, identifying, selecting and establishing cooperation projects. The process of preparing pre-feasibility study is assigned to coordinator for the preparation of pre-feasibility study cooperation projects with the respective of each technical directorate. The task of conducting cooperation projects transactions, started from procurement of Business Entities planning, the procurement of business entities, and the termination of the cooperation agreement, become the responsibility of the Partnership Transaction Coordinator. While the Coordinator of Management of Implementation of the Cooperation Agreement is in charge of preparing the preconstruction, construction, commercial operations, and the termination of cooperation.

Evaluated Periodically As Needed

PPP node in the Ministry of Transportation is not a permanent unit. This node will be evaluated regularly and adapted to the development of the strategic environment occurred. PKKPJT in 2013 and has already conducted studies related to the revision of the Ministerial Regulation Number 90 year 2010. The results of the study have been submitted to the Legal Bureau by PKKPJT. However, there has not been followed up so far, because in 2014, Indonesia was facing a period of transition of national leadership.

Once the new government is formed and there have been numerous changes in the organizational structure and budgeting in the Ministry of Transportation, there is not much that can be done in order to strengthen the PPP institutional at the Ministry of Transportation. “There are budgeting bureaucratic obstacles in the Ministry of Transportation so that a revision related to new of rules cannot be done. We can do it maximum in 2016,” Mahendra said.

In Mahendra’s opinion, from
the PPP institutional side there is not much that needs to be improved, because there are no significant changes between the old and new regulations of PPP, namely Presidential Regulation No. 38/2015 on Public Private Partnership in the Provision of Infrastructure, as well as derivatives regulations.

Likewise, each ministry/institution has started to harmonize the related regulations. They also need to enhance the capacity of the human resources (HR), both in central PPP units and in the technical service unit (UPT) in the transportation sector.

According to Mahendra, the institutional functions in the PPP in transportation sector is not strong enough because there are still differences of perception related to the duties and functions of each PPP unit, for both in the Ministry of Transport and Technical Implementation Unit (UPT). For example, Chief of PKKPJT has been assigned as coordinator for the preparation of pre-feasibility study cooperation projects; in fact, each PPP unit does their own pre-studies. In addition, there are still lacks of understanding about the policy of PPP. In certain units, they tend to encourage projects to be implemented with state budget funds.

Therefore, in order to make PPP’s scheme as one of sources of financing transportation infrastructure, human resource capacity improvement is absolutely necessary. However, PKKPJT is still facing budget constraints. “We’ve been trying to conduct socializations about PPP to UPT. However, because there are too many, we are constrained in budgeting. In addition, the fast rotation of human resources has been causing the socialization becomes ineffective,” he said.

PKKPJT is also still confronted with the issue of the budget to conduct feasibility studies of projects undertaken through PPP’s scheme. Therefore, there is no legal protection at the Ministry of Transportation that regulates the budget heading for the implementation of the PPP project feasibility study for now. In fact, the project feasibility study is essential to ensure the investors. The feasibility study is not enough if it is only done by PPP unit in the Ministry / Agency through local consultant’s standards. Mahendra argues, parties who undertake project feasibility studies are ideally consultants or institutions that have an international reputation. Thus, the project will have high sales value for investors, especially for foreign investors.

“I have been only interested in ready to offer projects, but nobody dared to move away. According to our identification, it may be because the feasibility study does not ring or they are still doubtful. Although some institutions have high reputations in Indonesia, it does not mean that they are well known outside Indonesia. So, in my opinion, the ones who conduct a feasibility study should be consultants or institutions that have good international reputation,” he said.

To solve this problem, the Ministry of Transportation is now pushing the unsolicited model or Business Entity initiatives. In the unsolicited project, the feasibility study is entirely become the responsibility of the proponent business entities. Mahendra said that one example of unsolicited projects in the transportation sector which is now running, is the construction of the Port of Kuala Tanjung in Batubara District, North Sumatra, which was proposed by PT Pelindo I.

In the future, to strengthen PPP’s scheme, Mahendra suggested the need of legal protection that as strong as Law. PPP law could reduce sectoral ego. Inevitably, less optimal PPP in Indonesia is also due to the many regulations in the Ministry / Agency which sometimes overlap. Now the government is trying to harmonize the overlapping regulations. However, this harmonization would be difficult to do if there is no strong legal protection.

“In my opinion, in the future it is needed regulation to harmonize the rules of PPP. Thus, PPP could be facilitated better. No more overlapping rules in each Ministry / Agency,” he concluded. (*)
To perform its function as public servants, it is the obligation of government to provide the infrastructure by utilizing the State Budget (APBN) and Regional Budget (APBD) funds. Unfortunately, the funds from APBN and APBD are not sufficient to accelerate the development of infrastructure. In this case, the government needs to involve the participation of business entities.

To support the acceleration of infrastructure provision, the Government has renewed the regulation on Public Private Partnership in Infrastructure Provision by issuing a Presidential Regulation Number 38 year 2015 and Regulation of the Minister of National Development Planning / Head of National Development Planning Agency Number 4 year 2015 on Procedures for the Implementation of Public Private Partnership in the Provision of Infrastructure.

Referring to article 28 and article 40 of Presidential Regulation Number 38 year 2015, the task of the National Public Procurement Agency (NPPA) is to set the Selection Procedure of the Preparation Agency and Procedures for Procurement Business Entities of PPP Project Implementers. To that end, NPPA has enacted NPPA regulation Number 19 year 2015 on Procedures for Procurement of PPP Business Entities in the Provision of Infrastructure since August 2015.

NPPA has also disseminated regulation number 19 year 2015 to five Big Cities in Indonesia, namely Jakarta, Surabaya, Medan, Makassar and Batam. Currently, NPPA is doing a pilot project of implementation of regulation number 19 year 2015 on PPP project of Waste Management in Batam City which in the near future, procurement process of the business entities will be implemented.

According to the Head of NPPA, Dr.Ir. Agus Prabowo, M.Eng, in the implementation of PPP scheme projects in the Infrastructure Development, there are three steps that must be implemented, namely planning, preparation and transactions. The decision whether a project using PPP scheme or traditional procurement of goods and services is at the stage of preparation by undertaking Pre-Feasibility Study (Pre FS). If the Pre FS results indicate...
that the implementation of the project with PPP scheme is more profitable for the government, then the project is implemented in accordance with Presidential Regulation Number 38 year 2015. The benefit prospect intended here has already considered the risk allocation, technical and financial capabilities.

NPPA Regulation Number 19 year 2015, regulates two method to select implementing entities in the provision of infrastructure, namely Bidding and Direct Appointment. Technically, the bidding will involve as many bidding participants as in the procurement of government goods / services process should. If in the pre-qualification process, there is only one participant, the bidding process is still done to speed up the process of selecting business entities.

The bidding process can be done one-stage or two-stage depending on the characteristics of the PPP project. One stage bidding is done if the specification of infrastructure provision can be formulated clearly and do not need to perform technical optimization discussion. Two stage bidding is implemented if the specification characteristics of the infrastructure provision in the PPP project are not certain due to variations in innovation and technology. In addition, to achieve optimum output, technical optimization discussion is still required.

Direct appointment method is a new method which is applied in the selection of PPP implementing business entities. Selection by direct appointment can be done as long as it is not contrary to the laws and regulations of the related sectors.

Direct appointment can be done if there is only one participant that passes the pre-qualification process and PPP with certain conditions. The intentions of this condition are first, the infrastructure that has been built or operated is previously performed by the same implementing business entity; Second, the PPP implementation work can only be carried out by using new technologies and there is only one service provider who is able to apply them; Third, the business entity has acquired most or all of the land required for PPP implementation.

In addition to regulating the method of selecting a PPP implementing business entity, NPPA regulation Number 19 year 2015 also regulates the process of preparation of the procurement agency or consultant planners of infrastructure projects. The consultant bidding is conducted before the PPP project enters the stage of preparation with the purpose that the project implementation is not hampered or stopped halfway. In addition to business entities, planning of infrastructure projects can be carried out by the agency /
Institute / national or international organizations like JICA, ADB, IFC, Word Bank, PT. SMI, PT. IIF or banking institutions. Their job is to help the Government Contracting Agency (GCA) in the preparation stage and the PPP transaction stage.

Agus said that the development of infrastructure with PPP scheme was urgent, considering the limited funds owned by the government in infrastructure development. "Procurement of PPP Scheme should be realized considering that there are many infrastructures required by the community but the government has no funds," he said.

But unfortunately, in implementing the PPP scheme, there are still some obstacles. Some of them are slow process of land acquisition, political risk where in every change of the head of state or head of the region, development policy is also changed, the low capacity of GCA in the PPP implementation and there is still the public misperception that PPP scheme is a form of commercialization.

According to him, the majority of Indonesian people always want to get free services, while to establish and procure a public service needs costs. "Our society wants everything completely free while to get good service we must be willing to pay. There is nothing free in this world. Even the oxygen that we consider free if we do not want to plant trees and maintain the forest, it will all be gone, so is the orderly and good service," he said.

Another thing is that there is no particular institution responsible for monitoring its implementation. "Who is responsible for implementing PPP? The answer is no one. You can ask this question to all existing Ministries or Institutions, they all will certainly be silent," said the alumni of the Institute of Technology Bandung.

To fill in this gap, NPPA is willing to be given the responsibility to be the implementing agency that handles the procurement of infrastructure development with PPP scheme. "If mandated by the President to undertake procurement of infrastructure development with PPP scheme, NPPA is ready to run."

The mandate should be from the president directly so it will not be hampered by bureaucracy in the other ministry/agency, "he said.

According to Agus, NPPA is ready to be the implementing agency that handles the procurement of infrastructure development with PPP scheme because historically the ideal of NPPA establishment by the Ministry of National Development Planning / Bappenas is to carry out the procurement of goods and services as well as procurement of government partners (private or business entity).

After NPPA was established, the task of government partner procurement had not yet realized because NPPA was still concentrating on fixing the system of government goods and service procurement. Now that the system of government procurement has been managed, it is time for NPPA to reorganize the government partner procurement system to implement infrastructure development with PPP scheme if it is given the mandate by the President. (*)
The Role of Bappenas in the implementation of Public Private Partnership (PPP)

By Novie Andriani, Planner at Directorate of Public Private Partnership Development Bappenas

The PPP implementation as a financing alternative for infrastructure has been widely applied in various countries, including Indonesia and South Korea. In Indonesia itself, the scheme has been applied since 1998 when the economic crisis hit Indonesia. At that time, Bappenas as a planning agency tried to find solutions to provide the infrastructure needs even though the economic and fiscal conditions are sluggish. PPP is regarded as one of the solutions that is potential to attract the private sector to participate in infrastructure development. Then, in 1998, the Indonesian government issued Presidential Decree No. 7 of 1998 on Cooperation between the Public Private Partnership in the Development and Management of Infrastructure or as an early legal protection for the implementation of PPP in Indonesia. As time passed, the regulation of PPP underwent changes. Finally in 2015, the government issued Presidential Decree No. 38 of 2015 on Public Private Partnership in Infrastructure Provision. Presidential Regulation No. 38/2015 is expected to accelerate the implementation of PPP in Indonesia. Beside the regulations, the Government has also prepared other facilities to accelerate the implementation of PPP such as the provision of Viability Gap Fund (VGF), the government guarantee, the payment for the availability payment and tax incentives. But the question is, with so many facilities provided by the Government, why are there only a few of the infrastructure projects that use PPP’s scheme? Although there are infrastructure projects using the PPP’s scheme, their developments tend to be sluggish. What makes the PPP implementation in Indonesia is not as bright as compared to other countries? Let’s say South Korea.

Reflecting on the experience of South Korea in developing the country, South Korea actually had a similar economic condition to Indonesia in the 1960s. In 1960 South Korea was one of the poorest countries with GDP of US $ 80 per capita. However, look at the current condition of South Korea; it has GDP of more than US $ 20,000 per capita. From 1995 to 2007, private investments through PPP’s schemes continued to rise. The interesting lesson that we can learn from South Korea in developing economies is the “unified framework” in determining the funding scheme for infrastructure projects, where all the infrastructure projects are proposed to the Ministry of Strategy and Finance (MOSF) through the Public and Private Investment Management (PIMAC). PIMAC is the one who will conduct an assessment of the feasibility studies that have been done by each Ministry /
Agency of Competent Authority. Based on the results of the PIMAC assessment, then the suitable funding scheme will be determined. However, if the project is proposed as PPP project so there will be one more additional test, the Value for Money Test. Based on the results of the assessment and recommendation of this PIMAC, an infrastructure project can be tendered by the Competent Authority. Through these kinds of procedures of funding source determination, the Government of South Korea proved to be effective to accelerate development in South Korea. With the existence of Unified Framework, the funding schemes are determined based on the results of the tested and credible analysis.

PIMAC is an institution under the Korea Development Institute (KDI) formed by MOSF. KDI itself is a government institution that serves as a think tank of development planning of South Korea. So, if it is compared to Indonesia, the function of KDI is similar to the function that is currently carried by Bappenas. The result of study of KDI serves as recommendation of MOSF in planning development. MOSF itself is a ministry that is not only has the function of planning, but also has the function of budgeting. MOSF is the result of a merger between two ministries, namely the Ministry of Finance and Economy and the Ministry of Planning and Budget. If it is compared to Indonesia, Ministry of Finance and Economy is the Ministry of Finance, while the Ministry of Planning and Budget is the Ministry of National Development Planning / Bappenas. Thus, learning from the experience of South Korea, if we want to accelerate development in Indonesia with the PPP’s scheme, the functions of planning and budgeting should be at one institution. The question is, are we ready with this unification concept? (*)

Source: Hyeon Park, Training Program for Public Policy Development, 2015, South Korea.

Source: Korea Development Institute, 2015
Nambo Site of Final Disposal and Waste Processing (TPPAS), Bogor, West Java, is one of the three TPPAS in the region of West Java. TPPAS which has been initiated since 2002 have owned Letter of Approval from the Ministry of Forestry to borrow and use Perum Perhutani’s forest in 2013.

In the approval letter, Nambo TPPAS will occupy 40 hectares of Perhutani’s forest. In addition, this TPPAS will also be in an area of 15 hectares owned by Bogor. Nambo TPPAS is located in the Nambo village, Klapanunggal sub District, Bogor, West Java.

The approval letter is one of permits to legalize the presence of Nambo TPPAS as final waste processing site for the three regions, namely Regency of Bogor, City of Bogor and Depok.

Provincial Government of West Java (Jabar) has established institutional functions as regional waste management, including Nambo TPPAS, is the Regional Waste Management Centre (BPSR) of Jabar. BPSR serves as a technical Implementation Unit at the Department of Settlement and Housing of West Java province which is established through Governor Decree No. 113 of 2009 on the Organization and Administration of Technical Implementation Unit and the Department of the Environment Agency in West Java Provincial Government.

Head of West Java BPSR Edi Bahtiar explained, the implementation of waste management across districts / cities has become a provincial authority as mandated by Act No. 23 of 2014 on Regional Government. However, in practice, the authority of the West Java Provincial Government against the waste management business in Regency of Bogor, City of Bogor and Depok which will use Nambo TPPAS services. “BPSR is a testament to the provincial government’s commitment to consistently prepare the development and management of Nambo TPPAS as waste management services across the cities / districts,” said Edi to Partnership Magazine.

Nambo TPPAS is conducted with PPP’s scheme. Currently, it has entered the evaluation stage of the submitted proposals after previously it has been through the pre-qualification and tender stages. "The biggest challenge is to establish cooperation between the regions of West Java Province with the three regions,” said Edi.

To unravel these challenges, BPSR has coordinated the distribution of rights and obligations of each government. In the institutional context, BPSR serves in the preparation of development and ensure the implementation of the run of Nambo TPPAS project. While District of Bogor, City of Bogor and Depok role as Nambo TPPAS service users.
From the aspect of technology, Nambo TPPAS will apply the management technology to make waste as a source of resources. In practice, this waste in TPPAS will be managed as much as possible and backfilled to a minimum.

To meet the realization of the concept, West Java BPSR ensures the readiness of human resources and adequate financing. West Java BPSR has announced the prequalification project of Nambo TPPAS on February 5, 2015. In the tender announcement of Nambo TPPAS, it is mentioned that the West Java Provincial Government plan to build infrastructure that can process a minimum of 1,500 tons of waste per day with Mechanical Biological Treatment (MBT) technology. This technology is targeted to produce Refused Derived Fuel (RDF) with an estimated project value of over 600 billion.

"In line with the provisions in the inter-regional cooperation Minister Regulation No. 22 Year 2009 on Technical Guidelines and Procedures for Regional Cooperation, the area that receives the service is obliged to pay compensation for certain services to regions that provide services," said Edi.

The regulation of rights and obligations of each area that uses Nambo TPPAS services, according to Edi, it has been regulated in the Cooperation Agreement (MCC) signed by the West Java Provincial Government, Bogor Municipal Government, District Government of Bogor and Depok Municipal Government on 18 August 2014. It was noted in the MCC that West Java Provincial Government is obliged in providing land for TPPAS, technical planning, construction of access roads to TPPAS, TPPAS construction, operation and maintenance, and management of postoperative of TPPAS.

"On that obligation, the West Java Provincial Government is entitled to receive Compensation of Service (KJP) of Bogor District Government, Bogor Municipal Government and Depok Municipal Government, based on the determined rates in the agreement," said Edi.

Meanwhile, Bogor District Government, Bogor Municipal Government and Depok Municipal Government are obliged to transport the garbage from each service area to Nambo TPPAS and pay KJP to the West Java Provincial Government. "The three districts / cities governments were also required to pay Negative Impact Compensation (KDN) to the Bogor District Government as the householder of Nambo TPPAS. The rate is determined in the MCC," said Edi.

Related to PPP’s scheme used in the operation of development projects of Nambo TPPAS, West Java BPSR also have established Operation Build Own and Transfer (BOOT) pattern. Project Implementation Enterprise (BUPP) was formed to carry out this pattern as a business entity formed in the winning consortium in the auction.

BUPP is obliged to carry out the construction and management of Nambo TPPAS. As compensation, it will earn revenue in the form of waste processing service payment (tipping fee) from the West Java Provincial Government in accordance to specified fee in the MCC. "BUPP is also entitled to receive revenue from the sale of garbage processed products," said Edi.

In this case, Edi added, west Java Provincial Government also has an obligation to ensure and guarantee the availability of the budget to pay a tipping fee. On this obligation, west Java Provincial Government is also entitled to the assurance related to waste management service continuity in TPPAS targeted to start operating late 2017.

To ensure this project is implemented, West Java BPSR is also in synergy with the Ministry of Public Works and Public Housing (PUPR), National Development Planning Agency (Bappenas), Ministry of Environment and Forests (KLHK), and the Ministry of the Interior. "The synergy is in form of binding of collective agreement and the MCC as a commitment to carry out the obligation to realize Nambo TPPAS. This synergy is done consistently," he said. (*)
The Role of PPP’s scheme in Indonesia

Along with the government’s good will to encourage the Public Private Partnership (PPP) in infrastructure development, financing and guarantee agencies was formed. Who are they and what are their roles and missions? Partnership magazine share this information to you.

To spur infrastructure development with PPP’s scheme, it requires adequate project preparation, funding structure which is in accordance with the investment characteristics of infrastructure projects, and government supports and guarantees. Until now existing financing institutions, such as banks or non-bank financial institutions, have not been contributed optimally to the funding of infrastructure projects.

Therefore, we need financial institutions that can facilitate the infrastructure financing by providing long-term financing tenor and a fixed interest rate. This is because the infrastructure projects require the return on investment in a relatively long period of time. Until now, the sources of long-term funds such as Reksa Dana (Mutual Funds), Insurance and Pension Fund are invested in capital market instruments that are not directly related to infrastructure financing.

Through financial institutions that specially deal with infrastructure financing, it is expected to lead the long-term funding sources to spur investment in infrastructure projects in Indonesia. On several occasions, President Director of PT Sarana Multi Infrastructure (SMI) Emma Sri Martini said, the role of infrastructure financing institution is very important because it will be the catalyst that connects the source of long-term funds to investment in infrastructure projects in Indonesia.

As a State-Owned Enterprises (SOEs), PT SMI that was established in 2009 has a special task to spur infrastructure development in Indonesia. This is reinforced by the business license as stated in the Decree of the Minister of Finance of the Republic of Indonesia Number 396 / K.010 / 2009 dated October 12, 2009. In that decision, PT SMI is mentioned as Non-Bank Financial Institutions (NBFIs) which focuses on...
infrastructure financing in Indonesia. PT SMI must promote Public Private Partnership’s scheme (PPP) or KPBU.

Considering that PT SMI is an infrastructure financing company, the operational activities of PT SMI follow the Minister of Finance Regulation No. 100 / PMK.010 / 2009, which includes arranging the object scope of financing consisting of water infrastructure, transportation, roads, drinking water, waste water, electricity, oil and gas, telecommunication as well as other infrastructure with the approval of the Minister of Finance.

In addition to PT SMI, Indonesia also has a Non-Bank Financial Institutions (NBFI) which focuses on infrastructure financing in Indonesia, especially with PPP’s scheme. PT Indonesia Infrastructure Finance (IIF) is NBFI established on the initiative of the Government of the Republic of Indonesia through the Ministry of Finance of the Republic of Indonesia together with the World Bank, the Asian Development Bank (ADB) and other multilateral institutions (including the PT SMI) based on the Regulation of the Minister of Finance No. 100 / PMK.010 / 2009 on Infrastructure Financing Company. PT IIF business license was issued by the Ministry of Finance of the Republic of Indonesia through KMK 439 / KM.10 / 2010 dated August 6, 2010.

PT IIF has similar task with PT SMI which focuses on infrastructure financing. The national business entity also provides consulting / advisory services to both private and government. For consulting services to the government, PT IIF has been obviously involved in the development of PPP’s scheme in Indonesia, both in the preparation of policies and in the development of PPP projects.

Meanwhile, as the government’s response to the need for attached political risk to investment in infrastructure, Indonesia Infrastructure Guarantee Fund persero (IIGF) is established and is also known as Enterprise Infrastructure Assurance (Bupi). The existence of PT PII as Bupi is expected to encourage the participation of enterprises in financing infrastructure development through PPP creditworthiness improvement project that could result in a decrease in cost of funds from infrastructure projects. (*)

Radin Inten II stated in the PPP Book 2015 as a potential project.
PPP Success in South Korea
Starting from PIMAC

Public and Private Infrastructure Investment Management Center (PIMAC) is the institution with technical functions that implement Public Private Partnership (PPP) in the Republic of Korea (ROK). Through PIMAC, Korea succeeded to implement PPP.

PIMAC is a merger between the two agencies in Korea Development Institute (KDI) namely the Public Investment Management Agency (PIMA) and the Private Infrastructure Investment Center of Korea (PICKO) at the Korea Research Institute for Human Settlements (KRIHS). This merger was implemented after South Korea amend the Public Private Partnership (PPP) in January 2005.

PIMAC serves as professional supporting and research institutions in PPP projects. The institute consists of various groups of experts of economy, finance, accounting, law, engineering, urban planning, and so on. PIMAC carries out several activities, including the feasibility studies and tests of Value for Money (VFM), calculation of the RFP (Request for Proposal), proposals evaluation, and negotiations. At the same time, it also serves as an ambassador that promotes Korea to the international PPP.

In addition, PIMAC also provides policy advice to MOSF (Ministry of Strategy and Finance). MOSF is a ministry that works on PPP-related policies in the South Korea. The Ministry has always cooperated with PIMAC for the success of PPP. Among MOSF tasks is to take responsible for preparing a draft of budget that is good for the PPP. MOSF also really concerns on fiscal policies related to the PPP’s scheme. In fact, if it is needed, MOSF is capable to postpone or block the budget, which is part of the PPP program expenses.

Structurally, PIMAC has three divisions. The first division is the Public Investment Evaluation Division that carries out the execution and management of infrastructure projects funded by the government. The second division is PPP, this division provides administrative support and technical in PPP project preparation.
and implementation. The last division is Research and Policy. Its job is independently conducting research related to the implementation of projects that result as a guidance for the government. The division is also responsible for database management, capacity building and training as well as international cooperation.

With such tasks and structures, the PPP screening process in South Korea is more efficient. Cooperation scheme was prepared well, started from bureaucratic processes, licensing to implementation. By doing so, there is no project offered that burdens on South Korean government.

Even though the world recognizes PIMAC as a leading PPP institution in South Korea, in fact PIMAC remains open to the PPP experience of other countries. As stated by Executive Director PIMAC, Kim Kangsoo, "My hope, PIMAC continues to learn and share experiences with other countries and other organizations. As part of these efforts, PIMAC promotes international cooperation through seminars and conferences with international organizations including the World Bank and the Asian Development Bank."

Beside PIMAC, the agency that serves as the technical agency in the implementation of PPP and is established by South Korean Law of PPP is Korean Infrastructure Credit Guarantee Fund (KICGF). KICGF serves as a lending guarantor institution to the license holder of the project that obtains bank loans. Loan is also granted to the holder of the permit issuing obligation infrastructure in the PPP project. KICGF began to operate in 1995 under the Act of Private Participation Infrastructure (PPI Act). PPI Act is based on the Korea Credit Guarantee Act (KCG Act) enacted in 1974. The Act KCG is a policy issued by Korea Credit Guarantee Fund (KCGF). Along with Korea Development Bank and Korea Technology Credit Guarantee Fund, KCGF then called KODIT. Well, these three institutions under KODIT operate KICGF. (*)

One side of Gwangyang Port, located in the Gulf of Gwangyang, South Korea.

My hope, PIMAC continues to learn and share experiences with other countries and other organizations. As part of these efforts, PIMAC promotes international cooperation through seminars and conferences with international organizations including the World Bank and the Asian Development Bank.
The existence of a policy on Public Private Partnership (PPP) stipulated in the Presidential Regulation Number 38 year 2015 has helped the provision of infrastructure for the public. The mutually beneficial scheme for the government, private sector, and the community is considered to be one of the solutions in funding infrastructure projects requiring thousands of trillion budget each year.

Lecturer in Civil Engineering, University of Andalas, Yossyafra stated, PPP has played an important role in infrastructure development in Indonesia. Yossyafra said, the funding needs of the infrastructure based on a minimum 5 percent of gross domestic product (GDP) in 2010-2014 reached IDR1.923,7 trillion, while the government’s affordability was only IDR 559,54 trillion, including special allocation fund (DAK).

"Other funding potentials are state-owned enterprises (SOEs), private companies, and the regional budget (APBD) as much as IDR1.040,59 trillion. In 2014, to achieve economic growth targets that time, there was a huge financing gap. So it was expected that the role of government and the private sector need to be improved, "said Yossyafra when talking with Partnership in mid-November 2015.

According to Yossyafra, there are four things that must be done by the government to encourage the interest of private entities to be involved in infrastructure projects. The four matters are the regulation to ease and accelerate the implementation of the project; institutional which is not only on
the central level but also on the regional level; human resources capable of making documents related to any projects which can be cooperated; as well as promotion and dissemination of infrastructure projects.

"The involvement of the private sector will accelerate the development and support economic growth in Indonesia. For private, regulation certainty is one of their considerations before getting involved," said Yossyafra. Presidential Regulation Number 38 year 2015 is not yet ideal to be regarded as a legal protection in carrying out infrastructure projects with PPP scheme, ranging from preparation to operation stage. "There should be a clear legal entity. For example, in the central government, there is IIGF (Indonesia Infrastructure Guarantee Fund) and SMI (PT Sarana Multi Infrastructure), but in the region, they are not yet available. Institutions in the region should be the same. Because there is no firm institutional, it will make it difficult for the private sector," said Yossyafra.

Technically, Yossyafra who is also a transportation infrastructure observer, mentioned, the biggest challenge in the area at this time is, whom to contact if the private sector is interested in investing in infrastructure projects. For Yossyafra, Regional Development Planning Agency (Bappeda) has not been able to take on such role.

"Who should the private contact in the region to cooperate, it is not yet clear. Then there must be institutional in the regions that take care of the administration and permits. Let the institution take care of it. So the private just go to the institution. Bappeda only deals with the policies. It cannot decide whether or not the private entities may cooperate on certain infrastructure projects," said Yossyafra.

Yossyafra said, the institutional he intended is already exist in West Java province but not in other regions, including West Sumatra. The name is Board of Investment and Integrated Licensing (BPMPT). "Surely, there should be a task force that creates and connects the private entities with the government to discuss and agree on infrastructure projects in the region that can be cooperated," he said.

Board of Investment and Integrated Licensing (BPMPT) of West Java province in May 2015 reported, the value of investment in the province was the biggest in Indonesia reaching IDR 90 trillion to IDR 96,3 trillion. This happened because West Java was strengthening four outlets of licensing services in Bogor, Cirebon, Garut, and Purwakarta. (*)
Encourage Merger of PPP Work Unit with PBJ Unit

The improvement of human resource capacity is the key success of the implementation of the Public Private Partnership (PPP) scheme. Therefore, merger between PPP work units and the procurement of goods and services (PBJ) unit in the provision of infrastructure is necessary.

According to Robin Asad, there are several reasons why PPP projects in Indonesia are not optimal. First, there are still many regulation frameworks which are overlapping, causing investors feel uncomfortable. “Our weakness is that there are many overlapping regulations, not only in PPP. But we must not give up. It means, with these limitations, we have to maximize the existing regulation and institutional to build the target infrastructure, ”he said.

The second problem is the capacity of the Government Contracting Agency (GCA) in government institution related to infrastructure development. To prepare a project that will be cooperated with PPP scheme, we need GCA that has the capability to prepare projects economically and financially viable. However, the ability of GCA in each government institution associated with PPP implementation of infrastructure development is not uniform and generally less qualified.

This condition is understandable, considering the PPP project preparation process is very complex. Unlike the ordinary contract agreement of goods and service procurement (PBJ), when the development is accomplished, the fund is given to the contractor, and the management is returned to the government. As for the PPP project, it generally lasts quite long, can be up to 20-30 years, depending on the contract model applied. Therefore, GCA must conduct a pre-feasibility study (FS). FS includes, among others, predicting the rate of population growth, the increase of people’s income, until the government...
policy. They can affect the level of eligibility or profitability of the PPP project. Besides, the FS should also attach the amount and the scheme of guarantee which should be given by the government to ensure the risks that may arise during the ongoing cooperation.

The third obstacle is institutional in the agencies designated to perform the provision of infrastructure is not strong or even has not been formed yet. This weak institutional causes the planning, preparation, and execution process of the PPP project unmeasurable, so it does not run well very often. Weak institutional system also causes the capacity of human resources working in the PPP sector become undeveloped.

In order to strengthen PPP institutions and improve the capacity of human resources, Robin proposed a merger of PPP work units in the Ministry / Institution and the local government, with the existing PBJ units. The reason for that is that the basic principles and methods used for the selection of business entities for PPP implementer are not much different from the basic principles and methods used in the PBJ. The basic principles of procurement are effective, efficient, transparent, open, competitive, fair, non-discriminative and accountable, and in accordance with the corridor of good governance.

He assessed, with the merger of PPP work units and PBJ units in a fixed work unit in a government institution, the institutional governance would be more effective and efficient. Currently, we already have Procurement Implementation Unit (ULP) in the regions which is responsible for carrying out PBJ whose competence is generally very similar to the provision of infrastructure with PPP scheme. At the central level, we have NPPA in charge of implementing PBJ. In addition, NPPA also holds the function of providing advocacy and technical assistance to business entities and PPP institutional organizers.

"In addition to streamline institutional governance in the areas of procurement, the merger of infrastructure procurement with PPP scheme and PBJ institutions to be in one unit is also beneficial to accelerate the improvement of the competence of the human resources in charge of the PPP projects," he said.

Former Head Sub of Directorate of Institutional, Directorate of Public Private Partnership Development, the Ministry of National Development Planning / Bappenas further stated, the competence of human resources in an institution can increase quickly if there is an intense interaction between human resources in it. This interaction can be achieved if personnel are located in one place or institution. So far, the GCA assignment to prepare PPP project in ministry/agency/region, is only temporary or when there is activity or project. It might, after the activity is accomplished or even has not been implemented, the assigned GCA human resources go back to their original work unit. Then problems appear, because when there is a new GCA assigned to prepare the PPP project, there will be no transfer process of knowledge or experience of the previous GCA. This is because there is no obligation that requires GCA to share knowledge and experience to the new GCA.

Or when there are human resources that have been trained to prepare PPP, once the training is completed, they cannot transfer their knowledge to their colleagues because of different units. This condition can also cause PPP HR competencies difficult to develop. With this institution or the fixed unit, knowledge transfer is expected to be realized.

"So far, the HR who have the competence of PPP are only a few because after gaining experience or training regarding PPP, they cannot transfer their knowledge to their colleagues because the institution does not exist. With the merging of PBJ institutions and PPP implementing agencies, knowledge transfer is expected to be realized," he concluded. (*)