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IMPLEMENTATION GAP IN PUBLIC-PRIVATE PARTNERSHIP (PPP) FOR INFRASTRUCTURE DEVELOPMENT

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ABSTRACT

Infrastructure is one of the most important pillars in the development of a civilization, especially for archipelagic countries like Indonesia, which faces unique geographical challenges. The gap in the implementation of Government and Business Entity Cooperation (KPBU) in infrastructure development in Indonesia has become an increasingly pressing issue to address. This research discusses the importance of regulatory renewal in Public-Private Partnerships (PPP) to address existing gaps. The research utilized various data sources, including legislative texts, government regulations, legal documents, and policy papers relevant to PPP in Indonesia. The analytical approach allowed for a deeper exploration of the dynamics and implications of the existing regulations, focusing on their effectiveness and applicability in real-world scenarios. The author was able to articulate the challenges faced in the application of PPP regulations and propose targeted recommendations for regulatory renewal and improvement. This study could involve comparative analyses of best practices in regulatory frameworks from other countries that have successfully addressed similar infrastructure challenges, providing valuable insights for the Indonesian context. Ultimately, this research could contribute to creating a more responsive and adaptive regulatory framework that supports sustainable and equitable infrastructure solutions in Indonesia, ensuring that the needs of society are met while fostering a conducive environment for investment.

INTRODUCTION

Infrastructure is one of the important pillars in the development of a civilization, especially for archipelagic countries like Indonesia, which faces unique geographical challenges. The Indonesian government realizes the importance of enhancing connectivity between regions and ensuring equitable development, with particular attention to remote areas that are often neglected (Asnudin, 2009; Nugroho et al., 2022; Permatasari et al., 2021; Seymour et al., 2020; Stacey et al., 2021). In order to achieve the vision of Indonesia Maju 2045, infrastructure development has been identified as a primary priority in the current government policy agenda (Suriani & Keusuma, 2015). Various infrastructure projects proposed by the government include the construction of toll roads, the improvement of provincial roads, the construction of dams, and the development of transportation facilities such as airports, terminals, stations, and ports (Baporikar, 2016; Ramesh, 2017). All of these initiatives are designed to support economic activities and improve accessibility. However, the realization of this ambitious infrastructure development plan requires a substantial amount of funding. During the 2020-2024 state budget period, the government is estimated to be able to meet only about 30 percent of the total infrastructure budget needs, which exceed two thousand trillion rupiah, leaving a significant budget deficit (Jhingan, 2012).

To overcome the existing funding shortage, the government has tried to find various innovations and new strategies for infrastructure financing. One approach is to involve business entities, both state-run and private, through the Public-Private Partnership (PPP) and Non-Budget Infrastructure Financing (PINA) schemes (Maulana, 2021). PPP schemes are becoming an increasingly popular option, as they enable governments to provide more effective and efficient infrastructure services to the public. While these schemes often involve higher costs, they also offer a mechanism for transferring risks and sustainable benefits to business entities, which can create benefits for all parties involved. Currently, there are around 50 projects funded through PPP schemes, with various sectors involved. These projects cover the roads, water, energy, information and communication technology, and transportation sectors. In addition, PPP schemes also cover projects in the energy efficiency, waste management, industrial areas, and housing sectors (Suriani & Keusuma, 2015). Although regulations governing the implementation of PPP already exist, challenges in practice in the field remain a problem that needs to be faced. To ensure that the implementation of PPP runs effectively and efficiently, the government must address various obstacles that arise, so that the objectives of infrastructure development can be achieved optimally.

Amid the increasing issue of state debt and controversy related to the use of debt considered not to provide welfare for the people, the government is trying to convey a positive message about the development efforts throughout Indonesia. It is important to clarify the misunderstanding of state debt and its urgency. Currently, Indonesia is in the process of development transformation, trying as optimally as possible to increase the availability of infrastructure in various regions. In the 2015-2019 Medium-Term Development Plan (RPJMN), the government estimates the need for basic infrastructure development to reach IDR 4,796 trillion. However, in practice, in 2015, the budget allocated in the APBN only reached IDR 189.7 trillion, which then increased to IDR 313.5 trillion in 2016 and IDR 387.3 trillion in 2017. Although the percentage of infrastructure spending allocation has increased significantly—an average of around 104.2% from the 2015 to 2017 budget—this amount is still inadequate. With Indonesia's Gross Domestic Product (GDP) of around IDR 12,406.8 trillion in 2016, infrastructure spending only contributed around 2% of GDP. Based on data from McKinsey, countries with stable economic growth amidst the global market downturn between 1999 and 2011, on average allocated more than 4% of their GDP for infrastructure spending. For example, India allocated around 4.7% of GDP for infrastructure, while Japan budgeted around 5%. China distinguished with the highest allocation, reaching 8.5% of GDP for infrastructure spending. These figures show how crucial infrastructure investment is for sustainable economic growth (Khmel & Zhao, 2016).

Facing the high need for infrastructure and limited existing resources, the Indonesian government needs to shift from relying on funding through the APBN and APBD for infrastructure (Kurniati & Suryanto, 2021; Satibi, 2022; Vasilescu et al., 2009). Therefore, the government has taken a strategic step by seeking alternative funding, one of which is through the Public-Private Partnership (PPP) scheme. In the 2015-2019 RPJMN, the government targeted around 36.5% of the total infrastructure funding that must be met through private funds. Presidential Regulation Number 38 of 2015 concerning Public-Private Partnership in the Provision of Infrastructure is a new foundation for the PPP paradigm. This regulation is a refinement of Presidential Regulation Number 67 of 2005 and its amendments. By expanding the scope from eight infrastructure sectors to 19 sectors that can be built through the PPP mechanism, the government is trying to provide wider opportunities for the private sector to participate in infrastructure projects. In addition, the government has also prepared various facilities and legal support to support the implementation of PPP, including the Project Development Facility, Viability Gap Fund to support part of the construction costs, infrastructure guarantees, and payment schemes based on service availability (Availability Payment). Through these steps, the government hopes to create effective collaboration between the public and private sectors to meet national infrastructure needs.

Renewing regulations in the implementation of the Public-Private Partnership (PPP) is an important step to reduce the gap in infrastructure development in Indonesia. One of the relevant key regulations is the Regulation of the Minister of National Development Planning/Head of Bappenas Number 7 of 2023 concerning the Implementation of PPP in Infrastructure Provision, which provides guidelines for various parties, including the central government, regional governments, and business entities. In Article 2, this regulation emphasizes that ministers, heads of institutions, regional heads, and directors of State-Owned Enterprises (BUMN) and Regional-Owned Enterprises (BUMD) have a central role in encouraging the participation of business entities in providing infrastructure through the KPBU mechanism. This regulation also emphasizes the importance of coordinated collaboration by their respective affairs and authorities, to ensure the successful implementation of infrastructure projects.

Furthermore, in Article 3, this regulation expands the types of infrastructure that can be collaborated on, covering economic infrastructure such as transportation, roads, and telecommunications, to social infrastructure such as health facilities, education, and public housing. These types of infrastructure are detailed to cover various strategic aspects, such as toll road construction, and provision of telecommunications networks for renewable energy facilities. This regulation also allows the implementation of PPPs that combine more than one type of infrastructure, while still complying with applicable sectoral regulations. With a broad scope, this regulation is designed to create a clear and comprehensive legal basis for the implementation of PPPs, as well as provide certainty for business entities in planning and implementing projects. This is expected to accelerate the development of equitable and sustainable infrastructure throughout Indonesia.

The gap in Public-Private Partnerships (PPPs) implementation in infrastructure development in Indonesia is an increasingly urgent issue to discuss. Although PPPs are expected to be a solution to overcome significant infrastructure funding challenges, in practice, several obstacles hinder their effectiveness. One of the main issues is the lack of clear understanding and communication between the government and business entities. Uncertainty regarding the regulations, procedures, and responsibilities of each party often causes confusion that hinders project implementation. This causes delays in the decision-making process and ultimately has the potential to slow down the development of much-needed infrastructure.

In addition, there are challenges in terms of risk management. In the PPP scheme, risks are expected to be shared between the government and business entities. However, often, business entities feel burdened with too much risk without any guarantee from the government (Su et al., 2022; Walker et al., 2021). For example, in infrastructure projects that require large initial investments, uncertainty related to future revenues can make business entities reluctant to participate. If risks are not managed properly, this can cause the project to stall or even fail, which ultimately harms all parties and worsens the infrastructure conditions in Indonesia. In addition, bureaucratic factors are also a barrier to the implementation of PPP. Protracted approval processes and complicated administrative provisions can slow down the progress of infrastructure projects. Many projects are hampered by procedures long and complex, where business entities must go through various stages of verification and approval that take time. This not only makes the process inefficient but can also increase the overall cost of the project, which can ultimately harm consumers.

On the other hand, the lack of community and stakeholder involvement in the planning and implementation process of infrastructure projects also contributes to this gap. Without community support, infrastructure projects often face resistance that can lead to conflict and delays. Therefore, the government should take a more inclusive approach to involving the community in every stage, from planning to evaluation. By improving communication and transparency, and involving the community in the decision-making process, the gap in PPP implementation can be reduced.

This research discusses the importance of regulatory renewal in Government-Private Partnerships (PPP) to address existing gaps in infrastructure development in Indonesia. It identifies key principles that should be applied, such as transparency, accountability, and inclusiveness, and emphasizes the need for a participatory approach involving all stakeholders. The research contributes to the discourse on infrastructure development in Indonesia by highlighting the critical need for regulatory renewal in Government-Private Partnerships (PPP). It identifies significant gaps in current regulations and underscores the importance of key principles such as transparency, accountability, and inclusiveness in fostering effective partnerships. By advocating for a participatory approach that involves all stakeholders, the study emphasizes the necessity of collaborative engagement in regulatory processes. This contribution not only informs policymakers about the essential elements required for improving PPP frameworks but also provides a foundation for future discussions on enhancing infrastructure development through more effective and inclusive regulatory practices. Ultimately, the research aims to promote sustainable and equitable infrastructure solutions that align with the diverse needs of the Indonesian population.

METHODS

The research utilized a normative legal method that emphasized the study of applicable legal norms within a legal system. In this context, the investigation involved analyzing legislation, legal documents, and relevant policies related to the topic. The aim was to explore existing legal regulations and understand the legal principles underpinning their implementation. By employing this method, the researchers identified pertinent legal provisions, evaluated their consistency, and offered recommendations for improvement where necessary.

The legislative approach within the normative legal method involved examining and analyzing regulations governing the legal issue at hand. This included studying laws, government regulations, and associated policies that form the basis for legal application in a specific context. Meanwhile, the analytical approach served to delve deeper into the data obtained from the legislative analysis, enhancing the understanding of the dynamics and implications of the existing regulations. By combining these two approaches, the research was able to formulate robust arguments regarding the challenges in legal application and propose more effective and sustainable solutions.

The research utilized various data sources, including legislative texts, government regulations, legal documents, and policy papers relevant to Public-Private Partnerships (PPP) in Indonesia. Data generated from these sources included legal norms, regulatory frameworks, and policy implications that illustrated the current state of infrastructure development and partnership dynamics.

The author analyzed the data through a qualitative approach, employing both legislative and analytical methods. The legislative approach involved systematically reviewing and examining relevant laws and regulations to identify key provisions and principles. This analysis provided insight into the existing legal landscape and highlighted gaps or inconsistencies.

The analytical approach allowed for a deeper exploration of the implications of these regulations, focusing on their effectiveness and applicability in real-world scenarios. By synthesizing findings from both approaches, the author was able to articulate the challenges faced in the application of PPP regulations and propose targeted recommendations for regulatory renewal and improvement. This comprehensive analysis aimed to contribute to more effective and sustainable infrastructure solutions in Indonesia.

RESULTS

Factors Causing Gaps in the Implementation of Public-Private Partnership (PPP) in Infrastructure Development in Indonesia

Public-Private Partnership (PPP) is an important strategy in infrastructure development in Indonesia, considering the large investment needs and limited budget available. Although this scheme is designed to increase collaboration between the public and private sectors, various challenges and gaps in its implementation still often arise. These gaps can hinder the effectiveness of infrastructure projects expected to provide maximum benefits to the community. Therefore, it is important to identify and analyze the factors that cause these gaps so that corrective measures can be taken. The implementation of Public-Private Partnership (PPP) in the provision of infrastructure in Indonesia is further regulated in the Regulation of the Minister of National Development Planning/Head of Bappenas Number 7 of 2023. This regulation emphasizes the role and responsibilities of the Project Cooperation Manager (PJPK), both from the central and regional governments, as well as State-Owned Enterprises (BUMN) and Regional-Owned Enterprises (BUMD). Article 4 stipulates that ministers, heads of institutions, and regional heads act as PJPK in PPP projects, ensuring that responsibility for project implementation remains with the highest authority. However, for efficiency, Article 5 and Article 6 provide flexibility to delegate certain authorities to other units or individuals, such as heads of organizational units in ministries or regional secretaries. However, strategic authorities such as signing PPP Agreements and regress agreements cannot be delegated, maintaining the accountability of project implementers.

In addition to the delegation of authority, this regulation regulates the delegation of responsibility through Article 8. In this case, the minister in education, culture, science, technology, communication, and informatics can delegate his authority to certain institutions, such as state universities with legal status or public broadcasting institutions. This delegation, unlike the delegation of authority, also transfers the responsibility of the PJPK to the recipient of the delegation. In the meantime, Article 9 and Article 10 state that the directors of BUMN and BUMD are permitted to serve as PJPK provided that it is outlined in sector-specific regulations and receives a mandate from the regional leader for

BUMD.However, similar to other delegation provisions, this assignment does not include the authority to sign strategic agreements, such as PPP Agreements or regress agreements, to maintain control of the regional head over strategic projects.

This regulation also accommodates the possibility of a PPP project with a joint PJPK, as stipulated in Article 11. A joint PJPK may involve more than one minister, head of an institution, regional head, or board of directors of BUMN and BUMD, either for one type of infrastructure or for projects covering various types of infrastructure. In this case, the parties are required to prepare and sign a memorandum of understanding that includes the division of tasks, budget, rights, obligations, and dispute resolution mechanisms. One party is appointed as the coordinator, but all PJPKs in the joint PJPK still have joint obligations in signing the PPP Agreement. This provision provides flexibility in handling complex projects while ensuring clarity of responsibility and good coordination between the parties involved.

The Public-Private Partnership (PPP) is a work unit or organization formed or appointed by the minister, head of an institution, regional head, or board of directors of a State-Owned Enterprise (BUMN) to support the implementation of a PPP project. Based on Article 13, the PPP node can be an existing unit or a new one formed according to needs laws, and regulations. This unit is responsible for assisting the PJPK by carrying out various tasks, including formulating policies, synchronizing, coordinating, supervising, and evaluating construction for PPP projects. In addition, the PPP node handles all stages of the PPP, from planning, preparation, and transactions, to project management, as well as coordinating the procurement of the Implementing Business Entity and processing PPP initiatives from business entities. This node is also tasked with collecting documentation from each stage of the PPP and providing periodic reports to the PJPK to ensure accountability and transparency in project implementation.

In performing its duties, the PPP node can cooperate with the preparation agency, business entity consultants, individual consultants, academics, or nationally or internationally certified experts. In addition, the PPP node has the flexibility to involve or form a working group of personnel in the related work unit or organization. Supervision of the PPP node is carried out by the government's internal supervisory apparatus and internal audit institutions to ensure integrity in leading its duties. For state universities, legal entities, or public broadcasting institutions that receive delegations, the formation of a PPP node is also possible to support the implementation of projects by their functions. With this strategic role, the KPBU node becomes an important element in ensuring the success of the PPP project in an integrated, efficient, and accountable manner.

The form of Public-Private Partnership (PPP) includes part or all of the activity process including financing, design, construction, operation, development, revitalization, maintenance, or care, to the transfer of assets and management of infrastructure assets by the PPP Agreement, as stipulated in Article 24. The determination of the form of this PPP is carried out by the minister, head of the institution, regional head, or board of directors of State-Owned Enterprises (BUMN) by considering the overall project needs based on the project life cycle and the appropriate risk allocation. The form of the PPP is determined in preparing a pre-feasibility study for a project originating from a government initiative or at the stage of preparing a feasibility study for a project proposed by a business entity.

Article 51 regulates the provisions regarding the signing of the PPP Agreement between the PJPK and the Implementing Business Entity. If the Implementing Business Entity has been established, the PPP Agreement must be signed no later than 30 calendar days after the establishment of the Implementing Business Entity, as stipulated in paragraph (1). If the Implementing Business Entity is in the form of a limited liability company, the PPP Agreement must be signed no later than 30 calendar days after the letter of appointment of the winner of the Implementing Business Entity Procurement is issued (Article 48 paragraph 3). The signed PPP Agreement regulates various provisions related to project implementation, including the scope of work, period, implementation guarantee, return on investment, rights and obligations, risk allocation, performance standards, share transfer, sanctions, termination of agreement, dispute resolution, and supervision of the performance of the Implementing Business Entity, as well as other provisions required in the implementation of the PPP project. It is intended to ensure the smooth implementation of the project by applicable legal provisions.

Furthermore, Article 52 regulates the effectiveness of the PPP Agreement which can be effective after the preliminary requirements are fulfilled or waived based on the agreement of the parties. Fulfillment of financing is not a preliminary requirement for the PPP Agreement to be effective. In that requirements, include permits required by the Implementing Business Entity to implement the project, the PJPK is responsible for issuing a report and submitting it to the Implementing Business Entity after the preliminary requirements are fulfilled. Article 53 regulates changes to the PPP Agreement that can be made after signing, provided that the changes do not change the project structure, financial feasibility, risk allocation, or established bidding parameters, and do not increase government obligations. Changes to the PPP Agreement can be made if there are changes to government policy or laws and regulations that affect the implementation of the project, with evidence provided by both parties.

Article 54 regulates the period for fulfilling financing that must be fulfilled by the Implementing Business Entity within a maximum of 12 months from the signing of the PPP Agreement. If within that period the Implementing Business Entity has not obtained the fulfillment of financing, they can submit an extension of the period to the PJPK. The GCA will then verify the application and may approve or disapprove the extension of the term, with the provision that the extension may be escorted by additional performance guarantees from the Implementing Business Entity. If the extension is granted without further assurances, the verification process will consider the reasons behind the inability to meet the financing requirements, regardless of whether it was due to the Implementing Business Entity. This provision aims to ensure that the Implementing Business Entity can accomplish its obligations following the schedule agreed upon in the PPP Agreement, as well as to provide a guarantee of smooth project implementation in the long term.

Although there is a clear legal framework regarding the signing, amendments, and fulfillment of financing in PPP projects, there are gaps in implementation regarding the supervision and enforcement of these provisions. Often, the mismatch between existing regulations and the reality on the ground creates challenges in ensuring that all parties comply with the agreed obligations. For example, although there are regulations governing the fulfillment of financing and performance guarantees, the verification process carried out by the GCA is sometimes less effective in ensuring that the Implementing Business Entity meets the specified requirements. This gap highlights the need for a better strengthening of the monitoring system, which not only assesses formal administration but also ensures actual compliance between conditions on the ground and the signed agreements to maintain the sustainability and success of PPP projects.

Lack of understanding and communication between the government and business entities is one of the main factors causing gaps in the implementation of the Public-Private Partnership (PPP). In many cases, both parties have different perceptions regarding the objectives and expectations of this cooperation. The government often has a broader and longer-term vision regarding infrastructure development, while business entities may be more focused on the financial benefits and sustainability aspects of the project. Unclear communication can create the impression that each party is not on the same page, which in turn can lead to confusion and dissatisfaction. For example, if the objectives of the project are not settled upon at the outset, this can trigger conflicts later on regarding what is considered a success or failure of a project. Therefore, building effective communication and mutual understanding between the government and business entities is essential to creating harmonious partnership.

In addition, complicated bureaucracy is often a significant obstacle in implementing PPP projects. Long and complex administrative processes can slow down project progress, resulting in wasted time and resources. Many business entities complain about the lengthy approval process that must be completed before they can start a project. They often have to fulfill various administrative requirements and prepare documents that may not always be relevant or necessary. This protracted process not only reduces efficiency but can also result in cost overruns, which ultimately affect the sustainability and success of the infrastructure project itself. Delays in project implementation can result in lost opportunities, both for business entities and for the community that should benefit from the infrastructure being built. Thus, simplifying and improving bureaucratic processes are crucial to ensure that PPP projects run smoothly and effectively.

Regulatory uncertainty is one of the significant challenges faced in the implementation of Public Private Partnership (PPP) in Indonesia. Frequent changes in policies and regulations create an unstable environment for business entities looking to invest in infrastructure projects. This instability can cause hesitation among private investors, who are essential to support the funding of large infrastructure projects. When regulations change frequently, business entities must spend time and resources to adjust to new policies, which can shift their focus from project development to efforts to comply with fluctuating regulations. As a result, this uncertainty not only reduces investment interest but can also increase operational costs that ultimately affect the financial viability of the project.

In addition, ineffective risk management in the PPP scheme is another factor that causes gaps in its implementation. In this context, risks should be managed proportionally between the government and business entities, where each party has certain responsibilities. However, in practice, business entities often feel burdened with risks that are too great compared to the rewards they receive. For example, in complex infrastructure projects, risks related to delays, additional costs, or fluctuations in income are often borne more by business entities, while the government does not provide adequate guarantees. The lack of clarity about who is responsible for certain risks can also worsen this situation. If problems occur in project implementation, this uncertainty can lead to disputes between the government and business entities, which in turn hinder the progress and success of infrastructure projects.

The lack of community involvement in the planning and implementation of infrastructure projects is one of the factors contributing to gaps in the implementation of Public-Private Partnership (PPP). In many cases, the project planning process is often carried out without considering input from the affected community. The lack of community involvement in the early stages of the project can lead to dissatisfaction and rejection later on. Without the support and active participation of communities, infrastructure projects are at risk of facing resistance, either directly or through legal mechanisms. For example, communities that feel excluded from decision-making may organize protests or demonstrations, which can hinder project progress and cause significant delays.

In addition, projects that do not consider the needs and desires of local communities have the potential to be less relevant and effective in delivering the expected benefits. On the other hand, inadequate evaluation and monitoring are also serious challenges in implementing PPP projects. Without an effective system to evaluate and monitor ongoing projects, potential problems can be overlooked until they become bigger and more difficult to resolve. Complex infrastructure projects require careful oversight to ensure that all aspects, from budget to construction quality, are on track. The lack of regular evaluation can result in undetected errors, potentially disrupting the implementation phase and reducing the quality of the outcome. In the absence of a strong monitoring mechanism, governments and businesses may not have the information needed to make necessary improvements promptly. It not only harms project efficiency but also risks reducing public trust in government and businesses, which in turn can undermine community engagement and support for future projects.

Regulatory Updates in Reducing the Implementation Gap of Public-Private Partnership (PPP) in Infrastructure Development in Indonesia

Regulatory reform in the context of Public-Private Partnership (PPP) is crucial to improving the effectiveness of infrastructure development in Indonesia. As a developing country with huge infrastructure needs, Indonesia faces significant challenges in attracting private investment. Clear and supportive regulations are essential to create a conducive investment climate. Legal uncertainty and unclear regulations are often major obstacles for businesses in making investment decisions. Therefore, regulatory reform aims not only to address existing gaps but also to provide assurance to investors that the projects they undertake will be protected and guaranteed by a strong legal framework.

The gaps in PPP implementation in Indonesia reflect the challenges that should be addressed. While several projects have been successfully implemented through the PPP scheme, many others are hampered by numerous factors, including a lack of understanding of applicable regulations, complicated bureaucratic processes, and uncertainty in risk sharing between the government and business entities. In addition, the lack of community involvement in project planning and implementation often results in resistance that can hinder progress. Therefore, comprehensive regulatory reform is needed to address these challenges and increase the participation of all stakeholders in the infrastructure development process.

Currently, the regulations governing PPP in Indonesia, such as Presidential Regulation No. 38 of 2015, provide a basic framework for collaboration between the government and business entities in providing infrastructure. Although this regulation is a positive step, an evaluation of the existing regulations shows several significant weaknesses and challenges. One of the main weaknesses is the complicated administrative process, where many business entities feel trapped in a long and inefficient bureaucracy. It often results in delays in project implementation, which has a direct impact on the cost and sustainability of the project itself. In addition, current regulations are frequently unable to respond to market dynamics and rapid technological developments. Weaknesses in risk management are also a concern, where the lack of clarity regarding the division of risk between the government and business entities often creates dissatisfaction and uncertainty. In addition, the lack of an effective monitoring and evaluation system results in problems in the early detection and handling of issues that arise during the project implementation phase.

Regulatory reform in the context of Public-Private Partnership (PPP) must consider several fundamental principles to ensure its success. One of the main principles is transparency, which requires all stakeholders to have apparent and open access to information regarding the process, rules, and decisions. With transparency, business entities, and the public can better understand and follow the progress of the project, which in turn can increase trust in the government. In addition, accountability is essential. Every party, both the government and business entities, must be responsible for the actions and decisions taken in the PPP process. It will help create a stronger culture of responsibility and ensure that projects are implemented by established standards. In addition, inclusivity is an equally important principle. Regulatory reforms must involve all stakeholders, including local communities, in project planning and implementation. Community involvement will not only result in more relevant and appropriate projects but can also reduce the potential for resistance and increase support for infrastructure projects. To achieve it, a participatory approach is essential. This approach allows the community to provide valuable input and feedback during the reform process so that the resulting regulations better reflect their needs and expectations. Thus, the implementation of these principles is expected to strengthen the regulatory framework and create a more conducive environment for investment in infrastructure.

The scope of regulatory reform should cover key aspects that are currently hampering the implementation of PPP. First, the approval process needs to be improved to be more efficient and responsive to project needs. Overly complicated and lengthy procedures can hinder progress and discourage investors. New regulations should allow for a faster process while maintaining the required standards of quality and compliance. In addition, risk management should be more clearly regulated, including fair risk sharing between the government and business entities. Better regulation will create certainty for all parties regarding who is responsible for certain risks, thereby reducing the potential for conflict later on. It is necessary to regulate community involvement at every stage of the project. New regulations should establish clear mechanisms for involving local communities, including transparent consultation and participation. Furthermore, the financing options and incentives available for private business entities need to be clearly defined. The government should create attractive incentive schemes for private investors, such as funding guarantees, tax reductions, or ease of licensing. Thus, the updated regulations will further facilitate and encourage private investment in much-needed infrastructure projects.

Analysis of case studies from other countries that have succeeded in reforming PPP regulations can provide valuable insights for Indonesia. For example, several countries, such as India and Brazil have implemented more inclusive and transparent PPP regulations, involving all stakeholders in the planning process. In India, the government has built a digital platform to enable better access to information for investors and the public. In addition, clear risk management and attractive financing mechanisms have succeeded in attracting many private investors into infrastructure projects. Lessons from these good practices can be adopted for the Indonesian context, with adjustments to existing local conditions.

To implement regulatory reform effectively, a structured plan and steps are needed. First, the government needs to conduct an in-depth analysis of the existing regulations and identify aspects that need to be changed or improved. Next, it is important to involve stakeholders in this process, including business entities, the public, and academics, through discussion forums or public consultations. Its involvement will ensure that all perspectives are considered and regulations are comprehensive. In addition, a working of representative team from various parties needs to formulate new provision and develop implementation plans. This team must have a good understanding of global best practices and be able to translate these concepts into the Indonesian context. To ensure sustainability, there needs to be a monitoring mechanism that allows for periodic evaluation and improvement of regulations. With these steps, it is expected that regulatory updates in PPP can be successful and have a positive impact on infrastructure development in Indonesia.

CONCLUSION

Regulatory reforms concerning Public-Private Partnerships (PPP) in Indonesia emphasize the necessity of a comprehensive and inclusive approach to effectively tackle challenges in infrastructure project implementation. Key principles such as transparency, accountability, and stakeholder engagement, particularly involving local communities, are essential in the planning and execution processes. By enhancing regulatory aspects like the approval process, risk management, and business incentives, the aim is to foster a conducive investment climate that accelerates infrastructure development. Successful implementation of these reforms requires careful analysis and collaboration among government entities, businesses, and communities, as well as learning from international best practices. Future research should focus on developing a detailed framework for PPP reforms, examining stakeholder roles, and assessing the impact of regulatory improvements on investment and infrastructure outcomes, ultimately aiming to create a responsive regulatory framework that supports sustainable and equitable development in alignment with community needs.

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