

THE ROLE OF PUBLIC-PRIVATE PARTNERSHIPS (PPP) IN OVERCOMING BUDGETARY AND BUREAUCRATIC BARRIERS IN INFRASTRUCTURE DEVELOPMENT IN INDONESIA

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ABSTRACT

This study aims to analyze the role of Public-Private Partnerships (PPP) in overcoming budgetary and bureaucratic barriers in infrastructure development in Indonesia. Employing a normative juridical research method through statutory and conceptual approaches, this study evaluates the legal framework and implementation of PPPs, including Presidential Regulation No. 38 of 2015 and other supporting regulations. The findings indicate that PPPs represent an innovative alternative solution to address the limitations of state budget (APBN) funding and accelerate the provision of strategic infrastructure through private sector involvement. Moreover, PPPs contribute to streamlining administrative procedures that are often hindered by bureaucratic inefficiencies. Nonetheless, challenges such as regulatory complexity, project readiness, and inter-institutional coordination remain significant obstacles. With regulatory refinement and stronger institutional support, PPPs hold great potential to promote efficient and sustainable infrastructure development in Indonesia.

Keywords: PPP; Infrastructure; Budget Constraints; Bureaucracy; Legal Framework

INTRODUCTION

Indonesia is a country that always strives to meet the needs of its people in various sectors or aspects of life, both in this case the needs of the education sector, needs in the economic aspect and also needs in the health aspect.¹ In order to meet

the various needs as described, of course, a development action is needed, especially in this case development in the field of infrastructure. With the existence of adequate infrastructure, various activities that can move the wheels of the economy can also move, which with the movement of the economy will have a significant

¹ Naufal Abdi Hanan and Oktarina Albizzia, "Strategi Koperasi Unit Desa 'Tani Makmur' Dalam Peningkatan Kesejahteraan Masyarakat Di Kalurahan Tirtonirmolo Kecamatan Kasihan

Kabupaten Bantul," *SOSIO PROGRESIF: Media Pemikiran Studi Pembangunan Sosial* 1, no. 1 (2021): 58–70.

impact on improving the standard of living and also the welfare of the Indonesian people.²

Efforts to improve the standard of living by means of infrastructure development, if actually realized, in addition to improving the standard of living of the community, can also result in Indonesia being able to achieve the 2015 MDGs and also achieve the 2030 SDGs that the Indonesian government has always wanted to achieve. Unfortunately, these goals will not be achieved if the implementation of infrastructure development in Indonesia is still carried out in the old or traditional ways. This can happen considering that the old or traditional ways have problems that tend to be difficult to solve, which consist of funding problems and also bureaucratic problems.

The first problem here is the problem of funding, infrastructure development certainly requires considerable funding and this is not possible to do with funding budgeted in the State Budget (APBN) or in the Regional Budget (APBD)³ considering that these

funds are unlikely to be allocated entirely for infrastructure development considering that the APBN and APBD allocations must still be allocated to other aspects such as education, health and also other fields related to the welfare of the people in Indonesia. With various other needs outside of infrastructure development, infrastructure must be carried out by not only relying on APBN or APBD funds but in this case must also utilize funds outside of these two sources. This is also evidenced by the existence of priority programs, which although in this case the name is a priority program, but in its implementation the realization of funding that occurs still tends to be small, such as what happens in the Regional Government Plan (substitute for the Medium-Term Development Plan) of West Aceh Year 2023-2023 which in the plan infrastructure development is a priority program but the funds allocated are only 10% of the total District Revenue and Expenditure Budget (APBK), which is around 130 billion of the total budget of 1.3 trillion. This small allocation is an obstacle

² Setiawati Sulis, “Pengaruh Pembangunan Infrastruktur Terhadap Pertumbuhan Ekonomi Kota Bandar Lampung Tahun 2013-2019 Dalam Perspektif Ekonomi Islam” (UIN Raden Intan Lampung, 2022).

³ Kurdi Kurdi and Cut Zulfahnur Syafitri, “Analisis Pelaksanaan KPBU Skala Kecil Dengan Perspektif Manajemen Perubahan Sektor Publik,” *UNES Law Review* 6, no. 4 (2024): 12093–101.

in infrastructure development in Indonesia.⁴

The second problem faced in this context is bureaucracy, which is one of the main obstacles in the implementation of infrastructure projects in Indonesia. Infrastructure implementation is often plagued by complicated, lengthy and convoluted bureaucratic processes, resulting in significant obstacles to the success of the project. These bureaucratic obstacles cover many aspects, ranging from the approval process that takes a long time because it must go through various stages involving many parties, to the fulfillment of administrative requirements that are often inefficient and confusing. In addition, the lack of synchronization between relevant agencies also worsens the situation, where poor coordination processes can result in overlapping policies or conflicting decisions. As a result, infrastructure projects often experience significant delays in both the planning and implementation stages. These bottlenecks not only slow down development implementation, but can also increase costs for both the state budget and private

investors. In some cases, projects are even stalled altogether due to unresolved bureaucratic obstacles. Thus, these bureaucratic issues are one of the main challenges that need to be overcome to ensure that the implementation of infrastructure projects can run more smoothly, efficiently and on time to support economic growth and sustainable development in Indonesia.

In connection with the problems described above, a solution is actually needed so that infrastructure development in Indonesia can actually be maximized. One of the solutions that can be done in this case is by utilizing the existence of a third party or in this case a business entity which in this case can be done with the Government Cooperation with Business Entities scheme (hereinafter referred to as PPP).⁵ With the involvement of business entities, the two problems as described earlier are very likely to be resolved, which can be explained because cooperation with business entities means that the bureaucracy will not be complicated because business entities tend to be more professional in managing a project,

⁴ Hayat Abdullah, "Realokasi Kebijakan Fiskal: Implikasi Peningkatan Human Capital Dan Pembangunan Infrastruktur Terhadap Pertumbuhan Ekonomi Dan Kesejahteraan Masyarakat," *Jurnal Bina Praja* 6, no. 2 (2014): 117–28.

⁵ Alfa Fitri, "Aspek Environmental, Social, and Governance Sebagai Solusi Pembangunan Infrastruktur Berkelanjutan Dalam Kerjasama Pemerintah Dengan Badan Usaha," in *National Conference on Law Studies (NCOLS)*, vol. 6, 2024, 198–229.

including in this case the management of infrastructure development projects.

Government and Business Entity Cooperation (PPP) is also one of the effective solutions in overcoming the funding problem, which is often a major obstacle in the implementation of infrastructure development.⁶ Through the PPP scheme, the involvement of third parties, namely business entities, allows project financing not to be fully borne by the government. In this scheme, there is a structured risk-sharing mechanism, where responsibility for various aspects of the project, such as funding, implementation, and operations, is shared proportionally between the government and the business entity. This provides multiple benefits.⁷ On the one hand, the government can reduce pressure on the state budget, which is often limited, while on the other hand, enterprises get the opportunity to contribute directly to infrastructure development in exchange for mutually agreed benefits, for example through staged payments, concessions, or project outcome-based revenue schemes. In addition, the involvement of enterprises

also promotes efficiency and innovation in project implementation as they usually have the technical expertise, resources and experience that can improve the quality and speed of development. With a clear division of roles, the government can focus on regulatory and supervisory aspects, while enterprises play more of a role in financing and technical execution.

Seeing the great potential of the Public Private Partnership (PPP) scheme in supporting development, especially in the infrastructure sector, it is important to highlight the role of PPP as a strategic instrument in overcoming budgetary and bureaucratic obstacles to accelerate economic development. In this context, sustainable development refers to development that considers economic, social and environmental aspects in a balanced manner as stated in Presidential Regulation No. 111 of 2022 on the Implementation of Achieving Sustainable Development Goals. Infrastructure is seen as one of the main prerequisites in driving inclusive and sustainable economic growth, as it has a direct impact on connectivity, productivity, and national

⁶ Mohamad Fadhillah Dekha, "Perlindungan Hukum Terhadap Foreign Direct Investment (FDI) Dalam Bentuk Kerjasama Pemerintah Dengan Badan Usaha (KPBU)," *Eksekusi: Jurnal Ilmu Hukum Dan Administrasi Negara* 1, no. 4 (2023): 250–62.

⁷ Wahyu Adi Mudiparwanto and Ade Gunawan, "Urgensi Pembentukan Peraturan Daerah Tentang Kerja Sama Pemerintah Dengan Badan Usaha Dalam Penyediaan Infrastruktur," *DIVERSI: Jurnal Hukum* 8, no. 1 (2022): 111–38.

competitiveness. Therefore, PPP is one of the mechanisms that can bridge the large infrastructure development needs with the limited financing capacity of the state.⁸ Adequate infrastructure not only serves as the backbone of community activities, but also as a key driver for increased productivity, connectivity, and national competitiveness. In this context, PPP is a strategic approach that offers real solutions to various development challenges, ranging from limited government budgets to the need for efficiency and innovation in project implementation.⁹

Through the involvement of the private sector or business entities, PPP schemes enable mutually beneficial collaboration, where the government and business entities share responsibilities, risks, and resources in realizing strategic development projects.¹⁰ With a clear division of roles, the government can focus more on policy setting and oversight, while the private sector can contribute through expertise, technology, and financial investment. This scheme not only helps

ease the government's fiscal burden, but also provides an opportunity for businesses to actively participate in national development, which in turn has a direct impact on sustainable economic growth.

Based on the important role of PPP in realizing sustainable infrastructure development and its significant impact on Indonesia's economic development, the author feels that this topic deserves a deeper research. Therefore, the author proposes a research title that reflects the urgency and relevance of this issue, namely "Government and Business Entity Cooperation (PPP) as a Key Pillar in Supporting Sustainable Economic Development in Indonesia." This research is expected to contribute in comprehensively exploring the potential of PPP, as well as offering strategic recommendations that can be implemented to accelerate sustainability-oriented national development.¹¹

METHOD

The implementation of this research in using normative juridical

⁸ Mada Devi Kartikasari and Sonyendah Retnaningsih, "Kajian Mengenai Skema KPBU Melalui Perjanjian KPBU IKN," *Ranah Research: Journal of Multidisciplinary Research and Development* 6, no. 4 (2024): 933–41.

⁹ Kurdi and Syafitri, "Analisis Pelaksanaan KPBU Skala Kecil Dengan Perspektif Manajemen Perubahan Sektor Publik."

¹⁰ Ibid.

¹¹ Ika Agustini, Rofiqur Rachman, and Ruly Haryandra, "Perlindungan Hukum Terhadap Korban Kekerasan Seksual: Kajian Kebijakan Hukum Pidana Indonesia Dan Hukum Pidana Islam," *Rechtenstudent* 2, no. 3 (2021): 342–55.

research methods or commonly known as literature studies in which the implementation of this research is carried out by analyzing various sources of literature that have been previously available and connecting the results of the analysis then connected to the problem to be studied.¹² The reason for using this research method itself is because when viewed in terms of legislation there are already rules governing PPP, but from various rules, they must be analyzed again in order to explain the issues to be discussed, namely regarding PPP as a pillar in sustainable economic development. The implementation of this research also uses a research approach which is divided as follows:

1. *Statute approach*

The regulatory approach is a research approach that is carried out by examining various regulations that have a relationship with the problem to be discussed,¹³ as in this case the regulation is Presidential Regulation Number 38 of 2015 concerning Government Cooperation with

Business Entities. As the main basis for the implementation of PPP, the existence of these regulations can be used as the basis for analyzing existing problems.

2. *Conceptual approach*

A conceptual approach is a strategy applied to examine a problem based on the viewpoints developed in legal science.¹⁴ The purpose of applying this method is to gain a deeper understanding of an idea or idea by explaining legal concepts or principles related to the problem to be analyzed. In this case, the concepts used in the conceptual approach are the concept of development, the concept of PPP, the concept of infrastructure and also the concept of sustainable development.

RESULTS AND ANALYSIS

Implementation of Public-Private Partnership (PPP) to Support Economic Development in Indonesia

The existence of PPP in development in Indonesia can actually be explained as a fairly fair strategy because with the implementation of PPP here

¹² Yuli Purwanti et al., "Upaya Penanggulangan Tindak Pidana Penipuan Dengan Metode Phising Oleh Kepolisian Daerah Lampung," *Audi Et AP: Jurnal Penelitian Hukum* 2, no. 01 (2023): 64–71.

¹³ Joy Sastria, "Penolakan Dipensasi Perkawinan Di Bawah Umur Di Pengadilan Agama Boyolali Perspektif" (IAIN Salatiga, 2024).

¹⁴ Agustini, Rachman, and Haryandra, "Perlindungan Hukum Terhadap Korban Kekerasan Seksual: Kajian Kebijakan Hukum Pidana Indonesia Dan Hukum Pidana Islam."

development is not only monopolized by the government but also provides opportunities for business entities or private parties in development projects so that in this case both parties will benefit from their respective roles, in this case business entities will benefit from management and development while the government in this case is an advantage because the government will get a solution to the limitations of the government budget and increase efficiency, innovation, and quality of development projects. Before explaining the role of PPP in terms of economic development in Indonesia, in this case it must be explained first about how the implementation of PPP in Indonesia is because with an explanation of the implementation, an assessment can be drawn about the role of PPP in economic development in Indonesia.

The implementation of PPP in Indonesia itself has a clear legal basis which the main legal basis in this case is the existence of Presidential Regulation Number 38 of 2015 concerning PPP,¹⁵

besides that in this case the regulations regarding PPP are also regulated in the Ministry of Finance Regulation which in this case the Government provides fiscal incentives in the form of Viability Gap Funding (VGF), which is financial assistance to support the feasibility of projects that are socially important but less economically attractive to the private sector.¹⁶

The third implementation in this case is the involvement of Bappenas in infrastructure development, especially those involving infrastructure development with PPP schemes, Bappenas as a national planner will later in this case determine a list of strategic projects that meet the PPP criteria. This regulation ensures transparency, accountability, and legal certainty in project implementation.¹⁷

Public-Private Partnership (PPP) is a mechanism for financing and managing infrastructure projects that involves the active role of the private sector in the provision of public services. This concept aims to optimize the resources and

¹⁵ Ricca Anggraeni and Indah Mutiara Sari, "Mengungkap Materi Muatan Peraturan Presiden Nomor 38 Tahun 2015 Tentang Perjanjian Kerjasama Pemerintah Dan Badan Usaha Dalam Penyediaan Infrastruktur," *Masalah-Masalah Hukum* 49, no. 2 (2020): 125–35.

¹⁶ Satriadi Ery and Murtaqi Isrochmani, "The Viability Gap Funding (VGF) Scheme in Construction Assignment LRT Jabodebek Phase 2

Project Economic and Financial Analysis," *European Journal of Business and Management Research* 7, no. 4 (2022): 139–42.

¹⁷ Eliza Bhakti Amelia, "Faktor-Faktor Kritis Penentu Kesuksesan Kerja Sama Pemerintah Dengan Badan Usaha (KPBU) Sektor Air Minum," *Jurnal Litbang: Media Informasi Penelitian, Pengembangan Dan IPTEK* 19, no. 1 (2023): 57–72.

expertise of each party through a fair risk, responsibility, and profit sharing scheme. In the context of national development, PPP not only serves as an alternative to infrastructure financing, but also as a strategic instrument to encourage sustainable economic development.

Sustainable economic development in this article refers to the economic dimension of the concept of *sustainable development*, as stipulated in Presidential Regulation No. 111 of 2022 on the Implementation of Achieving the Sustainable Development Goals. This dimension emphasizes the importance of inclusive, productive, and sustainable economic growth supported by reliable, efficient, and environmentally friendly infrastructure. Thus, PPP is one of the means to realize these goals through strengthening investment, accelerating strategic projects, and bureaucratic efficiency in the development process.

In this study, the implementation of PPP is analyzed as the main variable that is reviewed through three main indicators: (1) supportive regulatory framework, (2) financing and incentive schemes, and (3) the role of institutions such as Bappenas in project planning.

By conceptually and normatively understanding how PPP is designed and

implemented in Indonesia, the assessment of its role in economic development becomes more focused. PPP not only addresses budgetary and bureaucratic challenges, but also has the potential to strengthen the foundation of a sustainable economy, if implemented in a planned, participatory, and sustainability-based manner.

With a clear legal basis, in this case, it is then followed up with the implementation of PPP, where the implementation of PPP itself has stages and also PPP procedures, where these stages are coherently as follows:

- a. Project Identification and Planning:
The government identifies urgent infrastructure needs and prioritizes projects that are suitable for PPP. For example, toll road projects or power plants that can drive the local economy.
- b. Feasibility Study: A technical, financial, social, and environmental feasibility analysis is conducted to assess whether the project is acceptable to all parties involved. This process is important to mitigate risks and reduce the likelihood of project failure.
- c. Partner Tender and Selection:
Private partners are selected

through a transparent and competitive tender process. This process ensures that the selected partners have adequate technical and financial capabilities.

- d. Project Implementation: Once the contract is signed, the private partner is responsible for the financing, construction, and operation of the project for the agreed period (usually 15-30 years).
- e. Monitoring and Evaluation: The government continues to monitor the quality of services throughout the project. This is done to ensure the project runs according to standards and meets the needs of the community.

The existence of various stages and clear procedures as described in this case is then not enough just to stop there, in order to succeed the implementation of PPP in the context of national development in this case the government also provides various kinds of assistance which include: *First, the government provides Viabilitu Gap Funding (VGF), in this case VGF is*

provided by the government in order to minimize or reduce financial gaps in projects with high social impact, such as clean water and sanitation infrastructure.¹⁸

Secondly, the government also provides support that can be seen with the involvement of PT Penjaminan Infrastruktur Indonesia (PII) where the government can provide risk guarantees, such as political risk, policy changes, or failure of payments by the government. This is important to provide a sense of security for investors.¹⁹ The third support in this case is that the government also provides support in the form of licensing simplification where with this support it will be possible to accelerate the licensing process for PPP projects. For example, the implementation of an integrated licensing system through Online Single Submission (OSS).

Despite its many benefits, the implementation of PPP in Indonesia is not free from challenges. Based on a number of previous studies, one of the main obstacles is the complexity of regulations that can hamper coordination between government agencies, especially in the aspects of

¹⁸ Mochamad Rifki Maulana, "Pemahaman Dan Pembelajaran Tahap Perencanaan Dan Penyiapan Pembangunan Infrastruktur Di Indonesia Melalui Skema Kerja Sama Pemerintah Dan Badan Dalam Penyediaan Infrastruktur (KPBU)," *JISIP (Jurnal Ilmu Sosial Dan Pendidikan)* 5, no. 1 (2021).

¹⁹ Sugihardjo Sugihardjo, "Optimalisasi Alternatif Pembiayaan Infrastruktur Transportasi Dengan Meningkatkan Kompetensi Sumber Daya Manusia," *Jurnal Penelitian Transportasi Darat* 24, no. 2 (2022): 141–49.

licensing and land acquisition.²⁰ This shows that although PPP is designed as a solution to traditional bureaucratic obstacles in infrastructure development, in practice it also faces new bureaucratic challenges that are more technical and specific, such as overlapping authority or procedural uncertainty.

In addition, a number of PPP projects rely heavily on government support in the form of subsidies or risk guarantees, such as the *Viability Gap Funding (VGF)* scheme, which in turn can strain the state's fiscal capacity if not designed selectively and sustainably.²¹ Project readiness is also an important factor, as many projects do not have adequate feasibility studies, or lack supporting documents, thus not meeting the expectations of investment feasibility for the private sector.²²

Another challenge is how to ensure environmental and social sustainability in project implementation. This aspect is even more crucial given that Indonesia has adopted the Sustainable Development

Goals (SDGs) agenda, which demands that infrastructure development does not compromise ecological sustainability and the welfare of affected communities.²³

When linking the implementation of infrastructure development with sustainable economic development in Indonesia, it can be explained that Public Private Partnership (PPP) plays a strategic role in driving Indonesia's economic development, especially through accelerating the provision of infrastructure which is the main foundation of economic growth. With the limited state budget, the PPP model allows the government to involve the private sector to fund, build and manage infrastructure projects without having to fully rely on state budget funds.

Strategic infrastructure such as toll roads, ports, airports, power plants, and telecommunication networks can be realized faster, thereby reducing regional disparities and increasing accessibility.

Infrastructure development through PPP also brings benefits in improving efficiency and innovation. Private partners

²⁰ M. H. Yudhistira dan P. Hadi, "Regulatory Framework Challenges in Public-Private Partnerships for Infrastructure in Indonesia," *Jurnal Hukum dan Pembangunan* 50, no. 3 (2020): 457–475; Badan Perencanaan Pembangunan Nasional (Bappenas), *Kajian Strategis Skema Pembiayaan Infrastruktur melalui KPBU* (Jakarta: Bappenas, 2021).

²¹ Kementerian Keuangan Republik Indonesia, *Laporan Tahunan Direktorat Jenderal Pengelolaan*

Pembiayaan dan Risiko Tahun 2022 (Jakarta: Kemenkeu, 2022).

²² Asian Development Bank, *Public-Private Partnership Monitor: Indonesia* (Mandaluyong City: ADB, 2019).

²³ United Nations Development Programme (UNDP) Indonesia, *Indonesia SDGs Roadmap: Achieving the Sustainable Development Goals in Indonesia* (Jakarta: UNDP, 2021).

often have cutting-edge technology, efficient construction methods and more adaptive project management. This not only speeds up project completion, but also improves the quality of the end result, which in turn provides long-term benefits to society. In addition, the PPP model creates a positive domino effect on the local economy, especially in terms of employment. Large-scale infrastructure projects require a lot of labor during the construction phase, which provides additional income for the surrounding community. When the project starts operating, new job opportunities also arise in operations, maintenance, and other supporting sectors.

Equally important, PPPs also improve the competitiveness of the national economy by lowering logistics costs and speeding up the distribution of goods and services. Adequate infrastructure helps businesses access a wider market at lower costs, which in turn attracts more foreign and domestic investment. In addition, infrastructure development through PPP plays a role in strengthening Indonesia's position in the global supply chain. With more efficient transportation and logistics facilities,

Indonesia can become a more competitive regional hub in the Southeast Asian region. In the long run, PPP not only supports economic growth but also improves people's quality of life by providing better public services, such as clean water, electricity, transportation, and healthcare facilities.²⁴

The success of PPP in relation to sustainable economic development in Indonesia itself can be seen from various PPP projects that have been successfully implemented and their impact on society. In this case, examples of infrastructure projects that use the PPP scheme include the Trans Java Toll Road and the Trans Sumatra Toll Road. These two projects are implemented with a PPP model based on *availability payment* and *toll revenue*, where the private sector is responsible for funding, building and operating toll roads, while the government provides support in the form of certain risk guarantees and fiscal incentives.

The Trans Java Toll Road project, for example, involves Toll Road Business Entities (BUJT) such as PT Jasa Marga and other private partners funding the construction through direct investment, with cost recovery obtained from toll rates

²⁴ Raldin Alif Al Hazmi, "Kerjasama Pemerintah Dengan Badan Usaha: Harapan Baru Pembangunan Infrastruktur Di Indonesia," *Journal of Law,*

Administration, and Social Science 4, no. 6 (2024): 1101–18.

paid by road users. Meanwhile, on some sections of the Trans Sumatra Toll Road, such as the Bakauheni-Terbanggi Besar section, the government uses an *availability payment* scheme, which is a periodic payment to business entities based on the *availability* of toll road services that meet standards, regardless of traffic volume.

Both models have been proven to accelerate the provision of strategic infrastructure without having to fully rely on the state budget. The benefits of implementing this PPP project include accelerating the distribution of goods and services, reducing national logistics costs, and increasing inter-regional connectivity that supports sustainable regional and national economic growth. Another example in this case is the provision of the Umbulan Drinking Water Project (East Java), where the existence of this project provides very significant benefits considering that in this case the existence of the project can provide clean water to hundreds of thousands of households, showing a significant social impact of PPP.²⁵

Various explanations as described above can actually be drawn an explanation

that as a strategic partnership model, Public Private Partnership (PPP) has become an effective solution in accelerating infrastructure development in Indonesia. With a strong legal foundation, systematic procedures, and government support in the form of incentives and guarantees, PPP opens opportunities for the private sector to contribute to economic development. The role of PPP has proven to be significant in overcoming the limitations of the state budget, creating jobs, and encouraging innovation and efficiency in the provision of public services.

Even so, challenges such as regulatory complexity, dependence on government support, and suboptimal project readiness require more attention to make PPP implementation more effective. To overcome regulatory complexity, it is necessary to harmonize policies across sectors and simplify licensing procedures through an integrated digital system, such as a transparent and efficient *single submission system*. The government can also establish a special unit for accelerating PPP that functions as a coordination center between agencies and technical assistance for PPP projects.

²⁵ Maulana, "Pemahaman Dan Pembelajaran Tahap Perencanaan Dan Penyiapan Pembangunan Infrastruktur Di Indonesia Melalui Skema Kerja

Sama Pemerintah Dan Badan Dalam Penyediaan Infrastruktur (KPBU)."

Regarding the dependence on government support, it is necessary to develop a *blended finance* scheme involving non-government financial institutions, such as development banks, guarantee institutions, or pension funds, to expand the funding base without directly burdening the state's fiscal. Meanwhile, to address low project readiness, it is necessary to strengthen the early stages of projects through *project preparation facilities* supported by the government budget or cooperation with international partners, so that feasibility studies, risk analysis, and legal documents can be prepared thoroughly and attract investors. With continuous efforts to overcome these challenges, PPP can continue to be a driving force for inclusive, sustainable development, and be able to increase Indonesia's economic competitiveness in the global arena.

Success in implementing PPP will support sustainable economic development, where the provision of efficient and equitable infrastructure will strengthen Indonesia's economic foundation to face future challenges, create more jobs, and ensure economic growth that can be felt by all levels of society. Thus, PPP not only accelerates infrastructure development, but also plays an important role in creating a more

inclusive and resilient economy, supporting economic resilience in the face of global dynamics.

Regulation of PPP Implementation and Acceleration of National Development

The existence of regulations governing PPP can be explained as having a very important role in the context of implementing the acceleration of national development. The importance of PPP in accelerating national development itself is inseparable from the fact that PPP in this case is a collaboration scheme between the government and business entities to build infrastructure and provide public services efficiently and sustainably with a legal basis that has been very clearly regulated as contained in Presidential Regulation Number 38 of 2015 concerning Government Cooperation with Business Entities in Infrastructure Provision. The existence of this regulation has a role in accelerating national development because in this case the regulation, in terms of the content of the regulation, is able to provide complex and comprehensive explanations or arrangements regarding the implementation of PPP starting from the stages of planning, implementation, management, to project termination, which aims to create synergy between the

government as a policy controller and the private sector as a resource provider. In the context of national development, this regulation seeks to answer the enormous need for infrastructure financing by optimally utilizing private participation.²⁶

A more detailed explanation of the role of PPP in accelerating national development here itself is also related to the fact that PPP has a very general or broad project scope ranging from the construction of toll roads, ports, airports, electricity provision, to other public services. With the existence of facts that explain that the broad scope of the existence of PPP can accelerate the implementation of infrastructure development in Indonesia, which in turn will have a positive correlation with the acceleration of national development. This is also strengthened by the government by providing support in the form of granting authority to business entities in order to participate in contributing to the provision of infrastructure in Indonesia and to ensure the success of these efforts the government also has other bases or regulations that can boost the chances of success of the program, in this case the additional legal basis in question is the existence of strong

legal and institutional instruments, such as the establishment of the Committee for the Acceleration of Priority Infrastructure Provision (KPPIP) which is tasked with overseeing national strategic projects. In addition, there are complementary regulations such as Minister of Finance Regulation Number 260/PMK.08/2016 concerning Infrastructure Guarantee through PT Penjaminan Infrastruktur Indonesia, which provides guarantees for business entities against certain risks in the implementation of PPP projects.

In addition to the legal basis, PPP regulations support the acceleration of national development through innovative financing schemes such as Viability Gap Fund (VGF) and Availability Payment (AP). VGF is financial support provided by the government to improve the financial viability of infrastructure projects that have high social benefits but are less attractive to the private sector from a commercial perspective. This scheme serves to bridge the gap between investment needs and the economic viability of the project. Meanwhile, the Availability Payment scheme allows the government to pay the business entity based on the availability of infrastructure services, thus providing

²⁶ Anggraeni and Sari, "Mengungkap Materi Muatan Peraturan Presiden Nomor 38 Tahun 2015

Tentang Perjanjian Kerjasama Pemerintah Dan Badan Usaha Dalam Penyediaan Infrastruktur."

revenue certainty for the business entity without having to rely entirely on user tariffs.²⁷ PPP regulations also include clear risk management to create legal certainty and attract business entities. Risks in PPP projects, such as financial, operational, and legal risks, are regulated to be distributed proportionally between the government and the business entity. In this case, the government can provide guarantees against political and regulatory risks, such as policy changes that may impact project implementation. This regulation provides a strong foundation to avoid disputes between the government and business entities, while increasing investor confidence in the stability of policies in Indonesia.

PPP regulations in terms of accelerating national development, apart from being able to be explained by the reasons as explained above, it can also be explained that PPP regulations can boost national development because with the existence of regulations on PPP, the implementation of PPP can actually be implemented by taking into account the

concept of sustainability, which in this case includes environmental, social, and governance (Environmental, Social, and Governance or ESG) aspects. The government encourages the application of ESG principles in every stage of PPP projects to ensure long-term positive impacts on society and the environment.²⁸ This is in line with Indonesia's commitment to achieve inclusive, sustainable, and environmentally sound development, as stipulated in the National Medium-Term Development Plan (RPJMN).

The existence of regulations regarding PPP can also be said to make a serious contribution to economic sustainability because with clear regulations, PPP can be implemented with the main attention aimed at transparency and accountability. The existence of regulations governing PPP here itself guarantees transparency and accountability considering that with the existence of various regulations that clearly regulate PPP, implementation such as the selection process of business entity partners is

²⁷ Maulana, "Pemahaman Dan Pembelajaran Tahap Perencanaan Dan Penyiapan Pembangunan Infrastruktur Di Indonesia Melalui Skema Kerja Sama Pemerintah Dan Badan Dalam Penyediaan Infrastruktur (KPBU)."

²⁸ Prita Amalia, Ferera Ardine Jillian Naibaho, and Garry Gumelar Pratama, "A Systematic Review of

The Interrelation of Administrative, Environmental, Social and Governance of Public-Private Partnerships (PPP) Spaceport Project in Biak, Papua, Indonesia," *Journal of Infrastructure, Policy and Development* 7, no. 1 (2023): 1709.

carried out openly and competitively through a strict tender mechanism, in accordance with the principles of good governance. In terms of supervision, the government establishes a regular monitoring and evaluation mechanism to ensure the project goes according to plan. In this case, the existence of regulations is also very important considering that the existence of regulations can result in integration or collaboration with other financial institutions such as the Financial and Development Supervisory Agency (BPKP), to avoid irregularities and ensure that the project provides maximum benefits to the community.²⁹

However, although PPP regulations have been designed quite comprehensively, there are a number of technical shortcomings that still need to be addressed. One of the main criticisms is the weak mechanism for direct supervision of project implementation, especially in the post-contract stage. Existing monitoring and evaluation procedures tend to be administrative in nature, not yet touching substantive aspects such as long-term performance assessment and compliance with ESG principles.

In addition, there are serious challenges related to transparency and accountability, especially in the procurement process and the appointment of business entity partners. Although the tender process is normatively regulated to be open and competitive, the practice in the field still leaves loopholes that have the potential to be utilized for certain interests. This gap is often a space for the growth of corrupt practices in PPP schemes, as revealed in the study of Adiasma et al. (2023) which states that PPP is often a development solution that has great potential for irregularities if it is not closely and independently monitored.³⁰

To answer these challenges, it is necessary to reformulate PPP technical regulations that not only regulate administrative procedures, but also strengthen the function of independent supervision, including the involvement of anti-corruption institutions and civil society. In addition, transparency is needed in all stages of the project cycle-from planning, partner selection, to monitoring implementation-so that the sustainable development goals promoted by PPP are

²⁹ Farhan Shidqi and Amrie Firmansyah, "Bagaimana Peran Aparat Pengawasan Intern Pemerintah Dalam Pengawasan Akuntabilitas Proyek Kerjasama Pemerintah Dan Badan Usaha?," *Jurnalku* 4, no. 1 (2024): 50–67.

³⁰ Fajar Adiasma et al., "Kerjasama Pemerintah–Badan Usaha di Indonesia: Solusi dan Celah Korupsi," *Integritas: Jurnal Antikorupsi* 9, no. 2 (2023): 183–194.

truly achieved in an ethical and equitable manner.

Through various regulations that support the implementation of PPP, the government has succeeded in creating a conducive environment for private sector investment in infrastructure development. These regulations not only provide legal certainty but also regulate various technical and financial aspects needed to realize national strategic projects. Thus, the PPP scheme contributes significantly in accelerating infrastructure provision, increasing economic competitiveness, and improving the quality of life of the Indonesian people in a sustainable manner. The existing regulations continue to be refined to answer the challenges that arise, so that the implementation of PPP can become the main pillar in supporting the national development agenda.

CONCLUSION

Public Private Partnership (PPP) is a strategic partnership model that contributes significantly to the acceleration of infrastructure development in Indonesia. With a clear legal basis, such as Presidential Regulation No. 38/2015, PPP allows synergy between the government and the private sector to overcome budget constraints, increase efficiency, and encourage innovation. Through systematic

stages and support in the form of fiscal incentives and risk guarantees, PPP is able to bridge the gap in infrastructure provision, which in turn supports sustainable economic growth, improves connectivity, and strengthens national competitiveness.

Even so, challenges in the form of regulatory complexity, suboptimal project readiness, and social and environmental sustainability require more attention so that PPP implementation can run effectively and inclusively. several technical steps can be recommended. First, it is necessary to harmonize regulations across sectors and simplify licensing procedures through the implementation of a digital integrated service system (e-government). Second, to improve project readiness, the government needs to strengthen the role of the *Project Development Facility* (PDF) which can professionally fund feasibility studies and supporting documents before being offered to investors. Third, there is a need to strengthen independent supervision through the involvement of anti-corruption agencies, BPKP, and public participation to minimize potential irregularities. Finally, the integration of sustainability (ESG) principles must be applied from the planning stage to the end of the project to ensure long-term benefits for society and

the environment. With the implementation of these technical steps, PPP is not only an alternative financing solution, but also a more adaptive, collaborative, and highly competitive infrastructure development governance model in supporting a sustainable national development agenda.

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