



The Role of The Ministry of National Development Planning of The Republic of Indonesia in Public-Private Partnership

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ABSTRACT

This study addresses the notable gap in existing research by examining the critical role of The Ministry of National Development Planning/National Development Planning Agency (*Kementerian PPN/Bappenas*) in the country's infrastructure development through Public-Private Partnerships (PPP) financing scheme. Utilizing qualitative methods, the research identifies three key dimensions of *Bappenas*' role in PPP: Government Policy and Political Commitment, Legal and Regulatory Framework, and PPP Supporting Bodies. These dimensions encompass five primary roles—Provider, Regulator, Coordinator, Supervisor, and Project Participant. The study also reveals significant challenges, with out-of-control risks such as unpredictable pandemics posing a major hindrance. To address these issues, the research recommends The Ministry of National Development Planning/National Development Planning Agency (*Kementerian PPN/Bappenas*) to develop comprehensive regulations and conduct ongoing capacity building to enhance stakeholders' PPP knowledge and address the capacity of human resources within the Government Contracting Agency (GCA). In addition, encourage policymakers to shift their mindset, advocating for early integration of PPPs as the primary funding mechanism in infrastructure projects, boosting feasibility and success.

Keywords: Public-Private Partnership; Role of Government; Infrastructure Funding; Innovative Funding; The Ministry of National Development Planning of the Republic of Indonesia

SARI PATI

Penelitian ini mengisi kesenjangan dalam penelitian yang sudah ada dengan mengeksplorasi peran kritis Kementerian Perencanaan Pembangunan Nasional Indonesia (Bappenas) dalam pengembangan infrastruktur negara melalui Kemitraan Publik-Privat (PPP). Dengan menggunakan metode kualitatif, penelitian ini mengidentifikasi tiga dimensi kunci peran Bappenas dalam PPP: Kebijakan Pemerintah dan Komitmen Politik, Kerangka Hukum dan Regulasi, serta Badan Pendukung PPP. Dimensi ini melibatkan lima peran utama, yaitu Penyedia, Regulator, Koordinator, Pengawas, dan Peserta Proyek. Studi ini juga mengungkapkan tantangan signifikan, dengan risiko yang tidak terkendali seperti pandemi yang tidak dapat diprediksi menjadi hambatan utama. Untuk mengatasi masalah ini, penelitian ini merekomendasikan agar Bappenas mengembangkan regulasi komprehensif dan melakukan pembangunan kapasitas berkelanjutan untuk meningkatkan pengetahuan para pemangku kepentingan terkait PPP dan mengatasi kapasitas sumber daya manusia Penanggung Jawab Proyek Kerja Sama (PJPK). Selain itu, mendorong para pemangku kebijakan untuk mengubah perspektif mereka dalam mendorong integrasi kemitraan pihak swasta (PPP) sebagai mekanisme pendanaan utama dalam proyek infrastruktur.

Kata Kunci: Kemitraan Pemerintah-Swasta; Peran Pemerintah; Pendanaan Infrastruktur; Pendanaan Inovatif; Kementerian Perencanaan Pembangunan Nasional Republik Indonesia

INTRODUCTION

Public-Private Partnership (PPP) is a collaborative approach between governments and business entities to develop infrastructure for public interest, leveraging the resources of the private sector with risk-sharing. This funding method has historical roots dating back to the 17th century when the French government employed PPP schemes for canal and bridge construction (Cowie, 1996, as cited in Bovaird, 2010). In recent times, PPP has gained global traction, notably post the 2007–2008 global financial crisis (Osei-Kyei & Chan, 2015).

In Indonesia, the implementation of PPP is on the rise, aligning with the country's development plans, necessitating diversified funding beyond government allocations. According to the 2020–2024 National Medium-Term Development Plan (*RPJMN; Rencana Pembangunan Jangka Menengah Nasional*), the need for infrastructure expenditure in Indonesia amounts to IDR 6.445 trillion to meet the Gross Domestic Product (GDP) growth target. However, the government's funding capacity for infrastructure spending is limited to just IDR 2.385 trillion, covering a mere 37 percent of the total needs. This highlights the increased need to use Public-Private Partnership financing schemes, potentially alleviating the challenge posed by the government's limited funding sources for development—eventually reducing reliance on state budgets.

In Indonesia, The Ministry of National Development Planning/National Development Planning Agency (*Kementerian PPN/ Bappenas*) plays a crucial role in implementing infrastructure projects. The Minister of National Development Planning/Head of Bappenas RI Regulation No. 3 of 2022 delineates the duties of the Directorate of Innovative Funding Engagement. It underscores the responsibilities related to coordinating, implementing policies, and formulating strategic initiatives for national development planning, with the Directorate of Innovative Funding Engagement playing a pivotal role in shaping the PPP landscape.

Furthermore, this study seeks to explore the role played by the Directorate of Innovative Funding Engagement within the Ministry of National Development Planning in the development of infrastructure projects through innovative financing via the Public-Private Partnership (PPP) scheme in the context of Indonesia's infrastructure endeavors during the 2020–2022 period. Additionally, the research aims to identify and understand the challenges confronted by the Directorate of Innovative Funding Engagement as they execute their responsibilities in the implementation of public-private partnerships. The overarching objective is to conduct a comprehensive analysis of the crucial role played by *Bappenas* in both planning and executing Public-Private Partnership infrastructure projects. The study aspires to contribute valuable insights into the domain of sustainable infrastructure development planning, thereby enhancing the understanding of the intricate dynamics involved in such initiatives.

Literature Review

The role of government in fostering development, both economically and socially, is a subject that has been extensively studied and discussed in the literature. This paper delves into the multifaceted aspects of the government's role, particularly in the context of Public-Private Partnerships (PPPs) and innovative financing in the public sector. Drawing on theoretical frameworks and empirical studies, we explore the dynamic nature of government involvement and its traditional responsibilities to the development of infrastructure projects with PPP funding schemes.

1. Role of Government Theory

Adelman (2000) outlines the foundational responsibilities of governments, including social development, institution establishment, and infrastructure development. Once these frameworks are in place, the government's

primary role shifts towards promoting industrialization and increasing agricultural production. Stiglitz (2021) emphasizes the importance of governments in developing and implementing economic policies, provided they possess autonomy, capacity, and trustworthiness for sustained economic growth. The government's role in delivering public services has transformed, with a shift towards policy development, coordination, and regulation (Bennet & Mills, 1998; Batley & Larbi, 2004).

The COVID-19 pandemic has further emphasized the government's role in crisis response, with a focus on fighting the virus and providing resources and assistance to citizens (Adelman, 2020; O'Flynn, 2021). Stiglitz (2021) identifies three post-COVID recovery responsibilities for governments: regulating regulations, socializing risks, and minimizing moral hazard. To facilitate a robust market recovery, these functions should be complemented by measures such as controlling externalities, promoting competition, preventing exploitation, and ensuring social safety nets.

2. Government Role in the Public-Private Partnership Framework

In the realm of PPPs, the government plays a pivotal role in every stage, from planning to implementation. Kwak et al. (2009) identify five key government roles: establishing a favorable investment environment, creating legal/regulatory frameworks, ensuring coordinating, and supporting authority, selecting a suitable concessionaire, and actively participating in project life-cycle phases. The Government Support Index (PPP-GSI), developed by Verhoest et al. (2015), assesses the extent to which national governments provide institutional frameworks conducive to PPPs.

The PPP-GSI evaluates government support based on policy and political commitment, legal and regulatory framework, and PPP-supporting bodies. The UK emerges as the top scorer in the

index, showcasing the importance of a clear policy framework and political commitment for successful PPPs (Verhoest et al., 2015).

3. Innovative Financing in the Public Sector

Public Sector Innovation, defined by Moore et al. (1997) as transformative change that affects organizational operation or character, is crucial for addressing contemporary challenges. Factors such as people, knowledge, ways of working, rules, and processes contribute to fostering innovation in the public sector (OECD, 2021). However, innovation in the public sector faces challenges, including a lack of managerial support and inherent risks associated with organizational culture and resistance (Arundel et al., 2019).

Developing countries, including Indonesia, are exploring innovative financing mechanisms to overcome budget limitations for infrastructure development. Ketkar and Ratha (2008) argue that market-based innovations are necessary to attract investment in developing countries perceived as risky. The International Conference on Development Finance in 2002 proposed innovative project financing to support development, emphasizing collaboration between financial institutions, governments, and banks in developing countries.

One prominent example of innovative financing is the PPP scheme, which allows governments to leverage private investment for infrastructure development. Public-Private Partnerships have been employed globally, with Indonesia implementing them as an alternative funding scheme (Ketkar & Ratha, 2018).

4. Public-Private Partnership

Public-Private Partnership (PPP) is a long-term collaboration between the public and private sectors to design, implement, and operate capital-intensive projects while sharing risks (De Clerck et al., 2012). The history of PPPs dates to the 17th century, with the French government granting concessions to business

entities for building canals and bridges (Bovaird, 2010).

In Indonesia, PPPs play a vital role in infrastructure development, reducing reliance on the state budget. Presidential Regulation No. 38 of 2015 outlines the collaboration between the government and business entities, emphasizing risk-sharing and private sector efficiency. Regulations further categorize infrastructure sectors eligible for PPP, including urban facilities, connectivity, and social facilities.

The Directorate of Innovative Funding Engagement of The Ministry of National Development Planning/National Development Planning Agency (*Kementerian PPN/Bappenas*) oversees the PPP project pipeline, providing consultation, assistance, and facilitation in planning solicited projects.

METHODS

This research employs qualitative methods, specifically participant observation, and interview, to explore the critical role of the

Directorate of Innovative Funding Engagement of The Ministry of National Development Planning/National Development Planning Agency (*Kementerian PPN/Bappenas*) in Indonesia’s infrastructure development through Public-Private Partnerships (PPP). Participant observation, defined as “a systematic description of events, behaviors, and artifacts in the chosen social setting for study” (Marshall and Rossman, 1989 in Kawulich, BB, 2005), allows the researcher to understand the activities of the people being studied in natural settings through direct observation and participation.

In addition, Internship was conducted as a form of experiential education, which served as a valuable learning strategy, fostering author’s personal, professional, and civic development. Sweitzer and King (2013) outline the success of an internship, emphasizing personal skills development, understanding the world of work for professional growth, and contributing responsibly to the community for civic development.

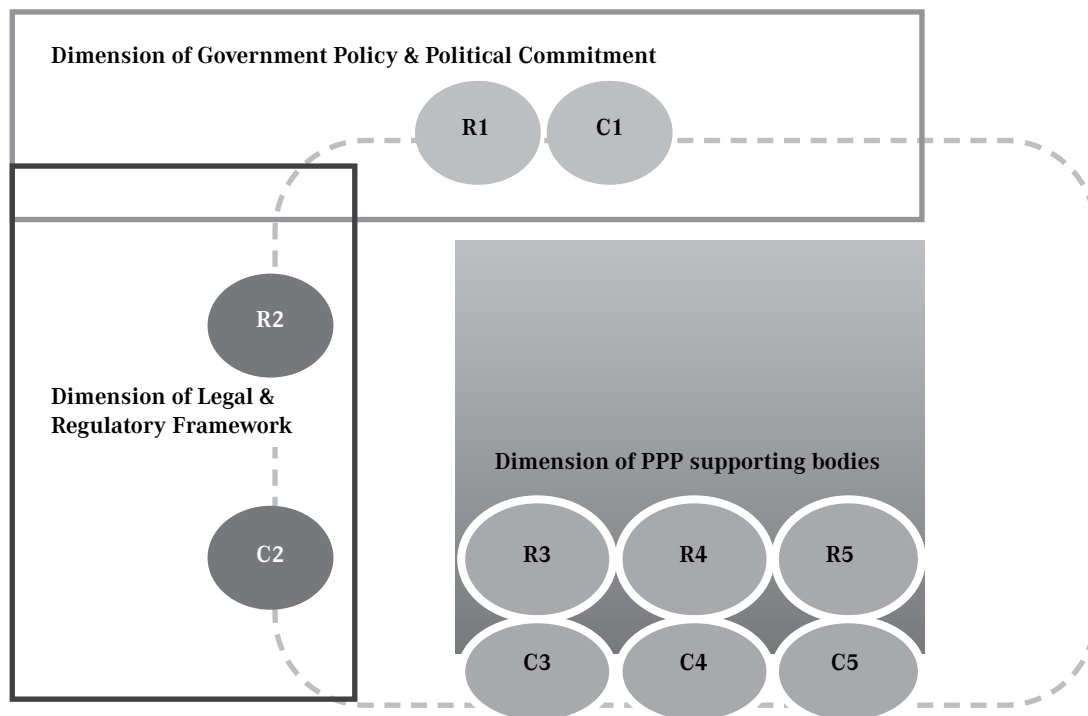


Figure 1. Research Framework

As depicted in Figure 1, this research integrates the Government Support Index (PPP-GSI) theory, developed by Verhoest et al. (2015) and the five key government roles in PPP Kwak et al.'s (2019) to help assess the implementation of government support in PPPs, where R signifies the Role of the government and C stands for Challenges faced by the government, both of which will be studied in this research.

1. Role 1: Provider
(government's role in establishing a favorable investment environment)
2. Role 2: Regulator
(government's role in creating adequate legal/regulatory frameworks)
3. Role 3: Coordinator
(government's role in ensuring a coordinating and supporting authority)
4. Role 4: Supervisor
(government's role in supervising the selection of a suitable concessionaire)
5. Role 5: Project Participant
(government's role in becoming active participants in project life-cycle phases)

1. Unit of Analysis

The unit of analysis for this research is the organization, specifically the Directorate of Innovative Funding Engagement of Bappenas. Bappenas plays a crucial role in national planning and development, functioning as a policymaker, coordinator, think-tank, and administrative body. The author's internship focused on this directorate, aligning with its responsibilities related to PPP policies, project identification and planning, and project facilitation.

2. Data Collection Process

2.1. Participant Observation Technique

Participant observation was chosen for its ability to provide access to the "cultural backstage," allowing for detailed descriptions and an opportunity to witness unscheduled events (DeMUNCK and SOBO, 1998, in Kawulich, BB, 2005). This method facilitated the exploration

of work culture and infrastructure project planning processes within the PPP scheme at the Directorate of Innovative Funding Engagement.

2.2. Interview

Semi-structured interviews were the predominant data-gathering approach, following the method advocated by Bernard & Gravlee (2014). Interviews with internal supervisors, directors, and expert staff provided firsthand insights into the PPP landscape at *Bappenas*. The key informants, carefully selected based on their positions and knowledge, added depth to the understanding of PPP policies and project preparation.

2.3. Secondary Data and Policy Analysis

Due to research limitations, external interviews were not conducted. To maintain objectivity, secondary data, including PPP-related regulations and the PPP Book, was used for data triangulation. This supplementary data helped validate and complement the primary data obtained from participant observation and interviews.

The regulations and publications utilized for data triangulation include the Indonesian Presidential Regulation Number 38 of 2015 and the Minister of National Development Planning/Head of Bappenas Regulation No. 2 of 2020. These regulations serve as critical frameworks for understanding the legal aspects and mechanisms governing PPP implementation in Indonesia.

2.4. Data Triangulation

Data triangulation, as defined by Neuman (2006), involves combining various observations, theories, methods, and data sources to overcome potential bias. As seen in Figure 2, this research employs triangulation data through participant observation, interview, and secondary data sources, such as government publications, documents, and regulations. This comprehensive approach enhances the robustness and credibility of the findings.

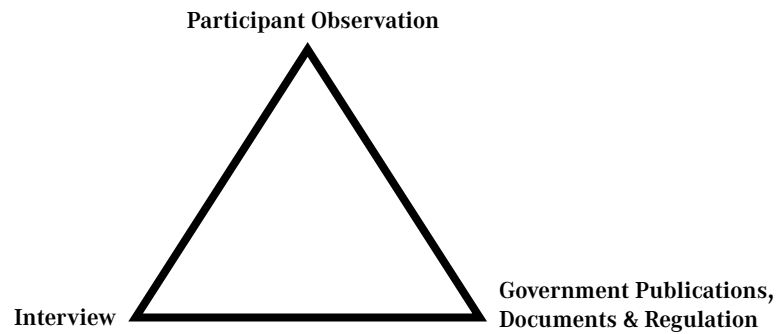


Figure 2. Triangulation Data

RESULTS AND DISCUSSION

Government as Provider

In the realm of PPPs, the government assumes the role of a Provider, tasked with establishing a favorable investment environment. This involves ensuring stability in social, legal, economic, and financial aspects. Key indicators of government policy and political commitment include project-specific support and guarantees, such as guaranteed minimum revenue and tax reductions.

In Indonesia, government-initiated infrastructure projects could receive feasibility support via the Viability Gap Fund (VGF), fostering a favorable investment climate as outlined in Minister of Finance Regulation Number 170/2018. This regulation provides a partial contribution to construction costs for Public-Private Partnership (PPP) projects lacking financial feasibility.

Additionally, PPP projects meeting eligibility criteria can obtain project guarantees from the Indonesia Infrastructure Guarantee Fund (IIGF; *PT Penjaminan Infrastruktur Indonesia*). This state-owned enterprise, under the Ministry of Finance of the Republic of Indonesia, acts as a guarantor against various infrastructure risks, ensuring the private sector is protected from potential financial losses and assuring business entities that PPP projects are bankable and will be generating profits. Two key prerequisites underscore the symbiotic relationship between the government and business entities in PPPs: financial viability and economic feasibility.

Despite its pivotal role, the government faces challenges in establishing a conducive investment environment for PPPs. Global uncertainty risks, governmental insolvency, conflicting interests between central and local governments, and human resource capacity constraints are notable hurdles.

To address these challenges, the government can implement regulations that anticipate unforeseen circumstances, conduct regular capacity building, establish permanent PPP units, maximize the role of PPP joint offices for inter-agency coordination, maintain effective stakeholder coordination, and allocate sufficient funds for skilled consultants in PPP preparation.

Government as Regulator

The government's role as a regulator in PPPs is vital for creating a conducive legal and regulatory environment. Kwak et al. (2009) argue that an effective framework should enhance private sector investment, ensure proper project operation, and maintain risk distribution while eliminating corruption. In Indonesia, Presidential Regulation No. 38 of 2015 serves as a cornerstone, defining PPP as a collaboration between the government and business entities for infrastructure provision, emphasizing risk-sharing mechanisms.

Under the regulatory framework, at least twenty infrastructure sectors are eligible for PPP schemes in Indonesia. These include urban facilities, connectivity, energy, social facilities, and more, providing a comprehensive

approach to address the nation's infrastructure needs (Regulation of the Minister of National Development Planning/Head of Bappenas No. 2 of 2020). This expansive scope reflects the commitment to involving the private sector in diverse facets of infrastructure development.

One of the primary advantages of PPPs is the reduction of government dependence on state budgets for infrastructure development. Adopting a 'Whole-Life Cycle' approach, PPPs guarantee the availability of services throughout the cooperation period, emphasizing the importance of quality infrastructure. Risk allocation between the government and business entities further ensures that the government does not shoulder the entire project risk, making PPPs an attractive avenue for private investment in public services.

To support the overarching regulations, various cross-ministerial regulations complement the legal framework. These regulations cover PPP procedures, procurement of business entities, government guarantees, availability payments, project feasibility support, and project preparation funds. These regulations collectively form a comprehensive framework, addressing different aspects of PPP implementation and fostering a stable environment for private sector involvement.

According to Kwak et al. (2009), a robust regulatory framework indicates an acceptable legal and regulatory PPP framework. The analysis based on the criteria outlined by Kwak et al. reveals that the current Indonesian regulations are designed to:

1. Increase the private sector's tendency to invest in infrastructure development: The regulations governing procurement, guarantees, and government assistance provide assurance to business entities, encouraging increased private sector participation in PPP projects.
2. Ensure the projects operate properly: The appointment of a control team, as per the Ministry of National Development

Planning Regulation 2/2020, ensures the smooth operation of PPP projects by monitoring compliance with the Cooperation Agreement and Minimum Service Standards.

3. Maintain adequate risk distribution and eliminate potential corruption: The inclusion of risk allocation in PPP projects and the prohibition of corruption in regulations demonstrate the commitment to fair risk distribution and corruption prevention.

In addition to the broad regulatory framework, specific regulations play a crucial role in shaping and guiding PPP projects in Indonesia. These include:

1. PPP Procedures: Addressed in Regulation of the Minister of PPN/Head of Bappenas 4/2015 jo. Regulation of the Minister of National Development Planning/Head of Bappenas 2/2020.
2. Procurement of Business Entities: Governed by The Head of LKPP Regulation 19/2015 and LKPP Regulation 29/2018.
3. Government Guarantees: Covered in Presidential Regulation 78/2010 and PMK 260/2010 jo. PMK 8/2016.
4. Availability Payments: Regulated by PMK 260/2016 and Permendagri 96/2016.
5. Project Feasibility Support/Viability Gap Fund: Discussed in PMK 223/2012 jo. PMK 170/2018 and PMK 143/2013 jo. PMK 170/2015.
6. Project Development Facility: Governed by PMK 73/2018 and PMK 180/2020.

These regulations collectively contribute to a comprehensive legal framework, ensuring that PPP projects operate efficiently, risks are appropriately distributed, and corruption is mitigated.

Despite the strengths of the current regulatory framework, challenges persist.

Divergent opinions among stakeholders during the regulatory drafting stage pose a significant hurdle. The public consultation stage often leads to differing perspectives, potentially delaying the drafting process. Additionally, overlapping regulations from different sectors require synchronization to ensure coherence in the overall legal framework.

To address stakeholder divergences, Bappenas proposes creating regulations with strong academic texts, anticipating potential challenges, and minimizing the need for frequent amendments. Legal and institutional studies are recommended during the preparation stage to assess the alignment of regulations and plan follow-ups for less-aligned regulations.

Government as Coordinator

The Ministry of National Development Planning/National Development Planning Agency (*Kementerian PPN/Bappenas*) is not only responsible as a regulator and facilitator, but also as a coordinator and supporting authority in the planning and implementation of PPPs. This article explores the dimension of PPP supporting bodies, specifically focusing on the coordination role of the government.

In Indonesia, the government's coordination efforts in PPPs are exemplified by the existence of the PPP Joint Office. This central body serves as a "one-stop service" facilitating collaboration between the Government Contracting Agency (GCA) and private entities involved in PPP infrastructure projects. The PPP Joint Office comprises key ministries and agencies, including the Coordinating Ministry of Economic Affairs, Coordinating Ministry of Maritime, Ministry of Finance, Ministry of Home Affairs, The Ministry of National Development Planning, Indonesia's Investment Coordinating Board (BKPM), The National Public Procurement Agency (LKPP), and Indonesia Infrastructure Guarantee Fund (IIGF) [PPP Book 2020].

Each member of the PPP Joint Office has distinct responsibilities, which includes:

1. Coordinating Ministry of Economic Affairs: Overseeing policy and regulatory concerns related to financing schemes and infrastructure usage.
2. Coordinating Ministry of Maritime: Addressing policy and regulatory impediments in the maritime and investment sectors.
3. Ministry of Finance: Providing financial support in compliance with regulations, including feasibility support and infrastructure guarantees.
4. Ministry of Home Affairs: Responsible for regional planning, development budgeting, and advising on regional PPP projects.
5. Ministry of National Development Planning (Bappenas): Identifying, planning, and facilitating PPP preparation.
6. Indonesia's Investment Coordinating Board (BKPM): Managing PPP scheme information, identifying investors, promoting projects, and supervising project investments.
7. National Public Procurement Agency (LKPP): Preparing business entity procurement policies and assisting in the procurement process for PPP projects.
8. Indonesia Infrastructure Guarantee Fund (IIGF): Evaluating risk analysis, mitigating risks, and examining financial and economic calculations to provide guarantees for PPP projects.

Infrastructure development aligned with national and local development plans, as outlined in documents like the National Medium-Term Development Plan (RPJMN), can utilize PPP financing. The PPP Joint Office serves as a facility for consultation, where parties can submit requests for information and coordination, including facilitation of PPP projects. The Directorate of Innovative Funding Engagement of The Ministry of National Development Planning/National Development Planning Agency (*Kementerian PPN/Bappenas*)

plays a crucial role in holding discussions and inviting interested parties to ensure effective communication.

Presidential Decree No. 38 of 2015 mandates *Bappenas* to compile a List of PPP Project Plans (PPP Book) based on GCA proposals. This document serves as a planning tool, promoting, connecting, monitoring, and evaluating PPP infrastructure provision. The PPP Book streamlines communication among GCAs, Business Entities, and other stakeholders, facilitating the implementation of infrastructure projects through PPP schemes.

The Directorate of Innovative Funding Engagement of the Ministry of National Development Planning is responsible for formulating the PPP Book, updating it annually to track the progress of ongoing PPP projects. This function is vital for managing databases, linking public body objectives, and promoting, monitoring, and evaluating infrastructure provision.

To ensure stakeholders are well-versed in PPP processes, the Directorate of Innovative Funding Engagement provides technical support, training, and capacity building. Initiatives include facilitating, capacity building, and internship programs for local governments and ministry agencies. These efforts aim to address challenges such as lack of knowledge and human resource rotations, promoting a more informed and skilled workforce.

Despite these efforts, the government faces challenges in its coordination role, including:

1. Shortage of human resources in the realm of Public-Private Partnerships (PPPs): Legislative councils and government employees lack awareness of innovative funding schemes, such as PPPs.
2. Inadequate Support: Government Contracting agencies supporting project implementation, including local governments, require enhanced support in various aspects.
3. Human Resource Challenges: Frequent

rotations in government contracting agencies make knowledge transfer difficult.

To overcome these challenges, the Directorate of Innovative Funding Engagement actively conducts capacity building and ensures that human resources proficient in PPPs are dedicated to authorized work units. The PPP Joint Office serves as a coordination forum, synergizing facilities, and support from the government to address these obstacles. The case study of Indonesia's PPP Joint Office demonstrates a comprehensive approach, involving multiple ministries and agencies to facilitate effective communication, manage databases, and provide necessary support and training. Despite challenges, ongoing efforts aim to build a knowledgeable and skilled workforce, ensuring the continued success of PPP initiatives in infrastructure development.

Government as Supervisor

Public-Private Partnerships (PPPs) have become a cornerstone in infrastructure development, enabling collaboration between the public and private sectors. One crucial aspect of PPPs is the selection of a suitable concessionaire, and the government plays a pivotal role as a supervisor in this process. This role is evaluated based on the establishment of a sustainable procurement framework that encompasses essential components such as client-defined coverage, transparency, open competition for technology development, and a thorough assessment. Additionally, the framework should incorporate tender appraisal techniques and evaluation criteria aligned with government objectives.

The procedural guidelines for the procurement of implementing business entities are outlined in Article 38 of Presidential Regulation Number 38 of 2015 and Regulation of the Minister of PPN/Head of *Bappenas* No. 7 of 2023 on the Implementation of Cooperation

between Government and Business Entities in the Provision of Infrastructure (*Peraturan Menteri PPN/Kepala Bappenas No 7 Tahun 2023*). In addition, the National Procurement Policy Agency Regulation No. 19/2015 and No. 29/2018 provide comprehensive guidelines in the procedure for selecting the implementing business entity.

The appointment of a PPP concessionaire is carried out by the Government Contracting Agency's (GCA) procurement committee (*PJK; Penanggung Jawab Proyek Kerja Sama*). This process is in alignment with the procedures outlined by The National Procurement Policy Agency (LKPP) and is conducted under the coordination and supervision of the Directorate of Innovative Funding Engagement at the Ministry of National Development Planning/National Development Planning Agency (*Kementerian PPN/Bappenas*).

In the context of a PPP infrastructure project, the National Public Procurement Agency (LKPP) assumes the responsibility of preparing business entity procurement policies and offering assistance in the procurement process for PPP projects. It is emphasized that the government, through the Government Contracting Agency (GCA), establishes a Procurement Committee tasked with overseeing the procurement for business entities involved in infrastructure development under the PPP financing scheme. The composition of this committee, as detailed in Article 5 of the Regulation of the Head of the Procurement Agency Number 19 of 2015, includes experts in various fields to ensure the competence of the committee.

The Directorate of Innovative Funding Engagement of The Ministry of National Development Planning/National Development Planning Agency (*Kementerian PPN/Bappenas*) and the National Public Procurement Agency (LKPP) actively participate in infrastructure development cooperation through PPPs, including capacity-building efforts. Although The Ministry of National Development

Planning/National Development Planning Agency (*Kementerian PPN/Bappenas*) doesn't directly engage in the selection of a PPP project's business entity, it remains informed about ongoing projects through regular reports. The National Public Procurement Agency collaborates with the Government Contracting Agency in the selection process, reinforcing the collaborative nature of PPP initiatives.

Despite the crucial role played by the government in supervising PPP projects, challenges arise in the form of limitations and lack of authority in certain aspects. The process of tendering or procuring a business entity is carried out by the Government Contracting Agency (GCA), and The Ministry of National Development Planning/National Development Planning Agency (*Kementerian PPN/Bappenas*) faces constraints in intervening or influencing this process directly. Consequently, *Bappenas* lacks the authority to oversee the selection of PPP project concession holders.

The establishment of a procurement committee, which operates independently of *Bappenas*, poses a challenge to direct oversight. The Government Contracting Agency (GCA) is tasked with the responsibility of ensuring the credibility and trustworthiness of the committee, as it plays a pivotal role in the selection process for business entities participating in infrastructure development with PPP financing. This highlights the need for robust mechanisms to guarantee transparency, accountability, and efficiency in the procurement process, ultimately contributing to the success of PPP initiatives in infrastructure development.

Government as Project Participant

Public-Private Partnerships (PPPs) have become a pivotal approach for infrastructure development globally, with governments playing a multifaceted role. In this context, one crucial aspect is the active participation of the government as a project participant throughout various phases of the project life

cycle. This role involves continuous monitoring, assessment, and improvement of critical PPP aspects to ensure quality and timely delivery. Kwak et al. (2009) emphasize the importance of interdisciplinary teams in this process. In Indonesia, the Directorate of Innovative Funding Engagement of The Ministry of National Development Planning/National Development Planning Agency (*Kementerian PPN/Bappenas*) plays a central role in facilitating PPP projects, adhering to regulatory frameworks outlined in the Minister of National Development Planning's Regulation Number 14 of 2020.

The Ministry of National Development Planning/National Development Planning Agency (*Kementerian PPN/Bappenas*)'s involvement begins in the planning phase, where it facilitates discussions among ministries, local governments, and the central government to identify potential PPP projects. The agency assists the Government Contracting Agency (GCA) in conducting preliminary studies to determine a project's suitability for PPP. If eligible, The Ministry of National Development Planning/National Development Planning Agency (*Kementerian PPN/Bappenas*) evaluates and compiles these projects into the annual PPP Book.

The Ministry of National Development Planning/National Development Planning Agency (*Kementerian PPN/Bappenas*) aids in the preparation and evaluation of PPP projects through a detailed checklist for the Outline Business Case (OBC) and Final Business Case (FBC) documents. The preparation follows a two-stage process outlined in regulations 4/2015 and 2/2020. The initial Pre-Feasibility Study aims to define targets, ensure legislative compliance, and assess stakeholder roles. Additionally, it scrutinizes the technical aspects, identifies suitable PPP forms, evaluates economic and social benefits, and prepares a commercial plan.

The OBC and FBC document is prepared with the support of PPP expertise consultants,

with *Bappenas* acting as a project companion to ensure adherence to mechanisms and timelines. The Directorate of Innovative Funding Engagement sets criteria, including a need analysis, compliance with regulations, value for money, and potential income analysis, to determine PPP eligibility.

The Ministry of National Development Planning/National Development Planning Agency (*Kementerian PPN/Bappenas*) collaborates with seven sectoral ministries and State-Owned Enterprises (SOEs) in aligning and preparing PPP projects. Each ministry has specific responsibilities, as outlined in the PPP Book 2020. The Coordinating Ministry of Economic Affairs oversees policy concerns related to financing schemes, the Coordinating Ministry of Maritime addresses impediments in maritime projects, the Ministry of Finance of Republic of Indonesia provides financial support, the Ministry of Home Affairs of the Republic of Indonesia handles regional planning, the Investment Coordinating Board identifies investors, the National Public Procurement Agency assists in procurement, and the Indonesia Infrastructure Guarantee Fund evaluates risks.

Despite the comprehensive framework, challenges arise in monitoring PPP projects at regional levels. The commitment of cooperation project managers significantly influences the progress of PPP projects. This commitment impacts the budget allocated by the GCA for document preparation and disclosure to the PPP Joint Office, which coordinates project development. Coordination challenges can be mitigated through improved communication between *Bappenas* and GCA, emphasizing the importance of commitment and socialization with local communities.

The Directorate of Innovative Funding Engagement of The Ministry of National Development Planning/National Development Planning Agency (*Kementerian PPN/Bappenas*), through the Joint PPP Office, identifies potential

issues and provides proposals for addressing challenges. This collaborative approach aims to streamline processes, ensure effective coordination, and ultimately enhance the success of PPP projects. As PPPs continue to evolve, the government's role as a proactive participant remains integral to fostering sustainable and impactful infrastructure development.

POLICY IMPLICATION

1. Enhanced Policy Formulation:

The research sheds light on the critical role of the Directorate of Innovative Funding Engagement at The Ministry of National Development Planning/National Development Planning Agency (*Kementerian PPN/Bappenas*) in formulating PPP policies in Indonesia. Policymakers can utilize these insights to enhance and refine existing policies related to PPP, ensuring they align with the identified challenges and opportunities.

2. Strategic Project Planning:

Policymakers involved in infrastructure development can use the research findings to inform strategic project planning within the PPP framework. This may involve adjusting existing planning methodologies, identifying best practices, or introducing new strategies to streamline the planning process.

3. Facilitation of PPP Projects:

Policymakers responsible for facilitating PPP projects can leverage the research outcomes to optimize their approaches. This includes refining coordination mechanisms, providing adequate support, and addressing challenges identified in the study to ensure the successful implementation of PPP initiatives.

4. Regulatory Framework Enhancement:

The study points out the role of the Directorate of Innovative Funding Engagement in creating legal and regulatory frameworks for PPP. Policymakers can use this information to enhance existing regulations, making them more conducive to successful PPP projects and addressing any identified gaps or challenges.

5. Capacity Building and Training Initiatives:

Policymakers can consider implementing capacity-building initiatives and training programs based on the challenges identified in the research. This could involve enhancing the knowledge and skills of stakeholders involved in PPP projects, ensuring a more effective and informed workforce.

6. Early Consideration of PPP in Project Financing:

The research suggests that several ministries, institutions, and local governments often consider PPPs as a last resort in financing development projects. Policymakers may consider advocating for a shift in mindset, encouraging the early consideration of PPP as a primary funding scheme during the initial stages of infrastructure projects.

These policy implications aim to guide policymakers in making informed decisions, refining existing policies, and implementing strategies that contribute to the successful and efficient development of infrastructure projects through PPP in Indonesia.

CONCLUSION

This study explores the intricate roles of the Directorate of Innovative Funding Engagement within The Ministry of National Development Planning/National Development Planning Agency (*Kementerian PPN/Bappenas*) from 2020 to 2022, driving Public-Private Partnership (PPP) infrastructure projects. The Ministry of National Development Planning/National Development Planning Agency (*Kementerian PPN/Bappenas*) is a key player, acting as a provider, regulator, coordinator, supervisor, and project participant, shaping, and executing PPP initiatives, significantly contributing to Indonesia's infrastructure development.

The Ministry of National Development Planning/National Development Planning Agency (*Kementerian PPN/Bappenas*), through its Directorate of Innovative Funding

Engagement, plays a multifaceted role in advancing PPP infrastructure projects in Indonesia. These roles include providing project-specific support, regulating, and updating PPP regulations, acting as a central coordinator for all PPP activities, supervising Government Contracting Agency (GCA), and participating in project identification and planning.

However, *Bappenas* faces challenges in its PPP roles, such as global uncertainty affecting stable investment, governmental insolvency for project funding, overlapping interests and policies, inadequate human resource capacity, regulatory overlaps, stakeholder differences in policy discussions, limited stakeholder knowledge, unstable GCA human resources, lack of authority in selecting concessionaires, coordination issues, and project timeframe reliability dependent on GCA commitment.

As Indonesia progresses in infrastructure development, the evolution and strengthening of PPP mechanisms will be instrumental in overcoming challenges and fostering sustainable growth. Ministries, institutions, and local governments are recommended to reevaluate their approach to project financing. The prevailing tendency to view PPPs as a final recourse in funding development projects may benefit from a paradigm shift. Policymakers are encouraged to promote a change in mindset, urging the early incorporation of PPPs as a primary funding mechanism right from the inception of infrastructure projects, enhancing overall feasibility and success.

Public-Private Partnership reduces the dependence of central and local governments on state/local budgets (APBN/D) for local/national infrastructure development. While several stakeholders are aware of PPPs, many view it as a last resort. Further research is proposed to explore regulations which consider the use of PPPs as the primary funding scheme in early infrastructure project stages.

RESEARCH LIMITATIONS

While this study provides valuable insights into the dynamics of Public-Private Partnerships (PPPs) within the Directorate of Innovative Funding Engagement at The Ministry of National Development Planning/National Development Planning Agency (*Kementerian PPN/Bappenas*), it is crucial to acknowledge certain limitations that may influence the generalizability of findings and the overall robustness of the research. The primary limitation lies in the internal focus of the study, which is confined to the Directorate of Innovative Funding Engagement at The Ministry of National Development Planning/National Development Planning Agency (*Kementerian PPN/Bappenas*). While this approach offers a detailed examination of the chosen organization, it may limit the broader applicability of the findings to other contexts within Indonesia or beyond. The research is, therefore, more reflective of the specific experiences and practices within this particular government body.

Due to constraints and logistical challenges, the study did not incorporate external perspectives through semi-structured interviews from parties outside the Directorate of Innovative Funding Engagement. The absence of external voices may restrict the diversity of insights and perspectives, potentially overlooking critical nuances in the broader landscape of PPP implementation in Indonesia. The reliance on participant observation and semi-structured interviews, while providing in-depth qualitative data, represents a single-method approach. The absence of quantitative data or alternative research methods may limit the comprehensive understanding of the complex interplay between PPP policies, organizational dynamics, and infrastructure project planning.

The findings of this study are specific to the Directorate of Innovative Funding Engagement and may not be universally applicable to all government bodies or sectors involved in PPPs. The unique organizational context and the singular focus on a specific directorate within

Bappenas limit the generalizability of the research to a broader policy and organizational context.

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