

# Role of public private partnership in West Java, Indonesia

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## Abstract

*The purpose of this paper is to analyze and develop policy recommendations implementation sources of development funding that come from the PPP in West Java in an effort to improve the optimization of the utilization of these funds. The method used was qualitative research with emphasis on four main aspects, namely: institutional analysis and the stakeholders involved, regulation and policy analysis, implementation and analysis of the shape and pattern analysis of sources of funding. This research shows that in terms of funding, the banking institutions are still major stakeholders in the financing of PPP implementation in West Java, Indonesia that has experienced improvement in the regulation of the sector by the government. However, there are still obstacles in the implementation of PPP and limited alternative sources of financing of PPP in in West Java Indonesia. To optimize the sources of development in funding primarily coming from the PPP scheme in achieving development goals in West Java Indonesia can be done by collaborated of stakeholder.*

**Keywords:** infrastructure, sectoral planning, public capital, social responsibility

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## 1. Introduction

Text of the introduction. No more than 15 lines. 12 points, TNR, justify. Present your paper: indicate your topic, make clear what your points are, show the structure of the paper.

Papers are subject to anonymous judgments of two independent referees. The minimum number of pages (including figures, tables, bibliography, notes, appendices) is 5. Any paper of less than 5 pages will not be accepted. Pages will not be numbered. The papers will be typed according with these guidelines.

Every organization, which is either large or small organization, and either government or non government, will almost certainly need funds to organize all activities run by the organization. In Indonesia, local government budgets in most areas are still very limited, whereas local community needs are increasing each year, causing problems in the financial management of the local government. The problems that arise are issues of regional development financing in developing regions. The pattern of development of financing in local governments still relies on the budget sourced from conventional funds, such as taxes and levies. Government still prefers to increase local revenue to overcome the limitations of development of funds.

West Java Province is a province that is very dynamic, with a very large number of people reaching more than 44 million in 2014. The big population would require the provision of a very large development funds in order to stimulate economic growth and to improve the welfare of the people of West Java. It requires more investment in some vital areas, such as infrastructure, facilities and infrastructure in the public interest and other liabilities which are well organized, basic services in health care, education, social welfare and other basic services dealing with community. This is in line with the policy for development of West Java in the upcoming years that will put more emphasis on improving the quality and equity of education, health and productivity to increase human resources in West Java; enhancing the development ability of the economy to increase prosperity for the people of West Java; improving the quality and quantity of infrastructure of the region; balancing control capacity of the environment and improvement of disaster mitigation and implementation of good governance.

Realizing the limited ability of local governments to fund its development needs in West Java, West Java Provincial Government developed several strategies, including; (1) giving priority to development financing in sectors that

support the improvement of people's welfare as well as the financing of investment in strategic sectors; (2) optimizing the local government revenue both from tax and non-tax and allowing more grants; (3) optimizing the expenditure/state spending by making the programs and targets/objectives more focused and increasing the effectiveness and efficiency of the technical activities; and (4) enhancing development cooperation by involving the community.

In order to increase participation from public, business community, and non-governmental organizations in achieving development goals of West Java, the government attempts to optimize the activities of various stakeholders development by using other sources of funding not from the Budget area, while the State Budget comes primarily from the banking and business circles, as well as taking advantage of direct foreign investors. In the effort to utilize the funding sources, the government seeks to strengthen the regulatory and institutional financial institutions, including banking institutions and non-banks. The government also seeks to optimize investment activities by building partnership with both private sectors and government to become more focused as has been scheduled in the Development Plan. To that end, better cooperation between governments and the private sectors will lead to a more systematic and continuous need to be developed and optimized, including through PPP scheme.

PPP defines the relationship between the role of government policies and the established rules, and provides licensing services. Meanwhile for the private sector, cooperation will encourage the role of the party to provide the conducive environment for a region as an investment destination, the inclusion of related agencies as well as the need for transparency in relation to the licensing, and the added value that can be obtained from the local economy. PPP scheme can be an alternative in achieving regional development objectives with limited financial condition. In accordance with the concept of PPP, the government's role is expected to support the activities undertaken by the private sector in the development of public facilities. By doing relationship management, it can provide more value in accordance with PPP scheme (Zou et al, 2014).

The PPP scheme is expected to be an alternative to the provision of infrastructure which has been hampered as a result of the limited availability of funds. The analysis focuses mainly on the size of the potential implementation of the cooperation in the future that refers to recommendations. Development

of infrastructure must be carried out in details by combining multiple patterns of development funding given each financing scheme has disadvantages. Combining several financing scheme is expected to minimize stuck on construction due to problems on financing. In addition, the government should also pay attention to critical factors in ensuring the passage of the PPP scheme (Yang et al., 2009). Based on research results of Chan et al. (2010), there are several principles that need to be considered for successful implementation of a PPP scheme, namely equitable allocation of risk, a strong private sector, a judicious government control, a transparent and efficient procurement process, project economic viability, adequate legal framework and stable political environment and financial markets. Ke et al (2010) conducted a study in connection with preferred risk in PPP schemes by risk ratings based on public sector and private sector. Similarly, a study conducted by Chan et al. (2011) classifies risk assessment and allocation based public and private sectors. Research conducted by Chou et al. (2012) on the implementation of high-speed rail with the PPP scheme can be done based on the experience of previous PPP management. Moreover a study conducted by Tang et al. (2013) ranked critical success factors based on the literature implemented in Australia. The critical success factors are divided into four main factors, namely procurement, stakeholders, risk and finance. Nonetheless, it needs to observe the current PPP scheme as the private sector cannot manage risk, are less efficient and use low cost (Medda, 2007).

Based on the description of the problems mentioned above, it is necessary to conduct further research on utilization of other funding sources for development in West Java through the implementation of the PPP scheme. The objectives of this study are to analyze and develop policy recommendations for sources of development funding derived from the implementation of PPP scheme in West Java in an effort to improve the optimization and the utilization of these funds. Based on these objectives, the primary goal of this study is to optimize the sources of development in funding primarily coming from the PPP scheme in achieving development goals in West Java.

The scope of this study is focused on the identification and analysis of the sources of development funding sourced from PPP scheme through: (1) Identification and analysis of policies, institutions and stakeholders, implementation, as well as the sources and patterns of financing in the implementation of the PPP scheme; and (2) formulation of policy

recommendations related to the implementation of the PPP scheme that is optimal and sustainable.

## 2. Literature Review

### 2.1 Public Private Partnership

Public Private Partnership is collaboration in the provision of infrastructure (such as the provision of toll roads, electric energy, drinking water and sanitation) between the government, central government, and local government (Provincial, District/Municipal) and private partner enterprises, both entities in domestic scale or foreign business entities. The collaboration includes the construction work to build, improvement of management and maintenance of infrastructure in order to improve the quantity and quality of public services (Bappenas, 2009).

The need for the PPP in Infrastructure Development is because, according to the calculations presented by Bappenas, Indonesia needs a minimum of infrastructure financing of 5 -7 % of gross domestic product growth in 2014. Thus, by using these calculations, the estimated infrastructure needs are based on a minimum 5 % of GDP in 2010-2014. The capacity of the government budget is very limited, which has included the Special Allocation Fund managed by the regional government. Meanwhile, financing infrastructure projects through other funding sources such as investment from enterprise and private sectors, and local funding through the budget are still limited.

Therefore, the infrastructure projects of PPP scheme should continue to be developed, which can be used as an alternative to infrastructure financing in Indonesia, because this PPP scheme allows the government to withdraw the participation of the private sectors, both domestic and abroad. The government in the provision of public infrastructure is not always able to provide their own funding, thus it is necessary to engage the private sectors to support the government in implementing its public obligations. As a consequence, the burden of the government in terms of investment costs can be reduced, more efficient use of assets, and the allocation of certain risks can be transferred to the private sector.

PPP scheme involving the private individual sector was growing rapidly in the United Kingdom in the period between the years 1980 - 1990 (Li et al,

2005) and continued to show an increasing trend (Tang et al, 2010). Based on PPP Book 2010-2015, there are 19 projects offered under the PPP with estimated project cost US\$ 5,220.23 million. The type of infrastructure projects of PPP scheme include: transport infrastructure, road infrastructure, irrigation infrastructure, water infrastructure, sewage infrastructure, telecommunications and informatics infrastructure, power infrastructure and oil and gas infrastructure. In many other countries, the PPP scheme can also serve as alternative financing of public infrastructure, such as the development of education and health facilities. PPP forms can be categorized into Build-Own-Operate (BOO), Buy-Build-Operate (BBO), and Build-Operate-Transfer (BOT). The more varying development models of public private partnership are tailored to their needs.

## **2.2 Critical Success Factors for PPP**

Results of research conducted by Chan et al. (2010) if compared with research by Li et al. (2005) based on the results of grouping success factors in implementing PPP schemes in the countries of China and the United Kingdom have similar factor with different rank.

It cannot be ignored in the implementation of the PPP scheme is a matter of risk assessment and allocation. Based on research conducted by Chan et al (2011) there were 15 risk allocation that need to be noticed by the government namely: (1) government corruption, (2) government intervention, (3) nationalization/expropriation, (4) public credit, (5) political/public opposition, (6) imperfect law and supervision system, (7) legislation change, (8) poor public decision-making process, (9) land acquisition, (10) delay in project approvals and permits, (11) market competition (uniqueness), (12) lack of supporting infrastructure, (13) inadequate competition for tender, (14) force majeure, and (15) change in tax regulation.

While the research conducted by Cheung et al (2012) found that the factors that influence in mainland China are as follows; (1) Stable macro-economic condition, (2) Favorable legal framework, (3) Sound economic policy, (4) Available financial market, (5) Multi-benefit objectives, (6) Appropriate risk allocation and risk sharing, (7) Commitment and responsibility of public and private sectors, (8) Project technical feasibility, (9) Shared authority between public and private sectors, (10) Political support, (11) Well organized and committed public agency, (12) Competitive procurement process (enough

potential bidders in the process), (13) Transparency procurement process (process is made open and public), (14) Government involvement by providing guarantee, (15) Thorough and realistic assessment of the cost and benefits.

With Critical Success Factors, government in concern is expected to initiate their steps by considering the results of studies on Critical Success Factors before implementing the PPP scheme. Besides Critical Success Factors in the PPP scheme, the government and private sectors will need to know the risks they face in implementing PPP projects.

According to Ke et al (2010) risk faced by the government are as follows; (1) Expropriation and nationalization, (2) Government's reliability, (3) Government's intervention, (4) Poor political decision-making, (4) Land acquisition, (5) Corruption, (6) Approval and permit, (7) Supporting facilities risk, (8) Uncompetitive, (8) Project Competition, (9) Change in law (10) Tax regulation changes, (11) Immature juristic system. Furthermore, according to Ke et al (2010) risk allocation share by government and public such as; (1) Public/political opposition, (2) Tariff change, (3) Force majeure, (4) Payment risk, (5) Environmental protection, (6) Insufficient financial, (7) Subjective evaluation, (8) Improper contracts, (9) Inflation, (10) Foreign exchange and convertibility, (11) Ground/weather conditions, (12) Market demand change, (13) Third party reliability, (14) Interest rate.

### 3. Research Methodology

The methodology made to PPP was a qualitative analysis. Qualitative research was used because it could reveal the real events in the field and also could expose hidden values of this study. The resources consisted of local governments, private businesses and the public. Intentionally, the qualitative research examine specific, detailed, and in-depth information about certain problems by gathering as much information as possible in order to reveal the phenomenon that becomes the basis for the selection of the approach (Strauss and Carbin, 2000; Bogdan and Taylor, 2002).

A quantitative approach can direct research to get answers ontologically about the meaning and urgency of cooperation for the government in carrying out the functions within the constellation of social changes that happen. The questions addressed in this study sought to be separated clearly various administrative act that is adjacent or coincide with partnerships such as

coordination, cooperation and so on. The research would also question the value and strategic importance of partnership to all actors involved especially in the perspective of the government as the policy maker. In addition, this study also led to the epistemological aspect to get answers about the methodological limitations for government activity conducted together called a partnership. This methodological limitation is important for policy formulation for the partnership as a model of government policy should be clear, the position in the administration system and also the measurement of output and the outcome for the government, private and public sectors. This study was also directed to axiological aspects to get answers about the benefits of co-operation as a government administrative action against the increase of government performance in implementing the tasks of development and community service.

For checking validity of the data and obtaining natural findings, some criteria set by Lincoln and Guba (1995) were used, namely credibility, transferability, dependability, and confirmability. To check the degree of confidence, triangulation among members and peers were conducted. Triangulation used included data sources and methods. Transferability as an empirical question depends on the similarity between the sender's and recipient's context. To perform the transferability, this study sought and collected the empirical occurrence of contexts sharing some similarities. Thus, the researcher was responsible for providing sufficient descriptive data. This was done by preparing a thick description. With this technique, the results can be seen as carefully as possible to describe the context in which the research was conducted with reference to the research problem. Dependence is the criterion for assessing whether or not the research process meets the quality specified. The way to establish the research process can be through the dependability audit by internal and external auditors to assess the activities conducted by researchers. Confirmability is the criteria for assessing the quality of research results with an emphasis on tracking data, information and interpretation that are supported by materials.

There are several methods used to collect data, namely Literature Review and Interview with the policy maker. Analysis used in the study was done through a qualitative approach, with four main aspects, namely analysis of institutions and stakeholders involved; analysis of regulations and policies; analysis of the shape execution; and analysis of sources and funding patterns.



## 4. Result

### Regional Development Funding Policy

Regional development funding policy is the government's effort to improve financial accountability. To that end, the government continues to improve the quality of planning and budgeting each year so that it can be used more efficiently for providing benefits for the entire community. A limited source of fiscal revenue-source has put the region in a professional asset management at the position that is very potential to support local government revenue. Hence, non- budget funds, such as the state budget, grants, funds of private partnerships, non-governmental as well as the contribution of businesses through the Corporate Social Responsibility (CSR) are some of potential sources of revenue to overcome the burden of regional development spending.

Budgeting policy is established to maintain macroeconomic stability, stimulate the economic growth of the region in accordance with the financial capacity of the region, aimed at restoring fiscal sustainability which can provide certainty of fiscal management in the future. The steps taken by the government in an effort to maintain fiscal sustainability are lowering the budget deficit gradually towards a balanced condition or even surplus, improvement of optimal management of budget financing that is efficient, and effective. Local revenue is right to be recognized as an addition to net asset value in the period concerned. Local revenues are grouped into: a) Revenue, which is earnings of harvested areas based on local regulations in accordance with the laws, b) Balance funds, which are funds coming from fund revenues and expenditures of national budget allocated to the regions to finance the needs of the region, c) Other revenues authorized areas including grants, emergency funds, taxes from provincial to district/city, the adjustment fund and special autonomy, as well as financial assistance from the province or from other local governments.

Based on data from the period of 2013-2015, the overall revenues of West Java Province showed an increase, while the fund balance showed a tendency to decrease. It is a sign that we need to make efforts to find breakthrough of alternative sources of revenue that have great potential to be further developed into a fixed source of revenue, thus reducing dependence on revenues from local taxes that are limited.

Table 1: Actual and Projected Revenue West Java Province Year 2013 – 2015

No	Description	Total (Rp billion)		
		2013	2014	Projected 2015
	<b>Total Revenues</b>	<b>19.238</b>	<b>22.290</b>	<b>23.914</b>
1.	Local revenues	12.360	15.017	15.851
2.	Fiscal balance transfer	2.951	3.261	2.528
3.	Another income	3.927	4.012	5.534

Source: RDPB, 2015.

When studying the tendency of regional income realization of the period 2013-2014 and the target of 2015, it is seen that there are various increases. Achievement through 2014 is supported by a stable regional economic condition and the success in making efforts to increase the income of local intensification significantly. However, given the increase in revenue is strongly influenced by the economic conditions of society, there should be efforts to increase revenue more intensively, accompanied by an increase in public services as well as more active intensive/extensive. It is expected in 2015, the local revenue of West Java province increases quite significantly.

Local Revenue Policies for Fiscal Year 2016 is an estimate of measurement nationally and has both assurance and legal basis; it aims at improving the local revenue of the local sectors such as taxes, retribution, and fund balance. Efforts undertaken by local governments to raise local revenues are strengthening institutions, intensification of income, coordination and calculations joint-regional for the allocation of the revenue sources of the fund that is both balance and non balance, increasing the dividend of enterprises, increasing taxes and levies; and improving as well as optimizing the management of regional assets in a professional manner.

### **Guided by the principles of budgeting**

Budget is planned by the performance-oriented approach to the achievement, considering the input job performance of each regional organization in the execution of their duties and functions. It aims to increase the accountability of budget planning and ensure the effectiveness and

efficiency of budget spending on programs / activities. Local spending is all regions liabilities recognized as a reduction of net asset value in the relevant fiscal year period. Basically, there are two types of expenditure, namely: indirect expenditures and direct expenditure. Based on the analysis and estimates of the sources of income as well as the realization of local and regional revenue projection of two years, the policy direction of spending areas, as well as revenues and expenditures, are described in table as follows:

Table 2: Actual and Projected Revenue West Java Province Year 2013 – 2015

No	Desc	Total (Rp billion)		
		2013	2014	Projected 2015
1.	Indirect expenditures	14.724	16.959	19.626
2.	Direct expenditure	3.672	3.958	5.126
	Expenditure	18.396	20.918	24.753

Source: RDPB, 2015.

### Sources and Development Funding Scheme

Funding areas include financing reception area and the area of financing expenditure. Receipt of financing regional policy arises because the amount of expenditure is greater than revenues so that there is a deficit. Source of revenue comes from the area of financing and the remaining budget, a transfer from the reserve fund, preceding sale of local resources separated, regional lending acceptance, acceptance return, lending revenue regional accounts. The regulation of regional financing expenses is under lied by the case of excessive budget. Expenditures for financing such areas are intended for the establishment of the reserve fund, investment (equity participation and the purchase of securities/shares), debt principal payments, lending region, and time calculation.

Results of the analysis and forecasts of revenue sources of regional financing and realization as well as the projected revenues and expenditures of local financing in two years, the projections in the plan as well as one year plan in order to formulate the policy direction of the management of local financing are presented in the table as follows:

Table 3: Actual and Projected Revenue West Java Province Year 2013 – 2015

o	Desc	Total (Rp billion)		
		2013	2014	Projected 2015
.	Revenues	2.935	3.495	1.400
.	Expenditure	189	459	500
	Net Expenditure	2.746	3.036	900

Source: RDPB, 2015.

Financing for development has been previously discussed and requires the effort to identify the ability of financing involving the government and the private sector so as to give a correct picture for the medium long-term development planning, as well as the short-term one. The identification should be accompanied by a fiscal policy that will be applied according to the specified planning period. Furthermore, the prioritization of development activities to be conducted should be prepared based on the identification of those skills. Sources of financing can generally be divided into public and private financing sources. Sources of government financing is also called the government resource envelope, while the private sector is a source of funding of all financial resources that do not come from the local government revenues which are included in the budget, such as from banks, insurance agencies and financial institutions. In addition, the private sector can work with government to create an investment or other public services. In this case, the source of funding remains a clear split between the government and private sectors to meet the needs of the infrastructure as a support for the economy into one of the main targets. Infrastructure financing needs are expected to be very large but it cannot be met by the government itself. The private sector is expected to play a role in meeting infrastructure needs. Therefore, we need a clear policy regarding the distribution of the role of government and the private sector in meeting the needs of the infrastructure investment costs.

### **Sources of non APBD Development Financing, West Java**

Regional budget ability to finance the construction for infrastructure development is very limited, whereas economic growth is highly dependent on the development of adequate infrastructure. Therefore, the division of roles with the private sector in development is very important in achieving regional development objectives. In this effort, a deep understanding of the situation and potential sources of funding coming from the private sector in financing activities of private parties and cooperation activities offered by the government is required. Narrative sources and non-budget funding scheme will be based on a clear distinction between the source and funding schemes, so that these two terms can be used appropriately.

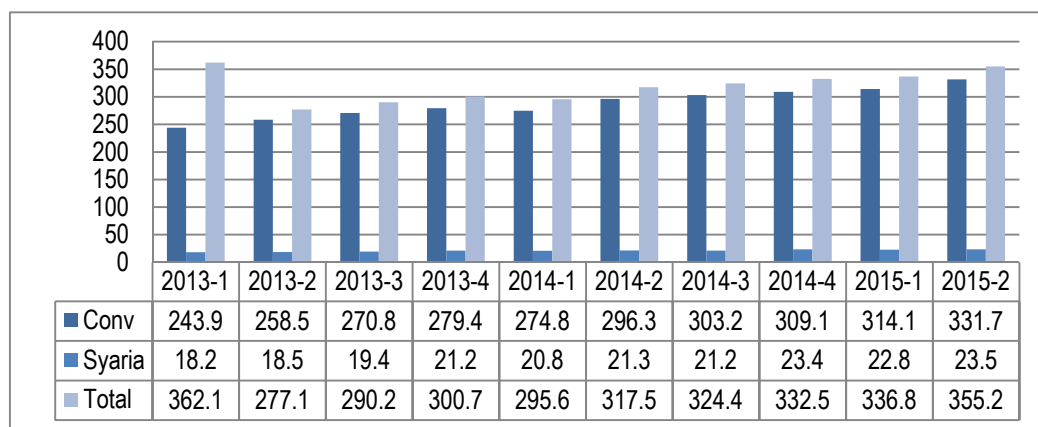
The main funding sources can be distinguished as a source of funds from personal or individual, corporation, government, and non-profit institutions. The components of the source of these funds are the main sources of funding that can be used for local development. The main potential source of funds is estimated to be very large and can be measured from the difference in the productive age consumption and income net of others, such as load consumption of children, groups of people who do not work, and the elderly population. Changes in the age structure of the population are to anticipate aging of the people and the economic uncertainty of the future. Thus, the difference between consumption and income is expected to be enlarged because of the attitude of precautionary savings and imperfect foresight. In this case, the potential accumulation of assets that can be used for investments continues to increase as the productive age group will continue to try to improve the economy's ability to finance their retirement. In this case, it is necessary for the mobilization of the potential of this major source of funding that can be utilized more effectively. In addition to the potential funds from individuals, the major funding source can also come from the corporation or company as an important part of the regional development. Government can be categorized as a major funding source if the government acts as a direct funder in certain activities. Nevertheless, the government can also act as a source of intermediary funds that channels funds from individuals or from companies in the form of taxes or other levies for later use in the construction. This can be realized by developing other sources of income, namely Corporate Social Responsibility (CSR) and loans or grants that go to the province of West Java. The CSR budget allocation as follows;

Table 4: Actual and Projected Revenue West Java Province Year 2013 – 2015

No	Desc	Total (Rp billion)		
		2012	2013	2014
1.	Regional Owned Enterprises	2.6	13.2	18.3
2.	State-Owned Enterprises	27.4	72	93.6
3.	DCI/FCI	1.7	50.3	26.4
	Total	31.7	135.5	138.3

Source: RDPB, 2015.

In addition to the government as an intermediary source of funds, financial institution or other intermediary institutions are also capable of mobilizing the major funding sources. The existence of financial institutions has been regulated in several laws and other government regulations. The financial institutions to raise funds from the public for use in productive activities can generate financial returns or as an intermediary institution in an effort to save funds that would be used for other program at any given time.



Source: BI, 2015.

Figure 1 - Third Party Funds Banking Sector Years 2013-2015 (Rp billion)

A strong financial sector is needed to boost economic growth and alleviate poverty. For that reason, we need a strong synergy with complementary

banking sector and financial institutions non-banking that are key elements in the financial system.

### **Formulation and Implementation of PPP Analysis**

The ability of private companies to reduce costs, shorten supply, as well as to manage the constructions and facilities more efficiently, causing PPP to offer value for money in comparison with the construction of the same facilities that are managed by the government directly. If the PPP involves the government in the form of policies and underwriting, the PPP scheme allows the government to optimize the allocation of the available budget. One challenge is when the implementation of the PPP is conducted in other sectors other than infrastructure. Countries that have a lot of experiences of dealing with PPP scheme in general have tried to implement the PPP scheme in different sectors. The cooperation is conducted across sectors: infrastructure, economic and social, including water supply facilities, garbage, and transportation, as well as social infrastructure, especially the provision of education, health, and housing. The implementation of PPP in various sectors need to consider policy strategies, approaches, and political strategy that can accommodate the uniqueness of the cooperation.

Shortage of infrastructure facilities impact productivity and profits firms due to high transaction costs. As with other areas, the government of West Java Province faces the same problems in the provision of public services and the limited financial resources that are owned by the government cannot fulfil the high demand. In this case, the government is a party that is responsible directly in building public facilities. Meanwhile, demand for investment funds and a basic service are much greater than the government's ability to finance it, in this case through the local government budget.

### **Institutional and Regulatory Aspects**

PPP development in Indonesia intensively started before 1990 with the provision of electricity, roads, and highway construction. Along with the more intense needs of infrastructure, especially roads, water, electricity, and ports, the government issued regulations that governed cooperation in these sectors. However, development of the infrastructure was hampered after the economic crisis in 1997. As a result, there was the decline in the ability of governments, and also the private sector was getting less interested in financing infrastructure development, so much of the infrastructure was neglected, particularly in

regions outside Java, like Indonesia East Region. The economic crisis has brought impact not only to the global economy but also to the political and institutional system in the country. At the same time, the Indonesian government also seeks to gradually decentralize the various aspects of the local government level, particularly the municipal level. This is a challenge in the implementation of PPP, particularly in terms of the division of authority between central and local government in infrastructure development and other basic facilities. There is need for a clear commitment from institutional and regulatory aspects that PPP schemes can work well. According to Kanning and Vogler (2008) the ineffectiveness of the PPP scheme is due to the lack of attitude of stakeholders toward the social norms prevailing in the country.

### **Aspects of Implementation**

Some problems found in the implementation of PPP are related to:

- a) Preparation of the concept in determining the successful implementation of PPP projects in the future. However, the capacity of human resources in preparing PPP activity is considered weak. In this case, there is the need for a special institution that handles both developments of human resource capacity and consultations in the preparation of the activities that will be implemented;
- b) To identify the pattern of cooperation and government support clearly requires much time. Private parties reveal that the government does not dare to give the necessary support, in terms of providing either financial, political or macroeconomic stability;
- c) Phase of provision of land continues to face constraints because costs are relatively large and require a specific approach to the land owners. Government support is needed in this stage;
- d) Managing risk is considered more burdensome by private parties. Meanwhile, risk management arrangements are still not effectively implemented so that discussion about the risks often faces obstacles that could hinder the completion of the implementation of the PPP.

Zhang (2005), states the factors that define the success of a PPP are concession projects, risk factors, and uncertainties faced by many PPP projects. The same opinion is delivered by Cheung et al. (2012). How modeling concession periods of PPP do projects and test the best scenarios that optimize public and private interests together were studied by Kumaraswamy & Anvuur, (2008). In addition to considering the investment and operational aspects, we



should keep in mind that modeling the concession period also take into consideration other factors, such as risks and uncertainties, complexity of the project, as well as the lack of capital.

### **Aspects of PPP Funding Sources and Patterns**

The bank or other funders are strongly involved in the transaction process of public private partnership (PPP). In search of the source of funding, it involves loans to banks or other funding sources. The regional government can provide guarantee for the fund borrowed. In addition, the government provides support in the implementation of investment cooperation. To strengthen infrastructure financing, government must do much effort to support the financing through arranging budget for the infrastructure fund.

## **5. Conclusion**

The following conclusions are drawn according to an analysis based on four aspects that influence the implementation of the PPP: institutional, regulatory and policy implementation, as well as the sources and patterns of financing.

### **1. Institutional Aspects**

Party stakeholders are involved in the implementation of PPP among regional governments, NGO, banking, non-banking, community, and others. In terms of financing, banking institutions are still major stakeholders in financing the implementation of PPP in West Java. Meanwhile, potential funding from non-banking institutions still needs to be studied because there are many regulations that restrict the use of funds from non-banking institutions, especially pension and insurance institutions.

### **2. Policies and Regulatory Aspects**

Policies and regulations related to the implementation of PPP have been set up in several sector and cross-sector regulations. Therefore, in an effort to increase the efficiency of the implementation of the PPP, there is the need for government support, the auction process, adding value to unsolicited project, and setting the transfer of shares.

### **3. Aspects of Implementation**

Some obstacles met in the implementation of PPP are related with: preparation of project concepts which determine the successful implementation

of PPP in the future, identification of clear patterns of cooperation and government support that need much time, the stage of the provision of land continue to face constraints because costs are relatively large and require many attempts to approach the land owners, and the management of risk is considered more burdensome by private parties.

#### 4. Aspects of Funding Sources and Patterns

Private parties or companies are still more reliant on banks in funding PPP and financing since self-financing is only about 30 percent of the project running. Financing of PPP on infrastructure construction costs are relative to the period of the loan, whereas the source of funds from banks still sometimes mismatches with type of loan and the type of savings available, and the limited alternative sources of financing for basic infrastructure outside sources of funding the government and banks.

### **Recommendation**

- For Institutional Aspects, to strengthen institutional PPP, the role of local governments must be expanded in the implementation of the PPP the concept and establishment must be hanced in an effort to facilitate and monitor PPP projects.

- For Aspects of Policy and Regulation, there is the need to clarify the authority of the central government in the implementation of PPP, to develop policies to strengthen the PPP activity planning, as well as the preparation of the national medium term development plan that states clearly the role of government and the private sector in development funding.

- For Implementation Aspects, the preparation of PPP can be strengthened through improvement of PPP executive capacity and widen the development of PPP implementation; it also needs to strengthen the role of government in the implementation of PPP by clearly defining the government to guarantee the planning of an activity that is in harmony with the PPP timeframe development planning.

- Aspects of Funding Sources and Patterns mean government policies are needed to bridge the short term or medium and long term funding needed to optimize the mobilization of the source of banking funds. The government should issue a policy that can provide convenience in using resources from the non-banking sector.

To optimize the sources of development in funding primarily coming from the PPP scheme in achieving development goals in West Java Indonesia can be done by collaborated of stakeholder.

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