

## Availability Payment Based Public Private Partnerships In Indonesia

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### *Keyword*

1. *Public Private Partership*
2. *Availability Payment*
3. *Infrastructure In Indonesia*

**Abstrack :** This research aims to find out projects built in Indonesia using PPP with the Availability Payment scheme. This research itself uses qualitative research with a library study method. Qualitative research is a research scheme which uses observational, communicative and documentary methods in natural settings to understand the social world. Meanwhile, literature study is a form of structured investigation using certain methods, rules and techniques.

The research results show that Availability Payment is one of the Indonesian government's options in infrastructure development. Three of the five PPP projects are in the payment stage to the private sector within the agreed time. Meanwhile, the PPP project for the drinking water supply system in West Semarang and the non-toll road preservation for the South Sumatra section are still in the study stage and are being tendered to private companies who wish to carry out the PPP project

## INTRODUCTION

Public Private Partnership (PPP) or Government and Business Entity Cooperation (KPBU) is a cooperation scheme between the government and the private sector in infrastructure development. PPP / PPP is an alternative for the government in building infrastructure because the government has limited finances. One of the PPP schemes in terms of financing is using the Availability Payment scheme. Availability Payment is a method of providing high quality public services but minimizing the financial burden on the public sector.

In Indonesia, PPP itself is regulated in several regulations, including Presidential Regulation Number 35 of 2015 concerning Government and Business Entity Cooperation in Providing Infrastructure, Minister of Finance Regulation Number 190/PMK.08 of 2015 concerning Payment for Service Availability in the Context of Government Cooperation with Business Entities In Infrastructure Provision and Regulation of the Minister of Finance Number 260/PMK.08 of 2016 concerning Procedures for Payment for Service Availability in Government Collaboration Projects with Business Entities in the Context of Infrastructure Provision.

This PPP scheme was chosen because there are several advantages contained in it. These advantages are:

1. There is no payment from the BUP PPP government until full services are available
2. Payments are spread over the contract period. This allows the government to pay BUPKPBU based on the availability and performance of facilities so that the budget burden is not large and more projects can be built
3. The risk of completion of development lies with BUP
4. There is no risk of over budget from the government side
5. Improve project services to become bankable
6. Encourage BUP PPP to be more responsive to the availability and quality of services
7. PPP Availability payment refers to the DBFOM scheme so that one cooperation contract is sufficient
8. BUP PPP can obtain financial close because there is certainty of payment

Of the advantages offered, there are also disadvantages in it. These shortcomings are: 1). Requires periodic inspections from the government, and; 2). Requires effective and sustainable performance monitoring efforts.

Considering several advantages and disadvantages in the PPP scheme, the government uses this scheme in several projects that have been created in Indonesia, such as the Palapa Ring project, the Makassar-Parepare railway, the Republic of Indonesia (Satria) satellite project, the drinking water supply system in West Semarang and roads. national non-toll road section of South Sumatra.

## THEORY

According to Stevenson (2009), Public Private Partnership is a form of agreement or contract between the public sector and the private sector which consists of several provisions, including: the private sector carries out government functions for a certain period, the private sector receives compensation for carrying out functions either directly or indirectly, The private sector is responsible for the risks arising from the implementation of these functions. The concept of Public Private Partnership can create relationships between the public and the private sector to collaborate in development. The benefits that can be obtained from this relationship are innovation, finance, technological capabilities, and regulatory efficiency.

According to Nijkamp (2002) Public private cooperation is an institutional form of government and private cooperation which is based on their initial target, working towards a common target, where both parties accept the investment risk based on an initial agreement and sharing. income and costs. The definition of PPP according to the United Kingdom Foreign & Commonwealth Office (2013: 5) is a contractual agreement between a political body and a private entity, in which the assets and capabilities of each party will be shared in operating a facility or service, over a fairly long period of time, i.e. 20-30 years or more.

According to The National Council for Public Private Partnership (in Khalid Rosyadi, 2010) several forms of cooperation in PPP are:

1. Build, Operate, Transfer (BOT) or Build, Transfer, Operate (BTO).

This form is a form of PPP cooperation where the private sector builds facilities according to a certain agreement with the government, operates them for a certain

period based on a contract, and then returns the facilities to the government. In many other cases, the private sector always provides some or all of the construction financing funds so that the contract period must be in accordance with the calculation of the return on investment through users of the facility. At the end of the contract, the government can assess operating responsibilities, extend the contract period with the same party, or look for a new (private) party as a partner to operate or maintain. BTO is almost the same as BOT. The difference lies in the time of return or delivery of the facility. Whereas BOT from the private sector returns after ownership for a certain period of time, on the other hand, in BTO, the private party hands over the facilities to the government after the development project is completed.

2. Build, Own, Operate (BOO)

BOO is a form of PPP cooperation where private contractors build and operate facilities without having to return ownership to the government. In other words, the government hands over its rights and responsibilities over a public infrastructure to a private partner to finance, build, own and operate a new public infrastructure in perpetuity. BOO transactions can have tax-free status if all tax office requirements are met.

3. Buy, Build, Operate (BBO)

BBO is a form of asset sale that includes the rehabilitation or development process of existing facilities. The government sells assets to the private sector and then the private sector makes the necessary improvements to these facilities to generate profits using a profitable mechanism.

4. Design, Build (DB)

DB is a form of collaboration where the private sector provides design and construction according to project designs that meet the standard requirements and required performance set by the government. This form of collaboration can save time, funds, clearer guarantees, and impose additional risks on the private sector. Apart from that, this form can also reduce conflict because of the clear and simple division of responsibilities.

5. Design, Build, Maintain (DBM)

The DBM form is a form of cooperation that is almost the same as DB with the exception that the maintenance of the facilities for some time in the agreement is the responsibility of the private sector. Profits are also almost the same as DB with the risk during maintenance being borne by the private partner plus a guarantee during the maintenance period also by the private sector.

6. Concession

Concessions provide the opportunity for greater responsibility for the private sector not only to operate and maintain the asset but also to invest. Ownership of assets is still in the hands of the government, but all use rights are in private hands until the end of the contract (usually 25-30 years). Concessions are usually offered via auction with the lowest bid emerging as the winner. Concessions are regulated by contracts that include conditions such as performance (quality) targets, performance standards, capital investment agreements, tariff alignment mechanisms, and settlement of arbitration or potential disputes. The advantage of the concession form is that all management and investment is carried out by the private sector for efficiency purposes. Concessions are appropriate for attracting investment on a large scale.

## **METHOD**

This research itself uses qualitative research with a library study method. Qualitative research is a research scheme which uses observational, communicative and documentary methods in natural settings to understand the social world (Riehl in Fischer et al, 2007). Meanwhile, literature study is a form of structured investigation using certain methods, rules and techniques (George, 2008).

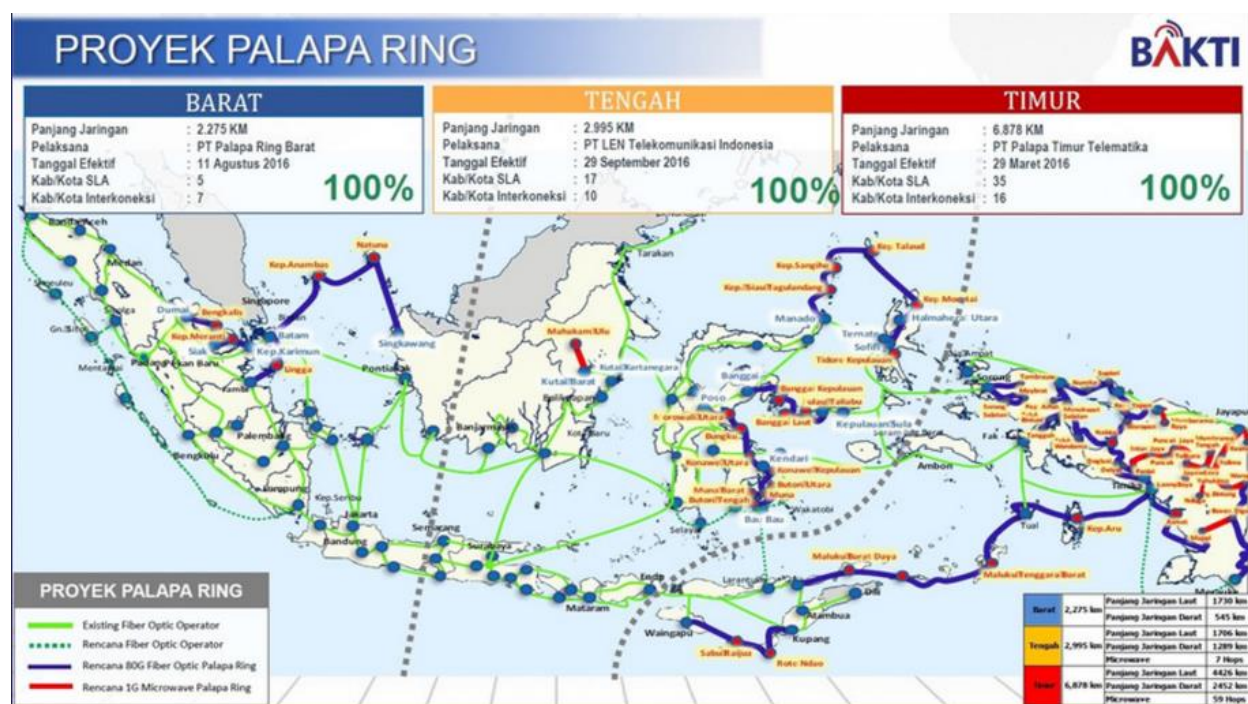
## **DISCUSSION**

### **1. Palapa Ring**

Palapa Ring is an infrastructure project in the communications sector in the form of fiber optic construction throughout Indonesia covering 36,000KM. Palapa Ring itself is the first PPP

project to use an availability payment scheme. Palapa ring work in Indonesia is carried out in 3 packages, namely the western package, the middle package and the eastern package, All of these packages have reached 100% completion in September 2019.

Picture 1  
Palapa Ring Project With Three Packages



Source : [https://kominfo.go.id/content/detail/21782/konstruksi-tol-langit-palapa-ring-tuntas/0/rilis\\_multimedia](https://kominfo.go.id/content/detail/21782/konstruksi-tol-langit-palapa-ring-tuntas/0/rilis_multimedia)

Payments are made by the government to companies that won the tender for a development project using Universal Service Obligation (USO) funds for 15 years, starting from the time it starts operating.

## 2. Makassar-Parepare Train

The Trans Sulawesi railway line construction project for the Makassar-Parepare segment along 144KM. The company collaborating with the government to make this project a success is PT Pembangunan Perumahan. PT Pembangunan Perumahan itself is a company that was born



from a consortium of several existing companies, namely PT Bumi Karsa, PT China Communications Construction Engineering Indonesia and PT Iroda Mitra.

The PPP model in developing Makassar-Parepare railway infrastructure is DBFO (Design-Build-Finance-Operation & Maintenance). The costs used reached IDR 8.25 trillion. With the large construction costs, the time required is 20 years, starting in 2019 and payment will be completed in 2039.

### **3. The Republic of Indonesia (SATRIA) Satellite Project**

The Republic of Indonesia (SATRIA) Satellite Project is the fourth project carried out by the Ministry of Communications and Information Technology using the PPP scheme. This project has been implemented since 2019 and will be completed in 2022. SATRIA is the result of collaboration between the government and PT Satelit Nusantara Tiga. This trusted company is a consortium of three different companies, including PT Pasifik Satelit Nusantara, PT Dian Semesta Sentosa, and PT Nusantara Satelit Sejahterah.

The construction, which was completed in 2022, will begin operating in 2023. By using an availability payment scheme, the government will pay the costs in installments amounting to Rp. 20.68 Trillion for 15 years (2023-2038).

### **4. West Semarang Drinking Water Supply System**

This project uses a BOT (Build-Operate-Transfer) model with a period of 25 years, and the costs used reach Rp. 1.19 Trillion. The payment scheme used is Availability Payment.

PT SMI will act as the implementer of the Project Development Facility (PDF), which is a facility provided by the Ministry of Finance to help the PJPK prepare pre-feasibility studies, tender documents, and accompany the PJPK in PPP project transactions until it reaches financing from financing institutions (financial close). This project is still in the preparation and tender stages.

## **5. Preservation Of The Non-Toll National Road For The South Sumatra Section**

The National Road Preservation Project around the city of Palembang, South Sumatra province is 29.87 km long with an investment of approximately Rp. 1.35 Trillion. Currently the Director General of Highways of the Ministry of PUPR is submitting a Guarantee Proposal to PT Penjaminan Infrastruktur Indonesia in order to increase the project's bankability.

## **CONCLUSION**

Availability Payment is one of the Indonesian government's options in infrastructure development. Three of the five PPP projects are in the payment stage to the private sector within the agreed time. Meanwhile, the PPP project for the drinking water supply system in West Semarang and the non-toll road preservation for the South Sumatra section are still in the study stage and are being tendered to private companies who wish to carry out the PPP project.

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