



PROSPECTS FOR *PUBLIC PRIVATE PARTNERSHIP* INFRASTRUCTURE IN THE PROVINCE OF SOUTH SULAWESI

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ABSTRACT

The infrastructure development is the duty of the government in an effort to meet community needs. However, in the implementation of the achievement of the objectives of the country, the government can not do it alone. So the need for cooperation with the private sector in realizing all the needs of the public. This paper aims to contribute significantly to the prospects of PPP infrastructure cooperation in South Sulawesi, to provide the best service for the people of South Sulawesi. The method used is: (1) Type of research phenomenology and (2) descriptive qualitative research approach. (3) The primary data source is from informants consisting of; (a) Legislative; (b) Third Party (Entrepreneur); and (c) Chairman - the chairman of the NGO. (4) Secondary data sources are supported data sources to supplement primary data collected. (5) Data was collected through: (a) observation, (b) Interviews and (c) Documentation. (6) Technical Data validation is done by: (a) The collection of data, (b) data reduction, (c) Presentation of data, and (d) the withdrawal conclusions. Results of research on (1) Prospects of Cooperation PPP Infrastructure South Sulawesi province, where the South Sulawesi province oversees 21 districts and 3 Cities. (2) Procedures Cooperation PPP / Public Private Partnership, which the government set up the project PPP / PPP are adequately either at the planning stage, preparation of pre-feasibility study stage, the stage of the transaction, and management of the implementation phase of the cooperation agreement.

Keywords: *Public Private Partnership infrastructure.*

PRELIMINARY

In this globalization era, the development of infrastructure in the form of facilities and infrastructures as supporting the continuity of purpose of the state has a very important role. Governments are required to create a welfare society by fulfilling public needs are the responsibility of the government. However, in the implementation of the achievement of the objectives of the country, the government cannot do it alone, so the need for cooperation with the private sector in realizing all the needs of the public.

Public Private Partnership (PPP) or commonly referred to as the Public Private Partnership (PPP) is an alternative financing mechanisms in the provision of public services that have been used widely in

different countries, particularly developed countries (Secretariat A4DE, 2012: 1).

Infrastructure development can provide a very significant contribution in accelerating economic growth and poverty reduction. Infrastructure is an infrastructure that must be provided by the government to meet the basic needs of social and economic human (Rostiyanti, 2012). Low levels of investment for infrastructure provision would have a negative impact on economic growth of a region. One important element in economic development is when the private sector and government work together to work together to achieve a common goal. The joint initiative is what is often referred to as PPP.

The main challenge faced was *funding gaps* between infrastructure investment needs with relatively limited



financial capacity of the state to meet those needs. Therefore appears consideration the need to strengthen public-private cooperation is seen from three dimensions as follows: (1). Political reasons: creating a democratic government and encourage *good governance and good society*, (2) Administrative reasons: their limited government resources, both budgetary resources, human resources, assets, and management capabilities. and (3). Economic reasons: to reduce the gap or inequality, spur growth and productivity, improve the quality and continuity, and reduce the risk (Setianto, 2009).

On the other hand it must be recognized that in any pattern or model of cooperation will not be free from the possibility of conflict of interest, differences in interpretation, or failure to meet the obligations of the parties against the other party. To that end, the development of PPP infrastructure cooperation must be followed by setting clear and firm on the position, rights and obligations of each party, as well as a conflict resolution mechanism in the event of any friction due to do a collaboration. That is why, clarity on the handling and settlement of disputes in PPP infrastructure also needs to be a thorough examination in order not to interfere with the effectiveness of the government.

South Sulawesi Provincial Government in improving the services do and use PPP cooperation scheme. Accelerated development of infrastructure of public services to the people of South Sulawesi Province by leveraging private funding sources. Without the participation of the private sector, infrastructure development as well as the coverage of public services in the province of South Sulawesi will be slow, because the South Sulawesi Provincial development funds are not only necessary for the development of

infrastructure but also for the construction of other facilities and social sectors in order to improve the welfare of society. In cooperation PPP private sector providing investment capital is important in the management of large-scale infrastructure provision (Susilo, 2000). The other side of the aspects of private sector participation in the provision of infrastructure is the principle of private interest in running a business, where large capital invested there must be an assurance of return with an adequate profit (Hindersah, 2003). While the strategy of attracting foreign investors to the region is a strategic step at a time is quite heavy because it requires readiness of all relevant agencies at both central and local levels (Yuliadi, 2009), even this has been planned in the planning area of South Sulawesi.

But that should be considered by the South Sulawesi provincial government is all the figures as well as success stories PPP cooperation. The infrastructure in some places, leaving a dark side also include obstacles or problems is both small and large. Constraints in the implementation of the Public Private Partnership agreement in Indonesia in the field of drinking water is in the enjoyment of the rights and obligations of each party and coordination in efforts to resolve the existing problems. One reason is the difference in our perception of the two elements that exists is the government side and the private side.

In this study directs to focus and set the formulation of the problem as follows: (1) How would you describe the cooperation prospects of PPP infrastructure in southern Sulawesi province? and (2) What is the procedure of PPP infrastructure cooperation in South Sulawesi? While the purpose of this activity is expected to make a significant contribution to the cooperation prospects of PPP infrastructure in the

province of South Sulawesi, as has been the destination of South Sulawesi province to provide the best service for the people of South Sulawesi.

RESEARCH METHODS

1. Location and Time Research

This research was conducted in the province of South Sulawesi with the object of research is Barru, Kabupaen Pinrang, and Takalar. The third initiative of this region as the focus of the research, the *Public Private Partnership* (PPP) is based on the following considerations: (1) In addition to being the capital of Eastern Indonesia, South Sulawesi Province also a barometer of the delivery of development in Eastern Indonesia. (2) The third area is that often give birth to a variety of problems. (3) concern the majority of people in South Sulawesi province on aspects of regional development is quite high.

2. Type and Research Approach

This research is classified as descriptive qualitative research approach, whereas the type of research that is used is phenomenological. It is intended to provide a systematic description, factual and actual towards the object under study. According Sugiyono (2005: 1) the method of qualitative research is a research method used to examine the condition of natural objects, where researchers as a key instrument. Data collected triangulation, data analysis is inductive and qualitative research results further emphasize the significance rather than generalization.

3. Source of Data and Research Informant

Source of this research data captured from the source of primary data and secondary data in accordance with the proportion of the research objectives. The source data that became the qualitative and quantitative resources, are: (1) The primary data source is from informants consisting of; (a) The Chairman and members of the South Sulawesi Provincial Parliament; (b) Third Party (Entrepreneur); and (k) Chairman - the chairman of the NGO. (2) Secondary data sources are supported data sources required to complete the primary data that is collected, namely: UU RI; Regulation in Lieu of Law RI; Government Regulation; Regulation of the President; Presidential Decree; Ministerial regulation; Ministerial decree; Local regulation; Decision of the Governor of South Sulawesi; and South Sulawesi Provincial Parliament Regulation.

4. Description Focus and Indicators Research

Focused on the research problem, the research is directed at three (3) a research focus with 9 (nine) indicators focus of research. that is:

- a. Description prospects of cooperation *Public Private Partnership* (PPP) infrastructure in South Sulawesi province, is a picture of all development activities that have a value in the progress of the PPP in the province of South Sulawesi. While the definition of PPP is the entire company private and public individuals who care

about the development of South Sulawesi region through mutual cooperation (*symbiosis mutualism*).

- b. PPP cooperation procedure infrastructure in South Sulawesi province, is a form of participation of the actors in a PPP in South Sulawesi.

5. Research Instruments

Qualitative research tools focused on research on the analysis of the PPP in the province of South Sulawesi described corresponding empirical data using qualitative approach. Therefore, the research instrument is the researcher himself. Researcher as research instrument using multiple fittings which include: (1) Guidelines for the interview, (2) Guidelines for observation, and (3) Notes document.

6. Research Data Analysis Techniques

This study used a qualitative approach, so that the data analysis technique that is suitable for use is the technique of interactive analysis as proposed by Miles and Huberman (1992) with the data analysis process as follows: (1) *Data collection* (data collection) (2) *Data reduction* (reduction data), (3) *Data Display* (presentation of data) (4) *conclusion* / *verification* (verification and conclusion).

RESULTS AND DISCUSSION

1. Cooperation prospects of PPP Infrastructure in South Sulawesi Province

In the framework of good governance, the government passed legislation, respectively: (1) Five years after independence issued Law No. 21 of 1950, which became the legal basis for the establishment of the Provincial Administrative Sulawesi; (2) Ten years later, the government passed Law No. 47 of 1960, which endorsed the establishment of South and Southeast Sulawesi; (3) Four years later, the government separates East Sulawesi of South Sulawesi through Law No. 13 of 1964; and (4) Forty years later, then the government of South Sulawesi break into two, based on Law No. 26 of 2004. The district was once a district under the government of South Sulawesi province, are: District Majene ; Mamuju ; Mamuju Utara; Polewali Mandar; and Mamasa, then officially became a county under the government of the Province of West Sulawesi in line with the establishment of the province on October 5 2004 under Law No. 26 of 2004.

Every province in charge of County and City, as well as the province of South Sulawesi are in charge of 21 (twenty-one) and District 3 (three) City, according description contained table 4.4 on page 158.

In 2008, North Toraja Regency scheduled formed, following the publication of Commission President Susilo Bambang Yudhoyono, numbered: R.68 / Pres / 12/2007 on 10 December 2007 on Redistricting 12 regencies / cities.

Table 1: Classification of Districts and Municipalities in the Province of South Sulawesi

No.	Regency / City	Capital city
1	Bantaeng Regency	Bantaeng
2	Barru Regency	Barru
3	Regency Bone	Watampone
4	Bulukumba Regency	Bulukumba
5	Enrekang Regency	Enrekang
6	Gowa Regency	Sungguminasa
7	Jeneponto Regency	Bontosunggu
8	Islands Selayar Regency	Benteng
9	Luwu Regency	Belopa
10	East Luwu Regency	Malili
11	Luwu Utara Regency	Masamba
12	Maros Regency	Turikale
13	Pangkajene Islands Regency	Pangkajene
14	Pinrang Regency	Pinrang
15	Sidenreng Rappang Regency	Sidenreng
16	Sinjai Regency	Sinjai
17	Soppeng Regency	Watan Soppeng
18	Takalar Regency	Pattalassang
19	Tana Toraja Regency	Makale
20	North Toraja Regency	Rantepao
21	Wajo Regency	Sengkang
22	Makassar City	-
23	Pare Pare City	-
24	Palopo City	-

Source: South Sulawesi Provincial Government document; 2014.

With regard to the province of South Sulawesi is very broad and range limitations of researchers, the

researchers drew three samples Regency / City proportionally, with consideration of the inner regions of South-Eastern capital of South Sulawesi (Makassar), represented by Takalar, and 2 (two) regions of North-East of the capital of South Sulawesi (Makassar), represented by Barru and Pinrang.

1. Kabupaten Takalar

a. Geographical conditions and Administration

Government administrative area Kabupaten Takalar up in 2006, consists of 7 (seven) districts, and in 2007 suffered the regional growth to 9 (nine) districts, namely District and District Sanrobone Galesong. District of the largest / widest District of North Polombangkeng is 212.25 km² or 37.55%, followed by the District Mangarabombang namely 100.50 hectares or 17.78%. Moderate District Area which has the smallest area is the District of North Galesong ie 15.61 km² or 2.76% of the total area Takalar.

Table 2: Division Administrative Region of Takalar Regency 2007

NO	DISTRICTS	LUAS (KM ²)
1.	Mangarabombang	100.50
2.	Mappakasunggu	45.27
3.	Sanrobone	29.36
4.	South Polombangkeng	88.07
5.	Pattalassang	25.31
6.	North Polombangkeng	212.25
7.	South Galesong	24.71
8.	North Galesong	15.61
9.	Galesong	24.21
<i>AMOUNT</i>		<i>947.84</i>

Source: Regency Takalar in Figures 2007

b. Conditions Climatology and Hydrology

Based on observations in the Rain Station Regency Takalar shows minimum temperature average 22,2^o C to 20,4^o C in February to August and 30,5^o C and a maximum of up to 33,9^o C in September - January. The level of rainfall and rainy days in the last three years is not the same with the average of the largest occurred in 2005 which is a rainy day 8.92 and 555.42 mm rainfall. During the same period the number of rainy days the lowest occurred in 2004, while the lowest rainfall in 2006.

Table 3: Number of Days (Hh) and Rainfall (Ch) In Regency Takalar Per Month At the Meteorological Station Years 2004-2006

MONTH	2004		2005		2006	
	HH	CH	HH	CH	HH	CH
January	17	811	22	1,567	16	388
February	21	509	15	711	16	449
March	14	98	20	1,376	20	441
April	7	36	13	669	15	140
May	2	23	1	52	12	153
June	2	5	1	13	12	277
July	1	-	-	9	-	-
August	-	-	-	-	-	-
September	-	5	-	-	-	-
October	2	56	4	82	-	-
November	8	90	13	615	3	19
December	14	962	18	1571	17	437
Average	7:33	216.25	8.92	555.42	9:25	192.00

Source: Regency Takalar in Figures 2007

c. Potential Land Resources

Land use in the area of Regency Takalar divided into eight (8) types of land use. In general the use of land in this region is dominated by rice fields and orchards mixture respectively 16436.22 and 9932.11 Ha. In the neighborhood awake land use is dominated by residential and office other than general infrastructure is 1929.90 hectares of extensive throughout the region. For regions that

are not built on land use is a vacant lot or other open space, most of the agricultural land (paddy fields).

Table 4: Type of Land Use Regency Takalar (In Ha) 2006

LAND USE	Area (Ha)	Percentage (%)
Housing and courtyard	1929.90	3.41
Rice fields	16436.22	29.01
Mixed garden	8932.11	15.77
Sugar cane plantation	5333.45	9.41
Ponds / Pond	4233.20	7.47
Moor	3639.90	6.43
Forest	8254.00	14.57
another use	7892.22	13.93
AMOUNT	56651.00	100

Source: Regency Takalar in Figures 2007

d. Developments Economy

Regional gross domestic product (GDP) can give you an overview of the economic progress of a region to define as the total value-added goods and services in a given period (1 year). In 2006, nine economic sectors driving Regency Takalar contribute to the GDP of Rp. 607,104.66 million with a per capita income of the population amounted to Rp. 2.72817 million.

Table 5: GRDP Regency Takalar by Industrial Year
2003-2005 Constant 2000 Prices (In Million)

ECONOMIC SECTOR	GRDP TAKALAR		DISTRIBUTION (%)	
	2003	2005	2003	2005
Agriculture	294,953.11	321,664.05	48.52	47.98
Mining and Quarrying	4657.70	5040.93	0.77	0.75
Industry	58287.55	61565.28	9.59	9.18
Electricity, Gas & Water	5833.55	6963.76	0.96	1.04
Building / Construction	32853.06	35885.84	5.40	5.35
Trading, Hotel &	62599.63	71675.56	10.30	10.69
Restaurant	27327.55	31871.92	4.50	4.75
Transport and	36236.96	40161.26	5.96	5.99
Communications	85104.66	95648.35	14.00	14.24
Bank and Finance Services				
AMOUNT	607,10466	670,476.94	100	100

Source: Regency Takalar in Figures 2007

2. Barru

In general, the profile of the area Barru discusses general overview of the district, population and human resources,

vulnerability to natural disasters, the potential of natural resources, and economic potential of the region.

a. Administration and Geographical Boundaries

Administratively, the district has an area of 1174.72 km² (117 472 ha), while according to a map of the district administration and maps Barru appearance of the earth in 1999 covering an area of 1191.10 km². Barru divided into 7 subdistricts namely Sub Tanete Riaja, District Tanete Rilau, District Barru (district capital), District Soppeng Riaja, District Mallusetasi, District and Sub-district Pujananting Ballusu and consists of 14 village and 40 villages.

Table 6: Area of Regency Barru

No.	districts	Province Area (Km ²)				amount Village / Sub
		BPS		analysis		
		Large	%	Large	%	
1	Tanete Riaja	174.29	14.84	180.66	15.17	7
2	Tanete Rilau	79.17	6.74	82.68	6.94	10
3	Barru	199.32	16.97	196.70	16.51	10
4	Soppeng Riaja	78.90	6.72	79.68	6.69	7
5	Mallusetasi	216.58	18.44	221.33	18.58	8
6	Pujananting	314.26	26.75	315.54	26.49	6
7	Balusu	112.20	9.55	114.51	9.61	6
amount		1,174	100	1,191	100	54

Source: Central Bureau of Statistics

b. Topography and Slope

Topography and coastal lowlands are in District Tanete Riaja with an area of approximately 2.38% of the area of Barru and generally a river and coastal sediments potential development of agriculture and fisheries (aquaculture). Barru predominantly mountainous topography of a surface area of up to 48.04% of the total area. Mountainous topography in the District Pujananting.

c. Geology

The geological structure of rocks contained in Barru very varied. The geological structure has an influence on the pattern and structure of rocks and minerals deployment. As for the types of rocks that can be found in Barru, among others: (1) Alluvium young from the sediment of the sea, (2) Alluvium young from the sediment of the river, (3) Alluvium young, eustaria marin, alluvium young

comes from the river peat, (4) alluvium, sediment alluvial fan, alluvium young from the sediment of the volcano, (5) Andesite, basalt, (6) limestone, (7) limestone, rock, marl, (8) rock, alluvium young coming of sediment sea, (9) Sandstone, stone silt, mudstone, shale, conglomerate, (10) sandstone, mudstone, shale, (11) Quartzite, skis, phyllite, (12) Marble, limestone <13) peridotite, serpentinite, (14) serpentinite, peroditit, dunit <15) shale, mudstone, sandstone, conglomerate, (16) Shale, sandstone, alluvium young from the sediment of the river, and (17) tefra fine grained, alluvium young derived from volcanic sediment.

d. Hydrology

Based on the results of a location, the hydrological conditions Barru can be divided into surface water (rivers, wetlands) and water from the subsurface (groundwater). The source of water from the subsurface (groundwater) consists of a kind of fresh (<250 ppm NaCl), brackist (250-4000 ppm NaCl), fresh / brackist, none or slight. The river is the largest water

source in Barru ie Bojo River, the river Kupa, river Nepo, Mamba river, river Ceppaga, Takkalasi river, river Ajakkang, Palakka River, Bungi river, river Sikapa, Parempang river, river Jalanru.

e. Climatology

Type Zone Climate Agroclimatology method which is based in the wet 9 rainfall of over 200 mm / month) and dry months (rainfall less than 100 mm / month), in Barru are covering 71.79 per cent of Regions (84 340 ha) with Climate Type C which has a consecutive wet months "co-5" 6 months (October to March) and dry months in a row less than two months (April to September).

f. Aspects of Human Resources

The population in Barru in 2010 by the Central Statistics Agency (BPS) in Barru is as much as 162 985 people. Highest number of inhabitants in the District Barru as many as 35 477 souls, while the number of sub-districts that have the lowest population in Sub Pujananting as many as 13 486 Life.

Table 7: Total Population by Districts in Regency. Barru

No.	districts	Year				
		2005	2006	2007	2008	2009
1	Tanete Riaja	20 918	20 990	21 538	21 708	21 562
2	Pujananting	11 628	11 643	12 475	12 614	12 565
3	Tanete Rilau	32 451	32 468	32 542	32 798	33 108
4	Barru	35 024	35 264	34 137	34 405	35 477
5	Soppeng Riaja	17 445	17 478	17 197	17 333	17 885
6	Balusu	17 883	17 940	17 829	17 969	17 534
7	Mallusetasi	23 472	23 452	24 710	24 905	24 854
amount		158 821	159 235	160 428	161 732	162 985

Source: BPS Barru. Barru In Figures Year 2010

3. Pinrang

a. Geographical and Administration

Pinrang is a region of South Sulawesi province is geographically located at coordinates between $4^{\circ}10' \text{E}$ to $3^{\circ}19' \text{E}$ South latitude and $119^{\circ}26' \text{E}$ to $119^{\circ}47' \text{E}$ East Longitude. This area is located at an altitude of 0-2600 meters above sea level.

Pinrang is ± 180 km from the city of Makassar, by having a broad ± 1961.77 km², comprises three territorial dimension includes the lowland, sea and highlands. Pinrang administratively consists of twelve (12) sub-district, 36 village and 68 villages covering 81 168 Environmental and Hamlet. Most of the districts of the coastal area which has an area 1457.19 km² or 74.27% of the total area Pinrang region with a long coastline of ± 101 Km.

b. Topography and Slope conditions

The topography of Pinrang have a fairly wide range, ranging from plain to a height of 0 m above sea level to the plateau has an altitude above 1000 m above sea level (asl). Plateau at an altitude of 1000 m above sea level lies mostly in the middle to northern Pinrang especially in areas bordering the Toraja district.

c. Geological conditions

Pinrang geology of the area of observation and compilation

Geologic Map Pinrang, the arrangement of rock layers can be described as follows: (1) Sediment and river alluvium, alluvium Sediment and rivers, have a thickness between 100-

150 meters, consisting of the top clay, silt, sand and gravel. (2) rocks volcano composed of breccia with components bersusuntrakht and andesite, tuff pumice stone, sandstone terfaan, conglomerates and breki terfaan, the thickness ranges from 500 meters, spread in the north City Pinrang Around Bulu Lemo, Fur Pakoro while in the south around Bulu Manarang, Paleteang Fur, feathers Lasako (bordering Pare Pare). (3) rock lava flows, rock lava flows tiered trakhit light gray to white, bekekar pole, spreading towards the area Pinrang, (4) rocks lava decker basol to andesite, Unit these rocks shaped pillow lava, breccia andesites piroksin and andesite trakhit. Thickness of 50 to 100 meters with a spread of about Bulu Tirasa and Pakoro. and (5) sandstones, these rocks are layered andesitic Unit, silt stone, conglomerates and breccias. Fault structure estimated that there are at rock lava flows and andesite tiered sandstone, in the form of normal fault.

d. Climatology condition

Smith climate classification according to Ferguson, Regional climate types Pinrang including types A and B with rainfall occurs in December to June with the highest rainfall occurs in March. The dry season occurs from June to December. Criteria climate types according Oldeman Syarifuddin wet month in Pinrang recorded 7-9 months, humid months 1-2 months and dry months 2-4 months. Climate types according to the classification Oldeman Syarifuddin is climate B and C. The annual rainfall ranges from 1073 mm sampai 2910 mm, the average annual evaporation in Pinrang

ranged from 5.5 mm / day and 8.7 mm / day. The average temperature normal between 27A ° C with humidity 82% - 85%.

e. Hydrology conditions

In Pinrang, there are two major rivers namely river Mamasa and Saddang River, where the river Mamasa is still a tributary Saddang. Currently the river Mamasa utilized for Hydroelectric Power Plant (HEPP) Bakar located in Desa Ulu Saddang, Lembang district. Existing hydropower is in addition to meet the electricity demand in Pinrang, also to meet the electricity demand in the province of South Sulawesi. While Saddang River used for irrigation agriculture with service coverage in addition Pinrang also serve Sidrap.

f. Land Use

Pinrang land use is dominated by the State Forest land use types in the amount of 66 787 hectares, accounting for 34.04%. Pinrang also has potential in agriculture is indicated by the area persawanan and

plantations of 56 333 ha, or 28.71%. Area buildings and courtyard in Pinrang has an area of 6747 hectares or 3.44%.

2. Cooperation procedure PPP / PPP Infrastructure South Sulawesi Province

In order to develop a PPP or Public Private Partnership (PPP), governments need to ensure that the private sector will be the partners of the government must know the state of the project will be invested by them well so that they can make exact calculations to generate optimal benefits. Therefore, the government needs to prepare a project PPP / PPP are adequately either at the planning stage, preparation of pre-feasibility study stage, the stage of the transaction, and management of the implementation phase of the cooperation agreement.

In the framework of cooperation PPP / PPP infrastructure of South Sulawesi province, both parties agree to the procedure of cooperation with the flow as follows:

Table 8: Cooperation procedure PPP / PPP Infrastructure

No.	Description of activities	Execution time		
		I Month / Day	Second Month / Day	Month III / Day
1	Coordination meetings	1		
2	Prequalification in national media	7		
3	Registration and pre-qualification document retrieval	9		
4	Entered the prequalification document		2	
5	Evaluation of pre-qualification documents		1	
6	Determination of the prequalification results		1	
7	Objection period prequalification		5	
8	Invite kpd participants passed the prequalification		1	
9	Investment tender document retrieval		8	
10	<i>Anwijzing</i>		1	
11	submission of bids		7	
12	Bid opening		1	
13	evaluation of bids		3	

14	The proposal determination of auction			1
15	Determination of winners			1
16	Winner announcement			1
17	objection period			5
18	Negosiasiteknis and fees			1
19	The designation of a winner			1
20	Signing the contract			1

If reviewing work processes PPP / PPP as shown in table 10, the process is similar to the process of procurement impressed in Presidential Decree No. 80 of 2003. Indeed, Article 51 of Presidential Decree No. 80 of 2003 states that a special provision of the pattern of cooperation between government and private sector will be regulated by Presidential own. The rules in question is Presidential Decree No. 67 of 2005.

In cooperation regulation has the aim of implementing PPP / PPP for: (a) Adequate a funding needs on an ongoing basis through the mobilization

of private funds; (b) Improving the quantity, quality and efficiency of services through healthy competition; (c) Improve the quality of management and maintenance of infrastructure provision and (d) Encouraging wore principle of user pays services received, or in certain cases consider the purchasing power of users.

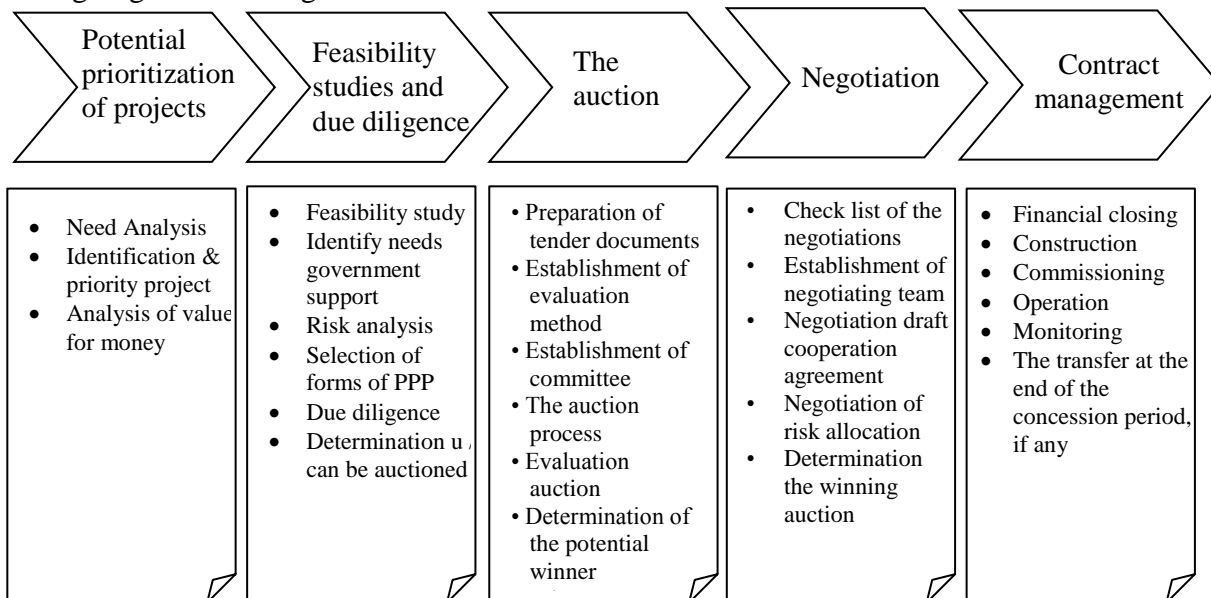


Figure 1: Public Private Partnership Process

Source: Miharjana, 2006.

In connection with that, the PPP process analysis of cooperation can be observed as follows:

1. Identification and Selection Project PPP / PPP Infrastructure

Center for PPP projects, the Minister of fixing the list of priority sector level Cooperation Project plans and submit a list of priorities to the Minister of Planning. As for the PPP project area, the Regional Head fixing the priority list of regional cooperation project plan and submit a list of priorities to the Minister of Planning. The evaluation results on the priority list of planned cooperation projects and regional centers established by the Ministry of Planning in the list of planned cooperation projects national level.

In line with that, then do the prioritization of infrastructure PPP projects as picture 4.4.berikut:

2. Pre-Feasibility Study

Low interest of investors to the project of Public Private Partnership (PPP / PPP), among others, due to the lack of information about the project both in terms of technical details and financial information and analysis on a variety of risks and government guarantees for the management of these risks.

The most important thing to do in the development of PPP / PPP is preparing infrastructure projects that can be cooperated with the private sector based on the rules prevailing international rules so that information about the project can have high credibility in the eyes of investors. Preparation of project documents mature and adequate, especially for projects that can

provide recovery of costs (*cost recovery*) and can be financed by a bank (*bankable*) so as to attract private investors to invest. Regulations on procedures for implementing public-private partnerships in Indonesia it does require preparation of feasibility or pre-feasibility study for the infrastructure projects in cooperation with the private sector before joining the bidding process.

The draft provisions of the cooperation agreement contains various terms that will govern the cooperation between government and business entities in the implementation of cooperation projects.

3. Risks and Risk Mitigation

The allocation of risk is a risk-sharing partnership project with the basic principle that the risk is shared and charged to the party best able to manage such risks. The allocation of risk include the sharing of project risks between the government and private business entities based on the principle of risk allocation.

Risks associated with construction and operation are handed over to the private business entities, while the risks associated with the politics, policies and regulations submitted to the government as the best party to manage it. However, the market risk can be shared between the government and the private sector through the provision of government guarantees.

Risk mitigation aims to reduce the likelihood of risk to its impacts. The Government or Private

Companies must prepare risk mitigation well since they are the responsibility of each - each project risks. Special mitigation of risks borne by private business entities, PJK should ensure that the private business entities take mitigation measures appropriate to use the lowest cost in implementing the project.

a. Indonesia Infrastructure Guarantee Fund Regulatory Framework

As one of the efforts to enhance project viability PPP / PPP as well as efforts to encourage private sector participation in infrastructure development in Indonesia, the Government provide Government Guarantees to infrastructure projects undertaken by the scheme PPP / PPP. The legal basis of the provision of the Government Guarantee is Presidential Decree No. 67/2005 Jo. Presidential Decree No. 13/2010 Jo. Presidential Decree no. 56/2011 on Government Cooperation with Business Entities in Infrastructure Provision.

Furthermore, the underwriting process infrastructure through Infrastructure Guarantee Enterprises (Bupi) are further under Presidential Decree No. 78/2010 regarding Infrastructure Guarantee Fund for Cooperation between the Government Projects Undertaken Enterprises Through Enterprise Infrastructure Assurance and Regulation of the Minister of Finance No. 260 / PMK.011 / 2010 Concerning the Implementation Guidelines Infrastructure Guarantee in Cooperation Project with the Government of Enterprises.

b. Enterprise Infrastructure Assurance (BUPI)

The main goal of PII is: (1) Provide a guarantee for the project PPP / PPP infrastructure in Indonesia. (2) Increase creditworthiness (*credit worthiness*), especially *bankability* of the project PPP / PPP in the eyes of investors / creditors. (3) Improving governance and transparent process in the provision of guarantees, and (4) minimize the possibility of a direct shock (*sudden shock*) to the State Budget (APBN) and fence (*ring-fencing*) Government contingent liability exposures.

In doing underwriting, PII may involve one or more additional guarantor (*Co-Guarantee*). Based on the Minister of Finance Regulation No. 260 / PMK.011 / 2010 Government represented by the Ministry of Finance can act as *Co-Guarantor*. However, the government emphasized the importance of optimizing the implementation guarantee PII, to keep the State fiscal risk. On the other hand, PT PII also can cooperate *Co-Guarantee* institutions - multilateral financial institutions (eg the World Bank) for certain out projects that have obtained the agreement of both parties.

4. Transactions and Project Cooperation Agreement PPP / PPP

Phase Transaction Cooperation Project This usually requires a long time. This is in addition because many bureaucratic process in the government, also due to the difficulty of finding common ground between PJK agreement with Investor. Transaction process begins with the procurement of business entities, and is expected to end with the signing of cooperation agreements. To execute this transaction stage, it usually takes a

considerable cost about 3 to 12% of the total value of investment projects. Generally, the weaker the policy framework and institutional capacity of the government, then the longer the transaction takes place.

a. Procurement Planning Enterprises

In Phase Planning Procurement Enterprises, PJKP forming Procurement Committee who understand, understand, and control matters such as procurement procedures, the scope of the cooperation project, legal agreements and the provisions of the relevant sectors of infrastructure, technical aspects and financial aspects. The committee then arrange the schedule of procurement and procurement announcement concept. In this phase also PJKP implementing the Scoping Interests Markets (*Market Sounding*). Interests Scoping activity is done with the aim to obtain the input and determine the interest of potential investors for the project cooperation offered. It is important for PJKP to package the project that will be offered in order to attract investors to invest. In this stage of the Procurement Committee compiled Self-Estimated Price (HPS), the Prequalification Document and Document Procurement.

b. Procurement of Enterprises

2. Prequalification

Prequalification is one step that must be taken in the procurement phase of the project PPP / PPP for selecting potential investors who will enter the short list (*short list*) to participate in the auction process (*competitive bidding*). Prequalification is an activity after PJKP identify projects and prepare pre-feasibility study that already meet the requirements of the technical, economic, financial, social, and environmental predetermined.

The purpose of the prequalification is to get a number of business entities that have the ability of management, technical and

financial, for projects with good and reliable so it's worth included in the tender process. The key things that must be present in the Prequalification documents are:

- a. A brief explanation Partnership Project;
- b. The form and format of the document expressions of interest (*expression of interest*);
- c. *of interest*);
- d. Prospective bidder qualification requirements; and
- e. Implementation schedule and procedures for how to vote prequalification.

2. Process Procurement / Auction

In the planning phase and thereafter *Market Sounding*, the Procurement Committee of compiling Procurement. The contents of the procurement documents are:

- a. Documents Pre Feasibility Study;
- b. Concept of Cooperation Agreement; and
- c. Guidelines for submission of bids.

While the purpose of drafting a document procurement / tender as a guideline:

- a. To get information about the cooperation project;
- b. The procedure for submission of bids;
- c. Administrative requirements, technical and financial entities that passed the prequalification.

3. Procedures for Procurement of PPP / PPP

The provisions concerning the procurement procedures of entities regulated in detail in Appendix Presidential Decree No. 67/2005 Jo. Presidential Decree No. 13/2010 Jo. Presidential Decree No. 56/2011 about Government cooperation with Business Entities in Infrastructure Provision.

4. Cooperation agreement

One part of the contents of the procurement document is a *draft* agreement. In accordance with the provisions of Presidential Decree No. 67/2005 Jo. Presidential Decree No. 13/2010 Jo. Presidential Decree No. 56/2011 about Government cooperation with Business Entities in the Provision of Infrastructure, the Partnership Agreement at least contain provisions regarding: (a) scope of work; (b) the period; (c) performance bond; (d) the rate and mechanism of adjustment; (e) rights and obligations, including the allocation of risk; (f) the service performance standards; (g) transfer of shares before Project Cooperation commercial operations; (h) sanctions in case the parties do not comply with the provisions of the agreement; (i) termination or termination; (j) the financial statements of business entities in the implementation of the agreement, (k) dispute settlement mechanism set up in stages, ie consensus, mediation, and arbitration / court; (l) the mechanism of monitoring the performance of enterprises in the implementation of the agreement; (m) use and ownership of infrastructure assets; (n) return on infrastructure assets and / or its management, (o) force majeure; (p) the representations and warranties of the parties, (q) the use of the language in the agreement, and (r) the applicable law, the law of Indonesia.

5. Preparation of agreement signing

Having determined the winner of the procurement Enterprises, the winner must establish business entities will sign a Cooperation Agreement. Enterprises must have been founded later - later than within six months from the issuance of the determination or Determination Letter Procurement award a single winner by PJPK.

PJPK joint business entity formed as mentioned above will sign a Cooperation Agreement. Cooperation Agreement will become effective once all the prerequisites set out in the Cooperation Agreement have obtained all parties. Preliminary requirements include approval of the issuance of Government Guarantees and obtaining all necessary permits enterprises to implement its business. In the event that all the prerequisites have been met, PJPK will publish an official report on the effectiveness of the cooperation agreement.

CONCLUSION

1. Description of the prospects of cooperation *Public Private Partnership* (PPP) infrastructure in the province of South Sulawesi, is potentially quite large
2. Procedure for PPP infrastructure cooperation in South Sulawesi province, is very tight so there is little possibility of corruption.

ACKNOWLEDGMENT

1. South Sulawesi Provincial Government has facilitated the development of research on regional development.
2. The informant research infrastructure PPP South Sulawesi province.

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