

PPP as a Creative Financing Innovation in the Financing of Makassar Parepare Railway Infrastructure

Helmi Adam^{1*}, Henny Wang², Mega Fauziah³, Octen Suhadi⁴
Institut Pertanian Bogor

Corresponding Author: Helmi Adam madaimleh@gmail.com

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ABSTRACT

Provision of infrastructure is needed to accelerate economic growth, improve people's welfare, and realize the availability of better public services. The involvement of the private sector as an innovation in infrastructure development will create better public services. The Government of Indonesia introduced the Public - Private Partnership ("PPP") scheme in the provision of infrastructure to provide a room for the Government to cooperate with the private sector based on the principle of proportional risk allocation. The PPP project with the Availability Payment (AP) scheme is something new in Indonesia. PT Celebes Railway Indonesia (PT CRI) with its project "Makassar-Parepare Railway" is the first project to use this scheme.

INTRODUCTION

Provision of infrastructure is needed to accelerate economic growth, improve people's welfare, and realize the availability of better public services. The involvement of the private sector as an innovation in infrastructure development will create better public services. In this regard, the Government of Indonesia introduced a Public Private Partnership (PPP) scheme in the provision of infrastructure to provide a room for the Government to cooperate with the private sector based on the principle of proportional risk allocation. The implementation of this scheme has been regulated in Presidential Regulation Number 38 of 2015 Regarding Cooperation between the Government and Business Entities in Infrastructure Provision.

It is the duty of the Government to provide public services, including infrastructure. Indonesia's infrastructure needs are very high, while the availability of development budget is limited. Considering this, by utilizing this PPP scheme, the Government has more opportunities to provide adequate infrastructure services to the public in a more effective, efficient, accountable and sustainable manner.

Unlike the traditional or conventional procurement of goods and services, procurement of infrastructure through PPP collects all components of an infrastructure service in one cooperation contract, including design, construction, financing, maintenance and operation. In addition, with PPP, there is room for business entities to innovate both during infrastructure development and innovation to encourage efficiency in service delivery and risk sharing between the Government and business entities. PPP also creates good value from the Government, the private sector and the community as users of transportation.

This study aims to explore one form of PPP in Indonesia, namely PT Celebes Railway Indonesia ("PT CRI") with its project "Makassar-Parepare Railway." The Makassar-Parepare Railway is the first project to use the PPP Availability Payment (AP) scheme. In the process, many things became challenges in realizing the project. Therefore, it is very important to conduct more in-depth research to provide suggestions and recommendations for improving the project. The next section will discuss all matters relating to PPP, to provide a clearer understanding to the reader. Furthermore, the third part (Research Method) will explain the method used in this study. While the fourth part is the discussion section which is accompanied by some suggestions and recommendations for the PT CRI - "Makassar-Parepare Railway" project.

LITERATURE REVIEW

What is Public Private Partnership (PPP)

The definition of Public Private Partnership (PPP) is a collaboration between the Government and Business Entities in the provision of infrastructure and / or services for the public interest by referring to specifications previously set by the Government, which partly or entirely uses the resources of the business entities with due regard to risk sharing between the parties.

To support the implementation of PPP in Indonesia, the Ministry of Finance has committed to providing various government facilities and support, namely:

1. Project Setup Facility
2. Feasibility Support
3. Infrastructure Guarantee

The Ministry of Finance also introduced a PPP project investment return scheme, namely the Payment Based on the Availability of Service scheme or commonly known as Availability Payment or AP. Some of the advantages of this AP scheme include the absence of demand risk for the Business Entity and certainty of return on investment for the Business Entity.

In order to support the implementation of PPP and the birth of new projects that focus on public services, the Ministry of Finance also established the Directorate of Government Support Management and Infrastructure Financing (PDPPI) under the Directorate General of Financing and Risk Management. The Directorate of PDPPI plays a role in managing the provision of Government facilities and support, as well as facilitating the Government Contracting Agency (GCA/PJPK) in preparing and conducting PPP project transactions. This support is a tangible form of the Government of Indonesia's efforts to support and strengthen infrastructure development by bridging the advantages of the private sector and the government for a better life for the community.

Why Public Private Partnership (PPP)

There are several things or innovative characteristics of PPP, namely:

1. Framework of the provisions and legal basis

The Government must have a formal policy on transportation services and a long-term strategy to do so. In addition, the Government must also prepare a development program for the infrastructure needed when PPP is carried out. The PPP framework should be consistent with Government policies on transportation, economic, fiscal and other policies such as urban planning and land use.

2. The Context of economic and capacity

In conducting PPP, the Government must conduct an assessment including:

- a. Conduct a transparent business assessment.

The Government must be able to create an overall economic and financial model that can identify costs, costing basis and objective criteria for financial, social and environmental benefits.

- b. Ensuring that PPP will generate competitive funding.

In PPP planning, the Government must assess other funding alternatives, both funding from local and foreign commercial debt, Government debt and the stock market, so that it can be benchmarked or compared to funding through PPP.

- c. Provide payment guarantees that can guarantee the return of investment and payment of debt.
- d. Establish long-term governance structures and processes.

3. Planning, timing and objectives

- a. Establish clear planning for both supply and demand forecasting of railway services.
- b. Establish clear output specifications and performance standards, including sanctions against the private sector if targets are not met.
- c. Incorporate measures from risk allocation and value for money analysis.

4. Training and Resources

- a. Plan resource management and training programs.
- b. Build a strong understanding of the project team that can ensure that the project can be handed over realistically.

5. Market assessment

In conducting PPP, the Government must consult with private sector contractors, service providers, investors and advisors, to:

- a. Assess market capacity
- b. Ensure that there is capacity and capability to accurately assess capability and accept risk if undertaken by the private sector.

6. Transparent procurement

The procurement process should establish both qualitative and quantitative criteria, including a value for money assessment, so that it can be ensured that the cooperation is the best alternative from a financial aspect.

Public Private Partnership (PPP) Schemes

There are several schemes in PPP, namely:

1. Operation & Maintenance (O&M) Contracts

A private operator/business entity, based on a contract, operates an asset owned by the Government for a certain period of time. Ownership of the asset remains with the Government.

2. Build - Finance (BF)

The private/business entity constructs the asset and finances the capital costs only during the construction period.

3. Design - Build - Finance - Maintenance (DBFM)

Business entity designs, builds, finances the asset and provides maintenance services (hard facilities management) under a long-term agreement.

4. Design - Build - Finance - Maintain - Operate (DBFMO)

Business entity designs, builds, finances, provides maintenance and operation services under a long-term agreement. Operation of assets is

also included in such projects e.g. operation of bridges, roads and water treatment plants.

5. Concession

A private/business entity concessionaire invests in and operates a facility for a specified period of time, after which ownership reverts to the Government.

Public Private Partnership (PPP) Structure in the Railway Sector

Pursuant to the applicable regulations, PJKP/GCA in this sector are the Directorate General of Railways (DJKA), the Ministry of Transportation of the Republic of Indonesia (Kemenhub RI) for cross-provincial or national strategic projects, Governor for cross-regency/city projects, Regent (Bupati) for railways within one district, and Mayor (Walikota) for urban railways within one city. Railway infrastructure PPP projects can be in the form of infrastructure PPP and/or facilities PPP. The difference lies in the scope of infrastructure that is attempted/provided. The structure is quite generic as below.

1. Railway Build Operate Transfer (BOT)

With the BOT scheme, the Government can give authority to Business Entities to collect revenue directly from retail customers/end users. The Business Entity is responsible for carrying out the design, construction, operation and maintenance of railway facilities and infrastructure until the end of the contract. Mechanism as shown below.

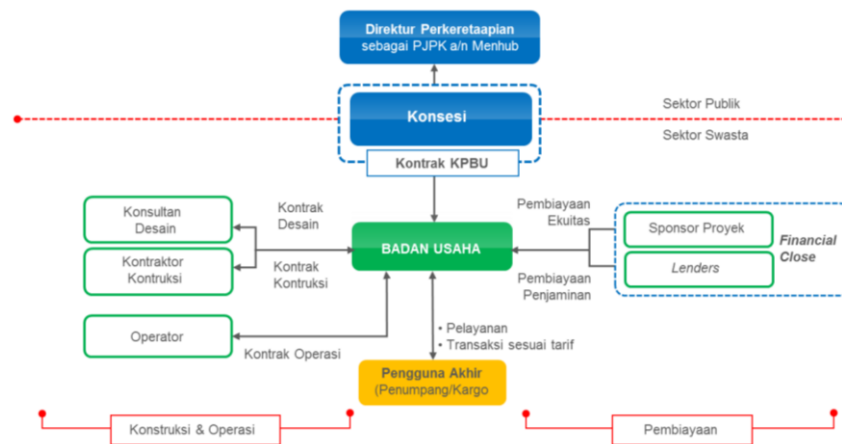


Figure 1. BOT Structure for Railways

Source: Acuan Alokasi Risiko KPBU di Indonesia (PT PII, 2019)

2. Railway Availability Payment (AP)

The AP scheme is applied because the project is economically feasible, but not financially feasible if it is fully operated by Business Entity. PJKP/GCA is fully responsible for demand risk.

The PJKP/GCA forms an Implementation Unit (UP) / Regional Technical Implementation Unit (UPTD) for railways in accordance with its authority to monitor the performance of the Implementing Business Entity (BUP)

according to the Quality Service Standards (SPM) and also make AP payments as shown below.

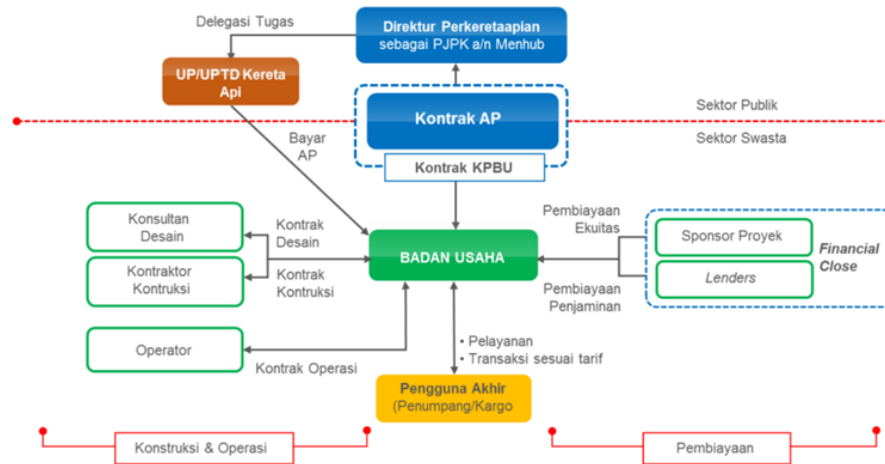


Figure 2. AP Structure for Railways

Source: Acuan Alokasi Risiko KPBU di Indonesia (PT PII, 2019)

3. Railway Operational & Maintenance (O&M)

PPP schemes are generally designed for infrastructure projects that have already been built, so a Business Entity is needed that can operate and maintain the railway facilities and infrastructure.

Business entities will operate and maintain facilities and infrastructure and receive payments for services according to tariffs from retail customers/end users on behalf of the Government (as the owner of the railway infrastructure). Revenue is then calculated as the portion of the tariff already taken.

Previous Research

A number of studies have tried to examine the PPP financing scheme. For example, Palupie & Yuniarto (2016), through their literature review, researched the PPP schemes. The results of this study state that: (a) in various countries, there is limited funding for infrastructure provision, causing the Government to increase the role of the private sector to invest in infrastructure provision; (b) the involvement of the private sector in the provision of infrastructure is known as Public Private Partnership (PPP) in the provision of infrastructure; (c) PPP or Public Private Partnership (PPP) is a collaboration between the Government and Business Entities in the provision of infrastructure for the public interest which partly or wholly uses the resources of Business Entities by taking into account the distribution of risks between the parties; (d) a strong PPP allocates tasks, obligations and risks between the Government and the private sector optimally. The Government has a role in the procurement process for Business Entities to select private partners who will carry out project and infrastructure development, as well as provide support/incentives to increase financial feasibility. The private party is responsible for the stages of the development project and/or carrying out the operation and maintenance in accordance with

the cooperation contract. In addition, to provide certainty for investors and increase investment feasibility, the Government through PT Penjaminan Infrastruktur Indonesia or or The Indonesia Infrastructure Guarantee Fund (“PII” or “IIGF”) contributes to the implementation of PPP projects by providing guarantees; (e) there are 10 main risks of infrastructure projects with a PPP scheme that must be allocated appropriately, namely, financial and economic risks, design and construction risks, operational and maintenance risks, political risks, force majeure risks, legal and policy risks, revenue risks, Environmental risk, project/contract failure risk, and land acquisition risk; (f) Risks allocated to the Government include political risk, legal risk and legal procurement risk. The private party bears design and construction risk, operational and maintenance risk, and revenue risk. While the risks that must be shared between the Government and the private sector include financial risk, force majeure risk, environmental risk, and the risk of project/contract failure.

Furthermore, Prayudi & Simanjuntak (2020) specifically examines PPP schemes in the railroad industry. In their findings, they concluded the following points:

1. Risk analysis is an important thing to do in order to develop a rational basis for systematic objective decision making using available information to estimate the risks involved.
2. According to the Project Management Body of Knowledge (PMBOK), a typical risk management process consists of six main processes; risk identification, qualitative risk analysis, quantitative risk analysis, risk response planning, risk monitoring, and risk control.
3. The process of the railroad construction project consists of a project feasibility study, basic engineering design, environmental documents/AMDAL, traffic impacts, detailed engineering design, work plans and requirements for tender documents, and benefits studies.
4. Summing up the risk factors for rail infrastructure are as follows:
 - a. Technical indicators which consist of availability at the system level, sub-system level, level and sub-level system maintenance, level and sub-level system capacity, sub-level system comfort, sub-level system OEE & DEA, sub-level system life.
 - b. Organizational indicators which consist of level and sub-level system maintenance management, system-level and sub-level reporting process failures.
 - c. Economic indicators which consist of system level and sub-level cost allocations.
 - d. HSE (Health, Safety, Environment) indicators which consist of health, public safety, maintenance safety, environment safety.
5. Railway operational performance indicators are divided into 2 (two) groups, namely managerial indicators and infrastructure condition indicators.
 - a. Managerial indicators are the entire rail network including specific lines, classes, assets and goods. Managerial indicators consist of technical, economic, organizational and HSE.

- b. Infrastructure indicators related to reliability, availability and maintenance. Infrastructure indicators which consist of substructure, superstructure, electrification, signaling systems, ICT (Information & Communication Technology).
6. In measuring the achievement of indicators and risk progress, it is necessary to use the scorecard/scorebook as a reference.

Finally, Patu & Akhmadi (2021) evaluated the preparation of the Makassar - Parepare PPP project. Patu & Akhmadi (2021) stated that in the preparation stage, there are several stages that must be passed. These stages can be summed up as follows:

1. Preparation of pre-feasibility study documents.
This document is prepared by PJPK/GCA consisting of an initial pre-feasibility study and a final pre-feasibility study.
Completion of the pre-feasibility study document for the Makassar - Parepare Railway PPP project has been prepared in a complete and comprehensive manner by the Ministry of Transportation as the PJPK/GCA.
2. Preparation of Terms of Reference (KAK) and Budget Plan (RAB).
The KAK contains an overview of project planning starting from the background, objectives, project scopes and other things that are agreed upon so that the project is on target. RAB is a project planning document that contains an estimate of the amount of costs that may be incurred during the project period. The RAB contains job descriptions, work volume and units, Work Unit Prices (HSP) and total work prices.
The determination of the RAB for the Makassar - Parepare Railway PPP project follows the cost standards within the Ministry of Transportation and the unit price standards for the South Sulawesi Provincial Government.
3. Construction of the railway line is part of the development of transportation in the province of South Sulawesi.
4. Preparation of AMDAL documents.
AMDAL is an analytical method in order to compare and evaluate the benefits of infrastructure development and its impact on the environment.
The preparation of the AMDAL document has been carried out by the Ministry of Transportation as the PJPK/GCA.
5. Implementation of public consultations
This project involves related stakeholders, especially the community. The people of South Sulawesi are showing great enthusiasm for the planned railroad because it will be the first rail transportation facility in Sulawesi.
6. Examination of market interest
The Ministry of Transportation as the PJPK/GCA provides explanations and descriptions regarding the project plan to potential investors and is followed by a question-and-answer session and one-on-one meetings.
7. Determination of the return scheme for the Implementing Business Entity (BUP)

The PJKP/GCA decides on the Availability Payment (AP) scheme, whereby the BUP will carry out design, construction and operation activities, and maintenance of the railway project during the cooperation period and then hand it back to the Government when the cooperation period has ended. Through the AP scheme, demand risk no longer needs to be borne by the BUP, and the certainty of return on investment by the BUP can also be increased. However, the PJKP/GCA needs to carry out a cost benefit analysis.

The benefit costs for the Makassar - Parepare Railway project have been calculated by the Ministry of Transportation as the PJKP/GCA.

8. Submission of Government support and/or Government guarantees.

The Ministry of Transportation as the PJKP/GCA succeeded in obtaining Government support in the form of project setup facilities and transaction assistance from the Ministry of Finance as well as infrastructure guarantees from PII/IIGF.

9. Submission of confirmation of the use of the Availability Payment (AP) scheme.

The AP scheme is a return-on-investment scheme that is made through regular payments by the PJKP/GCA to the BUP during the project's operational period.

10. The form of Government support in the implementation of the Makassar - Parepare Railway PPP project.

The Government is involved by providing oversight and support for the performance of business entities and PJKP/GCAs through providing project support and/or guarantees. The form of support is in the form of project preparation facilities, infrastructure guarantees, and return on investment in the form of an AP.

METHODOLOGY

This research is qualitative-explorative research. Exploratory research intends only to explore a research question and does not purport to offer a final and conclusive solution to the problem at hand. This study aims to dig deeper into financing with the Availability Payment (AP) - PPP scheme for the "Makassar-Parepare Railway" project. The selection of the "Makassar-Parepare Railway" project was due to several reasons, including; (a) initial projects that use the Availability Payment (AP) scheme; (b) Challenges and obstacles encountered in this project.

While the research questions that are the scope of this research are:

1. What is the form of the Availability Payment (AP) scheme for the "Makassar-Parepare Railway" project?
2. What are the challenges and obstacles in the "Makassar-Parepare Railway" project with the PPP scheme?

RESULT AND DISCUSSIONS

Public Private Partnership (PPP) at PT Celebes Railway Indonesia (PT CRI)

The PPP project with the Availability Payment (AP) scheme is something new in Indonesia. PT Celebes Railway Indonesia (PT CRI) with its project "Railway Makassar-Parepare" is the first project to use this scheme. Therefore, in the process there are many things that become challenges in realizing this project. One of them is from the aspect of funding.

As an investment project with a new scheme, in its implementation new innovations are needed, especially with regard to the funding aspect, which may be a completely new structure or a development of a conventional funding structure. In the case of the Makassar - Parepare Railway Project, there are at least three things that can be said to be innovations in terms of funding aspects related to the banking sector, namely:

1. Guarantee from PII/IIGF,
2. Availability Payment (AP) as collateral for bank loans,
3. Accelerated payment scheme.

Since the beginning of the Government initiation, it has involved PII/IIGF in the procurement process for this project. In implementing the Makassar-Parepare Railway (KA) PPP project, the Ministry of Finance of the Republic of Indonesia provided support to the Ministry of Transportation of the Republic of Indonesia through the Project Development Facility (PDF) facility, where PII/IIGF was assigned as the executor of the facility to assist the PJPK/GCA, as well as acting as provider of the Government guarantee / sovereign guarantee.

The Project Development Facility (PDF) is a facility provided by the Ministry of Finance through Minister of Finance Regulation Number 180/PMK.08/2020 concerning Facilities for the Preparation and Implementation of Project Transactions of PPP in the Provision of Infrastructure. The aim is to assist the PJPK/GCA in compiling the final pre-feasibility study, tender documents, and assist the PJPK/GCA in PPP project transactions to obtain financing from financial institutions (financial close).

PII/IIGF provides guarantees for several types of risks that may arise from the Government, namely the risk of late AP payments and the risk of termination. The role of PII/IIGF as PDF executor is to assist the Ministry of Transportation, as the PJPK/GCA, for project setup from June 2018 so that it is ready for transactions until it reaches financial close in September 2021. In addition, the Government Guarantee facility provided for this project is carried out in order to provide convenience for investors and banks, facilitating the achievement of financial close, so that it is hoped that this project can run on time and according to plan.

With this guarantee from PII/IIGF, loan disbursement from banks in the amount of 70% of the total investment requirement can use Availability Payment (AP) as collateral or guarantee for the facility. This can be said to be a new innovation in banking funding activities, whereby what can usually be used as collateral or collateral for the funding disbursed are physical assets.

Another new thing from the funding structure for the Makassar-Parepare Railway project is the accelerated installment payment scheme. Therefore, in addition to installment payments, the amount of which has been determined

and scheduled until the end of the loan term, there is also an accelerated payment scheme that is mandatory in nature, and that must be paid every year. The amount is in accordance with the amount of remaining cash in the excess cash account, which is the remaining income minus operating costs, taxes and banking obligations in the form of interest on loans and normal installments.

Accordingly with this scheme, the Company, namely PT CRI, has the potential to complete loans more quickly, thereby reducing the risk of late payments in the previous years, where the potential for an increase in operating costs is greater, while income in the form of Availability Payment (AP) is relatively constant up to end of collaboration.

The PPP financing scheme for PT CRI is as follows:

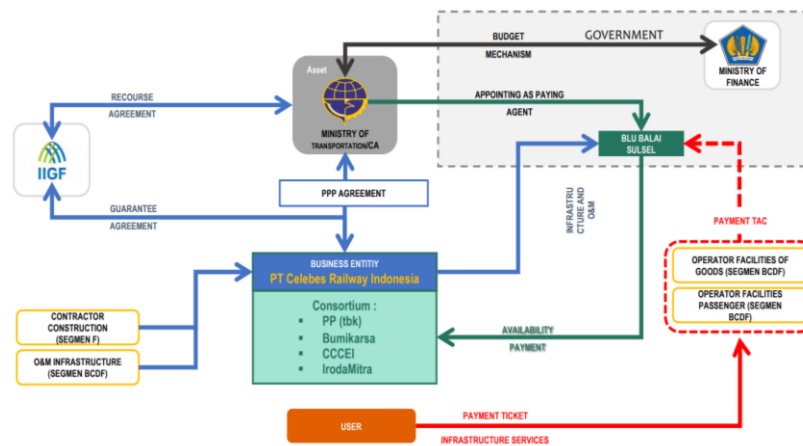


Figure 3. PPP Funding Scheme at PT CRI
 Source: Teaser PT Celebes Railway Indonesia (2023)

Opportunities and Threats

Opportunities

Improving the Regional and National Economy

One of the important opportunities arising from the development of the Makassar-Parepare railway project is that it can have an impact on accelerating national economic growth both directly and indirectly (Pratiwi, 2023). Overall, the project's railroads are expected to have a length of 142-kilometers and reach 5 regencies/cities, namely Makassar, Pangkajene, Maros, Barru, and Parepare. The line will later act as transportation to connect between regions and support the movement of people and goods. In the end, the existence of the railroad will increase the Gross Domestic Product (GDP) and support the development of local Micro, Small and Medium Enterprises.

Absorbing Labor

In addition to boosting the regional and national economy, the construction of the project will also absorb workers in 5 cities where the railroad passes.

Alternative Means of Transportation

The existence of trains in Sulawesi has increased people's transportation options. This project is the first train project in the Sulawesi region (Binekasri, 2023). This can also be a solution to the congestion problem that is starting to be felt in several districts/cities there, one of which is Makassar (Dephub, 2015). One of the causes of traffic jams and chaos in Sulawesi is the increasing volume of private vehicles, both motorbikes and cars. Data for 2015 showed that the volume of both two-wheeled and four-wheeled vehicles increased 18% annually. So that the existence of a train can make people move from private vehicles to public transportation. What's more, the Government has provided subsidies through the Public Service Obligation (PSO) scheme so that train ticket prices are more affordable (Mahardhika, 2023).

Trains have a more favorable impression of timeliness, cost and service than other means of transportation

Train is one of the forms of transportation that has been used by Indonesian people since the Dutch colonization. The railroad has provided excellent service to the community. So that people's perception of this one transportation is better than the others (Riyanta, 2015). In addition, train prices also tend to be cheaper than other land transportation (Mahardhika, 2023). So that public acceptance of the existence of the railroad will be more easily accepted.

Can load passengers and goods in a larger capacity

One economy-class train can carry more than 1,250 people in one go. This is equivalent to 31 buses with a capacity of 40 people per bus (Festani, 2015). Thus, that it can be a solution to congestion and efficiency of land transportation for the community. The time used to cover very long distances can also be cut significantly so that people's efficiency will be maximized.

Can attract both local and foreign tourists if transportation in the area is available, comfortable, and affordable in terms of price

The project manager said that there would be integration of modes of transportation within the district/city. This is done to support local tourism (Dephub, 2023). One example is the Rammang-Rammang Karst Geopark Park tour which can be reached from Rammang-Rammang Station in less than 5 minutes. The hope is that in the future, the existence of this train can attract non-local tourists and even from abroad.

Linking between regions

The Makassar-Parepare railroad will connect 5 regencies/cities so that it can make it easier for people to travel from one place to another. This will also have a domino effect starting from improving the economy, transferring knowledge, to transferring culture.

Plans for development of trace and TOD in the Sulawesi Island area

The demand for rail transportation is expected to be very large in the future. The development of urban communities is also a potential for growth in the development of Transit Oriented Development (TOD) on the sides of the Trace.

Business opportunities in the railway sector are still large

Business competition in the railway sector, especially in infrastructure operators, is still very small, so there is still quite large business opportunities

Government regulations regarding the separation of operators of facilities and infrastructure

The railway business is still concentrated in Java and Sumatra, all of which are managed by a single operator. Government regulations that regulate the operators of facilities and pre-facilities are separated in the management of railways provide an opportunity for PT CRI to be bigger in this business

Establishing subsidiary companies that support business activities

In supporting its activities, PT CRI has the opportunity to form supporting subsidiaries in the railway business sector such as in the procurement of railway special construction services, investment and service operations in the field of internet networks, advertising that utilizes land around the trace

Opportunities for the formation of new operators

The multi-operator railway system policy will provide opportunities for the formation of new facility operators in the field of goods and passenger logistics

Threats

Land acquisition

One important issue that is always a threat to the sustainability of a project is land acquisition. Some projects such as Sodetan Ciliwung are difficult to continue for 6 years because of these problems (Detiknews, 2023). This land acquisition problem has been categorized as one of the 3 risks with very high difficulty by Sutantiningrum & Hatmoko (2019). One reason is because land acquisition is very expensive (Ameyaw & P.C. Chan, 2016). Land acquisition is also considered to revive land mafia practices (Identity, 2022). Therefore, land acquisition issues must be resolved long before the project is implemented (Nurhayati et al., 2020).

Environmental Issues

This partnership has been believed to be a relevant financing method for developing large-scale infrastructure projects that have the potential to have a very large negative impact on the environment (Castelblanco et al., 2023). The construction of the Makassar-Parepare railway line is also considered to have caused and will cause a lot of environmental damage (Identity, 2022). Several parties said that the construction would cause flooding in Makassar. In

addition, the railway line which will pass through several urban points will cause the loss of balance, protection and cultivation functions in the Mamminasata urban area.

Market interest in public transportation

Awareness of the importance of using public transportation in Indonesia is still very low, including in Makassar (St Maryam & Said, 2020) or South Sulawesi (Amir et al., 2022). Therefore, it is important to conduct a more in-depth study to assess the level of public interest in public transportation. Don't let the same thing happen to the Soetta airport train (Anwar, 2019; Pebrianto, 2020)

Lack of strict inspection of goods

Lack of strict inspection of goods Railways are often used by irresponsible people to smuggle illegal goods (Meilisa, 2019).

Risk of trace changing

The trace that has been built has the potential to change due to land acquisition problems and if there is a change in the trace as instructed by Government policy.

Delays and decreased of AP payments value

AP payments are sourced from the APBN which is budgeted every year with the potential for delays in budget approval. The right to receive AP that is paid is based on the Main Performance Index (IKU) that can be achieved by PT CRI and has the potential to decrease if the KPI is not maximally achieved according to the requirements in the PKS

Potential additional mainline maintenance costs

Mainline construction is outside the scope of PT CRI. Imperfections and quality defects in mainline construction have the potential to increase maintenance costs beyond what has been estimated in the operational budget

Threats of geographical, political, economic conditions during the concession period

The uncertain political-economic situation due to changes in Government policies as well as unexpected natural geographical conditions creates potential problems in the form of an increase in operating costs or a decline in business feasibility.

CONCLUSIONS AND RECOMMENDATIONS

Infrastructure development in Indonesia, especially, mass transportation infrastructures, still needs to be improved in order to encourage further more the economic growth and, mass transportations are expected can facilitate people to move from one region to another in carrying out their daily activities. In order to accelerate the increase in infrastructure development, an efficient financing scheme is needed in order to avoid an extra burden on state budget

which has the potential to sacrifice the budget for any allocations which are also important. The PPP Scheme with payment procedures using AP is one of the promising schemes that is able to reduce the burden on the state budget for infrastructure development needs in Indonesia, especially in the field of mass transportation by involving the role of private parties who already have good competence and experiences in the infrastructure sector.

However, there are a number of things that have been noted in the implementation of the PPP Scheme that has been running so far. The first note is regarding legal protection for the implementation of an activity using the PPP scheme. The enactment of Presidential Regulation Number 38 of 2015 as a legal basis is still felt to have not provided optimal legal protection. We hope that in the future the Government of Indonesia can draft and enforce a Law/Act that regulates PPPs which has stronger legal force than the presidential decree. Another note that needs attention is regarding land acquisition by the government. We hope that the government is able to be more careful in carrying out its obligations for land acquisition, as mandated in Presidential Regulation Number 38 of 2015, so that in the process of implementing the cooperation it does not create a potential risk of loss for both the government and business entities.

ADVANCED RESEARCH

This research focuses more on providing information related to the implementation of the PPP scheme with AP payment arrangements in the Makassar - Parepare Public Railway Infrastructure Implementation Project. Further research still needs to be carried out in more depth on the advantages of using the PPP scheme and payment procedures using this AP along with programs and other factors that support the successful implementation of this PPP scheme in Indonesia, legal, political, security and finance.

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