

PUBLIC PRIVATE PARTNERSHIP (PPP) IN SURABAYA, INDONESIA: ISSUES, CHALLENGES AND STRATEGIES

Puteri Nur-Iman Afiqah bt Ikhsan,
Sakinah Sabrina bt Normapiah
Siti Nurhidayah bt Kamarudin,
Nur Fazira bt Md Salleh,
Nur Farhana bt Kamal and
Mawarni Najwa bt Jafri

Department of Quantity Surveying, Kulliyah of Architecture and Environmental Design,
International Islamic University Malaysia, Jalan Gombak, 53100 Kuala Lumpur.

Abstract: *Public Private Partnership (PPP) is the joint venture program between public and private sector in the provision of public infrastructure implemented by most of government around the world. Namely Kerjasama Pemerintah Badan Usaha (KPBU) in Indonesia, it has been officially implemented since the issuance of Presidential Regulation no 67/2005. This paper aims to study the issues and challenges encountered in the development of PPP projects in Surabaya, Indonesia and the strategies on how to mitigate the problems. Through interview sessions with public and private sector involve with PPP project in Surabaya, Indonesia with direct data survey and desk study, the paper begins by describing the concept of public private partnership (PPP) in general, public private partnership (PPP) in Indonesia and also the PPP projects in Surabaya, Indonesia. The processes and identified issues and challenges in its implementation are also discussed. Next, this paper will focuses on the strategies identified to overcome the issues and challenges. This paper also provides a detailed analysis of the issues, challenges and their strategies in PPP projects in Surabaya, Indonesia.*

Keywords: *PPP, KPBU, Issues, Challenges, Strategies*

INTRODUCTION

The provision of public infrastructures and services has been the responsibility of the government. It is a known fact that all government would not be able to provide all public infrastructure themselves due to financial constraint especially when the demand of particular infrastructure keeps increasing day by day such as public transportation (Khairuddin, 2010). Therefore, PPP are among the strategies to overcome this financial issues and increasingly being seen and used by most government. Broadly, public private partnership (PPP) is a joint venture program between government and private sector or investors to achieve any project. Suhaiza and Fatimah (2014) describe PPP as any arrangement between the public sector and the private sector to provide public services. Toyo University (2016) in its Final Report on PPP Applicability Study for the

State of Kedah, Malaysia define Public-Private Partnership (PPP) as a long-term contractual relationship between the public and private entity, in which both parties bring their resources (monetary or non-monetary) in providing public services. In that relationship, both parties share in risks and rewards in providing services (p. vii). According to UKAS (2009), public private partnership (PPP) is a form of cooperation between the public and private sectors. It involve the transfer of responsibility from public sector to the private sector based on an agreed concession between two parties which is normally 25-30 years to for a package that includes design, building, finance and operation of public sector assets such as buildings, infrastructure and others. Private sector or investor will provide with their own fund to finance the project that will deliver the

services while the public sector, in turn, compensate the investor for the services either by means of monthly lease payment or public users (Suhaiza & Fatimah, 2014). PPP system encompasses a wide range of infrastructure type such as roads, hospitals, educational buildings, bridges, railway station and other infrastructure that are needed for public use. Most common methods or model of project implementation through PPP system including Build-Operate-Transfer (BOT), Build-Lease-Transfer (BLT), Build-Operate-Own (BOO), Build-Lease-Maintain-Transfer (BLMT), land exchange and contract management (UKAS, 2009).

According to Farida Rachmawati, Connie Susilawati, Ria A.A. Soemitro, and Tri Joko W.Adi (2016), PPP in Indonesia or namely *Kerjasama Pemerintah Badan Usaha* (KPBU) is a method in providing infrastructure provision to extent the national development. Farida Rachmawati, et. Al. (2016) stated that, 'In Indonesia, the legal title for PPP project implementation is Presidential Regulation no 67/2005, which then have been renewed on Presidential Regulation no 13/2010, Presidential Regulation no 56/2011, Presidential Regulation no 66/2013 and Ministry of National Development Planning Regulation no 4/2015 (National Development Planning Agency, 2013)' (p. 3). According to Irawati and Jardin (2016), a new Presidential Regulation No. 38/2015 have been released by President Joko Widodo as a renew or revised version on the regulations concerning on PPP project implementation in provision of infrastructure in Indonesia. The presence of this new regulation aims improvise the regulations and eliminate obstacles in the provision of infrastructure in previous regulations. As for the infrastructure that can be cooperated pursuant to Presidential Regulation No. 38 of 2015 is the economic infrastructure and social infrastructure including roads, transportation, water resources, drinking water, waste management system and communication and information. Putu (2016) highlighted that type of PPP models implemented in Indonesia are including Build-Own-Operate (BOO),

Build-Own-Transfer(BOT),Lease-Develop-Operate (LDO) and operate and maintain.

In the implementation of PPP system in Indonesia, Surabaya city is not left behind. Putu (2016) listed the example projects of commercial malls and markets done by joint venture of Surabaya State Government with private sector. The example projects are Bratang Market, Kapas Krampung, Taman Hiburan Rakyat Building, Tunjungan Center and Darmo Trade Center. However, as according to Putu (2016), among the PPP projects done in Surabaya, there are several that unable to function based on its objective to serve the public. For example, Tunjungan Center, Surabaya is a project done under PPP system for the purpose of shopping mall. However, it was changed to a government office building in 2015 after the concession period are over due to the failure of Tunjungan Center to function as a commercial building in Surabaya (SP News, 2015).

In this paper, we manage to identify the issues and challenges encountered during the development of PPP projects in Surabaya, Indonesia from a series of interview sessions with public and private sector involve. Apart from that, in this paper, we also discuss on the best strategies to be done in order to overcome the issues and challenges.

OBJECTIVE OF STUDY

To study the issues and challenges encountered in the development of PPP projects in Surabaya, Indonesia and the strategies on how to mitigate the problems.

LITERATURE REVIEW

I. PROCESS OF PPP IN NDONESIA

PPP projects may be solicited or unsolicited basis, which solicited based project is where the government of Indonesia or Surabaya specifically are proposing or initiating a project to the private sector, contrary to the unsolicited based project where the private sector initiate or propose a project to the

government which have not been included in the master-plan of its related sector, reasonably economically and financially, does not require direct support from the government and shall contribute to the public (Public Private Partnership (PPP) Investor's Guide, 2010). Below are the process of PPP in Indonesia generally, where some of the process shall be done by the private sector in the unsolicited projects and the Government Contracting Agency (GCA) in the solicited projects as per describe in Figure 1.

a) Project Selection

Include project identification and prioritization. This is mainly due to massive infrastructure projects need to be develop in Indonesia, including Surabaya region but not all can be done through PPP system. Thus, the selection of projects is crucial to attract the interest of private sector while in the same time maximizing public benefits (Public Private Partnership (PPP) Investor's Guide, 2010).

b) Public Consultation

A process where a general public, potential investors, developers, lenders' input and opinion is collected and being study on the need for and design of particular proposed projects. This indirectly can improve the efficiency and public involvement in the PPP projects other than increasing the possibility of a successful project.

c) Feasibility Study

Completed prior to the tendering of the project. Its a technical, commercial and contractual

design of the project to facilitate project tendering to private party.

d) Risk Assessment

“The Government of Indonesia recognizes that clear risk allocation is necessary for successful PPP projects” (Public Private Partnership (PPP) Investor's Guide, 2010). Typically conducted during the Feasibility Study and the result is to be included in the tender documents. Examples of principle risks identified in Indonesian PPP projects as highlighted in the guideline are including but not limited to land acquisition, country and political risks, etc.

e) Form of cooperation

Assessment on how the PPP partnership shall be structured. PPP projects and partnership may be implemented by way of Build-Operate-Transfer (BOT), Build-Own-Transfer (BOO), Operate and Maintain, Lease-Develop-Operate (LDO), etc.

f) Government Support

Form of support provided by the Government of Indonesia based on the feasibility study done, associated risk allocation and form of cooperation selected. It is including but not limited to land acquisition, tax incentive, etc.

g) Procurement Process

Structured procurement process include project preparation, pre-qualification of bidders' selection, bidding and evaluation of business entity's selection, negotiation with preferred bidders and contract award.

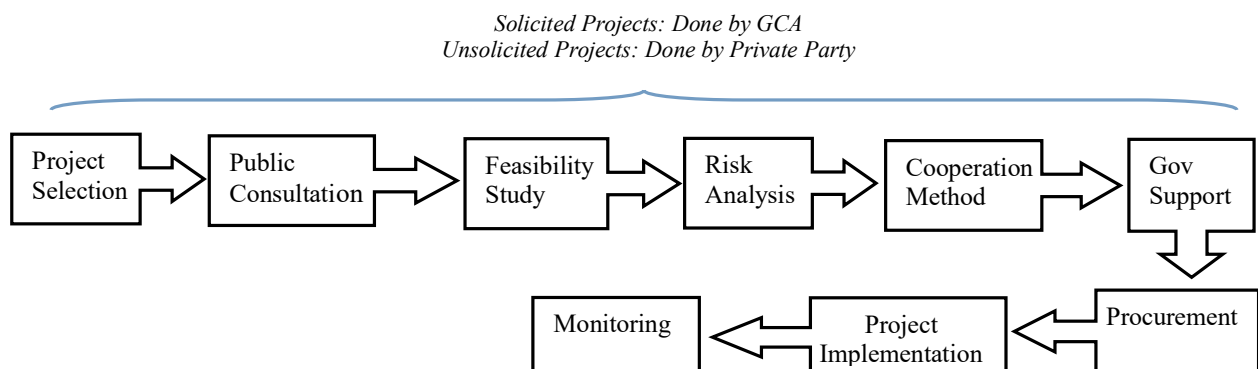


Figure 1: Process of PPP in Indonesia
Source: Public Private Partnership (PPP) Investor's Guide, 2010

h) Project Implementation

Establishing the project company by the sponsors or funders, construction, commissioning and operation of the project.

i) Monitoring

Supervision of performance by the government to ensure it is in compliance with the terms and regulation of contract agency and to ensure that the project operations are in line with regulations.

II. ISSUES AND CHALLENGES IN PPP PROJECTS, SURABAYA INDONESIA

1. Limited of agency services

Government has an organized structure of the organization of PPP project in order to evaluate and to determine any proposed PPP project will achieve the ultimate aim which is to serve public benefits and avoid the failure of project. All the PPP project will undergo the process illustrated in Figure 1.1 below. PPP in Indonesia can be known as *Kerjasama Pemerintah dan Badan Usaha* (KPBU).

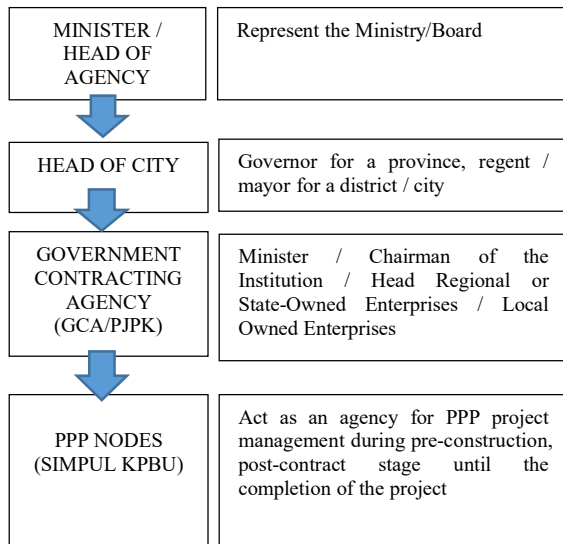


Figure 1.1

Sources: PERATURAN PRESIDEN REPUBLIK INDONESIA NOMOR 38 TAHUN 2015

Basically, KPBU has two units or agencies which are; KPBU Team and Procurement Committee. Their roles are as follows:

i. KPBU Team

- Preparation for pre-feasibility study and post-feasibility study
- To ensure all the activities and transactions of PPP projects are well-managed until the Financial Close
- To update all the reports of PPP projects monthly to the GCA
- To coordinate and control the delivery system of KPBU.

ii. Procurement Committee

- Carry out the procurement process of PPP system starting with the pre-feasibility study, pre-qualification, evaluation of tender and etc.

Dudi Suryobintoro, Director of Infrastructure Investment, Directorate General of Construction, Ministry of Public Works and Public Housing (PUPR) as cited in the Sustaining Partnership Magazine (2012), states that in relation to the PPP project, there is a gap between central government and also local authority of each provinces. This is because KPBU unit is only provided in central government instead of providing for every provinces in Indonesia as this unit is very significant to create the awareness of the importance of PPP project in the public community. Therefore, it is clear that PPP Nodes is an important unit in PPP projects in the Indonesia.

2. Selection of the investors

One of the key success of a construction project is a good investors. It can be achieved through a transparent and competitive tender selection. Basically, the evaluation of tender is the stage in the procurement process where the tender will be evaluated based on certain requirements according to the project. The lower tender price is not the main criteria in selecting the investor, but eligible investor will be chosen based on fulfilling all the requirements of the project. By choosing the best investors that have a good and strong performance and background of the

construction industry will have the ability to manage and maintain the building, thus will avoid to the failure of the project.

For instance, project of *Sistem Penyediaan Air Minum* (SPAM) that provide clean water to the several cities which are *Pasuruan Regency, Pasuruan City, Gresik Regency, Sidoarjo Regency, and Surabaya City* (PERPAMSI, 2016). According to *Dinas Pekerjaan Umum Pengairan Jawa Timur (DPU Pengairan Jatim)*, it states that pre-contract stage which is selection of the investor of this project has started in 1986 and until 2010, finally, the best investors has been chosen. Basically, the major problem of this project arise because of the performance or eligibility of the investor. Some of the reasons of changing investors in this project derived from the *Dinas Pekerjaan Umum Pengairan Jawa Timur (DPU Pengairan Jatim)*, are such as follows:

- i. Readiness to perform the work at the selected city/district
- ii. Failed to provide the costing of the project until the dateline of the Financial Close

Hence, it shows that selection of the best investors is a significant to the PPP project. Selecting not eligible investor will disrupt the work chain in the construction process that will for example, lead to the re-tender of the project.

3. Land acquisition

Land acquisition is one of the challenges in any infrastructure project generally in Indonesia. According to *Indonesia-Investment, 2014*, it states that the transition from the authoritarian Suharto regime to the era of Reformation in the late 1990s implied that the people's voices have gained influence at the expense of the central government. This situation has led to the negative impact in terms of the infrastructure development as it has become a time-consuming and costly affair to acquire land from local communities because they also have their right to give the land to the government or not.

In order to solve this situation, the government of Indonesia play their role to issue Law No.2/2012 on Land Procurement for Development in the Public Interest (known as the 'Land Acquisition Act') in 2012. This new law aims basically is to speed up the land acquisition process such as by dealing with the revocation of land rights to serve public interest.

The responsibility of acquiring land for any infrastructure project is under the government, while the public sector will be responsible to financing the acquisition. In reality, however, the government's acquisition process takes much longer than anticipated as they never used this new law due to a lack of leadership and decisiveness of the act, resulting in cost overruns and delays in implementation (Oxford, 2014).

In 2007, for instance, the Toll Road Regulatory Agency (*Badan Pengatur Jalan Tol, BPJT*) invited tenders for 13 toll road projects under its so-called "Batch II" package. However, it received just six bids. The tenders were subsequently canceled due to lack of interest from the investors, and the agency had to consider restructuring and re-tender the projects. Based on Oxford Business Group (2014), it states that discussions with investors revealed that lack of interest was because the rights of way for the lands had not been acquired for any of the 13 toll roads tendered.

4. Lack of Exposure in PPP System

The government of Republic of Indonesia under the Ministry of National Development Planning has introduced a PPP Book that listing down infrastructure project plans in Indonesia (Public Private Partnership(PPP) Investor's Guide, 2010). Since, Indonesia is moving towards developing and providing a better infrastructure to its people, the government under Ministry of National Development Planning, has came out with an initiative to commence more PPP Projects as they have limited public finance. However, that does not attract the interest of the public community(Public Private Partnership(PPP) Investor's Guide, 2010).

Fajar (2009) states the government capacity is limited to conduct PPP for both public and private sector. At this moment, knowledge about PPP is not well distributed among government institution and public people. According to Dr. Ir. Jamhadi whom a President of Commerce Bank and founder of *PT Tata Bumi Raya*, through an interview session in Surabaya, most of the people in Indonesia, specifically in Surabaya does not have clear picture on PPP systems and projects. This is the reason why PPP project becomes less popular in the region. In general, they might have a basic knowledge about the system but they do not have a clearer picture about the advantages of PPP projects to their country. Nearly all the local people have a short term thinking about PPP projects.

5. Poor Feasibility Study

Generally in Indonesia, there are not enough skills in government contracting agencies. PPP involves many scope of works such as handling transactions, financial and legal matters which need special skills as it has complex procedure (Lin, 2014). Hence, according to Lin (2014) in his report, the particular agencies could not perform a good pre-feasibility studies in allocating risks, structuring the PPP as well as interacting and dealing with private sectors which eventually lead to failure in PPP projects.

Not only that, one of a PPP project in Surabaya which is a Surabaya's City Tram Project is yet to be constructed because of some issues. Mr. Yudi, Head of Department of Urban Planning, in his brief during an interview at Sepuluh Nopember Institute of Technology, Surabaya stated that one of the issues is because of the amount of payment per ride that is not completely acceptable by the citizen. Approximately, a person needs to pay IDR 20,000 per ride which is equivalent to the amount they can spend on motorcycle's petrol that last for a week. Thus, the citizen come to a conclusion that PPP projects seem to afflict the public users rather than facilitate their needs in public transportation (Iwan, Udisubakti, Muhammad, Dodi, and Putri, 2015)

III. CASE STUDY - KPS (PPP)-SPAM SPRINGWATER PROJECT

The following is a case study on the PPP project between *Kerjasama Pemerintah Swasta* (KPS) and SPAM Springwater. Data is collected through semi-structured interview with the officers involved from *Dinas Pekerjaan Umum Pengairan Provinsi Jawa Timur (DPU Pengairan Jatim)*, Surabaya, Indonesia on the project details including the issues and challenges face throughout the process.

i. Overview of the project

Supplying sufficient clean water is one of the government roles for the people. Realizing of its role, government of Surabaya has attempts to establish Drinking Water Supply System or called as SPAM for Springwater Project. As mentioned by Suryono, Noor and Brawijaya (2016), since the project requires huge amount of money, collaboration with the private sector has been made, which in this case is *PT. Sarana Multi Infrastruktur* (SMI) through Public-Private Partnerships (PPP) and using Build, Operate, and Transfer (BOT) as model of cooperation (Suryono et al., 2016). With the financing guarantees from Viability Gap Fund¹ (VGF) which cost for IDR 1.8 Trillion and 25 years of concession period, the project is on the move (PERPAMSI, 2016). According to Mr Kris from *DPU Pengairan Jatim* in his presentation highlighted that the fundamental aim for this project is to utilize the benefit of Springwater from Pasuruan which are flowing for 4000 litre/sec without any use and also to fulfil the need clean water supply of people in 5 areas. The project is estimated to involve more less 93Km of pipe length as the Springwater will be distributed to 5 areas which are in *Pasuruan Regency, Pasuruan City, Gresik Regency, Sidoarjo Regency, and Surabaya City* (PERPAMSI, 2016). Instead of letting the Springwater to flowing wastefully, this project can becomes a benefit for the public.

¹ Grant one-time or deferred, provided to support infrastructure projects that are economically justified but fall short of financial viability

ii. Issues and challenges

Issues and challenges are common things in construction industry. This project has been proposed since three decades ago in 1986 and yet it have not been constructed due to various issues and challenges encountered throughout the process. As mentioned by Mr. Kris whom an officer from *DPU Pengairan Jatim*, there are several challenges that this project has to overcome. At the early beginning of the proposal, this project is being planned to receive funding from Soft-Loan OECF² Japan for USD 120 Million. However, it is being canceled because there are changes with the terms to accept funding from private hence the project cannot be run. Besides that, the project also has issue on the selection of project contractor. During the year 1997-1999, *PT. Citra Mandala Umbulan* has submitted an application as project implementer based on the instructions of the Minister of 21 of 1996. However, it eventually failed because it could not provide enough finance up to the time limit for the Financial Close. The system and financial issue of this project keep dragging times for this Springwater Project to be approved hence it takes really long time to be commenced. (DPU Pengairan Jatim, 2016).

iii. Case Study Analysis

Table 1 are the case study analysis, derived from *DPU Pengairan Jatim* on the implementation of KPS-SPAM Springwater project that was dragged since 1986 until 2016 due to various issues and challenges occur such as the financial issues and selection of project implementer. It can be seen that if the system is finalized and the selection of project implementer is carefully chosen, this project might proceed much earlier.

1986-1987	Planned to receive funding from Soft-Loan OECF but being canceled due the changes in terms of receiving funding
1997-1999	Selection of project implementer. PT Citra Mandala Umbulan failed to becomes project implementer due to financial issue.
2000-2010	Study on the system being implemented in this project by government. Agreed on using PPP system.
2012-2013	Tendering process being conducted. Stopped due to VGF was disapproved.
2016	VGF was approved. With the financing guarantees from Viability Gap Fund (VGF) which cost for IDR 1.8 Trillion and 25 years of concession period, the project is on the move (PERPAMSI, 2016).

Table 1 (Source: *Dinas Pengairan Java Timur*)

IV. STRATEGIES TO OVERCOME THE ISSUES AND CHALLENGES IN PPP PROJECTS, SURABAYA, INDONESIA

i. Provision of PPP Nodes

To provide PPP Nodes at the region level, considering that infrastructure projects are generally located in the regions (Arbi, 2015). The function of this PPP agency unit in each region level include the creating of awareness on PPP systems among the stakeholders in every region level. Apart from that, the agency unit shall also provide a series of training and understanding on the implementation of PPP towards all agencies involve including the Government Contracting Agency (GCA). By this way, it is believed that the implementation of PPP in Indonesia generally and Surabaya city specifically could be enhance.

ii. Education and Awareness of PPP Among Stakeholders

The education and awareness of PPP among the stakeholders is important. Rather than just focusing on education and health care, the government and public people should realized on the importance of infrastructure project. Based on the annual report from The

² Oversea Economic Cooperation Fund

World Bank (2016), it stated that the current medium-term development plan until the third phase of the long-term plan which runs from 2015 to 2020, government of Indonesia is focusing solely on the construction development and social assistance programs related to education and health-care. Furthermore, inadequate infrastructure has long been identified as an obstacle to higher economic growth in Indonesia. The government has fallen behind schedule on promises to reduce the heavy traffic, overcome the lacking in power supply and relieve overburdened airports and seaports. This is often because projects failed to attract the necessary private sector engagement. Thus, the government needs to shift the focus in increasing infrastructure projects in Indonesia instead. Besides, we can see the importance of private participation in accelerating infrastructure development in Indonesia, especially by considering the limitation of government in funding the infrastructure as the government is only able to fulfill 30 percent of the total infrastructure funding needs (World Bank, 2016)

iii. Selection of Investors

Allan (2006) explain that the selection of investors that involve in the PPP projects should also be more transparent and any forbidden acts in the procurement process, including bribery, dishonesty and collusion should be avoided. This also to prevent any issue such as the withdrawal of investors from the project or investors do not have enough budget to support the project in which will result in having delay in completing the project. The selection of the investors also need to be transparent in which all requirements for evaluation, selection and awarding of tenders. For instance, KPBU units or PPP nodes in region level shall monitor the selection of investors in PPP projects by providing the guidelines and reference on the qualification and requirement on selecting the investors.

RESEARCH METHODOLOGY

This paper is produced through extensive review on literature pertaining to the issues, challenges and strategies in development of Public Private Partnership (PPP) projects in Indonesia with specific review on PPP projects in Surabaya region. Main document used for review on the issues, challenges and strategies is Public Private Partnership (PPP) Investor's Guide (2010) published by Bank of Indonesia. Apart from that, an article by Lin (2014) titled *Can Public Private Partnership Solve Indonesia's Infrastructure Needs?* published by Mckinsey&Company is also been reviewed. This paper is also produced based on semi-structured interview session with respective personnel from *Dinas Pekerjaan Umum Pengairan Jawa Timur (DPU Pengairan Jatim)* and also with Dr. Ir. Jamhadi whom a President of Commerce Bank and founder of PT Tata Bumi Raya, Indonesia. Based on thorough study on these documents and input from the interview sessions, the paper of Public Private Partnership (PPP) in Surabaya, Indonesia: Issues, Challenges and Strategies is established.

RESEARCH ANALYSIS

Table 2 is the research analysis on the strategies on how to overcome or mitigate the issues and challenges arise in PPP Projects, Surabaya, Indonesia.

From Table 2, it is shown that the fundamental strategies that could be implemented by the Government of Republic Indonesia or related government body or agencies is the provision of PPP Nodes. By this, the implementation of PPP in Indonesia and Surabaya city specifically could be enhance as the PPP Nodes shall be the unit that monitor the PPP projects in each region apart from creating the awareness of PPP among stakeholders, providing the guidelines on the implementation of PPP projects together with necessary training and skill development towards the government contracting agency (GCA).

Issues/Challenges		Strategies To Overcome
Limited of agency services	<ul style="list-style-type: none"> • PPP Nodes' duties are to formulate policies and/or synchronize and/ or coordinate and/ or supervise, and/or evaluate PPP activities, thus this agency play a significant role in PPP system in Indonesia • However, this system provided at the central government only, instead of to also develop this agency at region level Thus, it will strengthening the PPP system in Indonesia 	<ul style="list-style-type: none"> • To provide PPP Nodes at the region level, considering that infrastructure projects are generally located in the regions (Arbi, 2015)
Selection of the investors	<ul style="list-style-type: none"> • PPP project for Water Supply System was delayed from 1986 until 2010 due to changes of investors • Then, government has to re-tender back to select a new investor • This situation has cause a lengthy process at pre-contract stage thus will lead to the project delayed 	<ul style="list-style-type: none"> • Increase the efficiency and transparency level of selecting the investors • Best investor will have the ability to maintain and manage the services well, thus will avoid the failure of the project (<i>Dinas Pekerjaan Umum Pengairan Jawa Timur, 2016</i>)
Land acquisition	<ul style="list-style-type: none"> • It is become a challenges for PPP project since 1990 in the process of acquiring land from public community • Thus, government take an action to issue Law No.2/2012 on Land Procurement for Development in the Public Interest (known as the 'Land Acquisition Act') in 2012 aims to speed up the land acquisition process However, the government's acquisition process takes much longer than anticipated as they never used this new law due to a lack of leadership and decisiveness of the act 	<ul style="list-style-type: none"> • To expose all the government agencies in implementing this act as it is a new act in the country • Oxford Business Group (2014) highlighted that if the government is able to speed up land acquisition it could boost the interest of investors for the transport infrastructure sector, then it will bring Indonesia one step closer towards realizing the goals of the Master Plan for the Acceleration and Expansion of Economic Development, commonly known as MP3EI
Lack of Exposure in PPP System	<ul style="list-style-type: none"> • Knowledge about PPP is not well distributed among government institution and public people. • According to Dr. Ir. Jamhadi (2016) whom President of Commerce Bank and founder of <i>PT Tata Bumi Raya</i>, during an interview in Surabaya, most of the people in Indonesia, specifically in Surabaya have the wrong idea about PPP projects. 	<ul style="list-style-type: none"> • PPP Nodes at the region level shall function to exposed the knowledge on PPP system towards government institution. Public people should be educated on the importance and benefits of PPP projects in their country by (Lin, 2014).
Poor feasibility Study	<ul style="list-style-type: none"> • There are not enough skills in government contracting agencies. • The particular agencies could not perform a good pre-feasibility studies in allocating risks, structuring the PPP as well as interacting and dealing with private sectors which eventually lead to failure in PPP projects. 	<ul style="list-style-type: none"> • PPP Nodes at each region level shall function to provide enough skills to the government contracting agencies. For example, a series of training and guideline shall be given on hands-on basis towards the respective personnel on how to conduct a good and effective feasibility study other than providing a guideline e.g. Public Private Partnership (PPP) Investor's Guideline (2010).

Table 2: Research Analysis on Issues, Challenges and Strategies in PPP Projects, Surabaya, Indonesia

CONCLUSION

PPP represent an opportunity to reduce the responsibility of government on providing infrastructure services towards the public. PPP in short is a collaboration between government and private sector in providing infrastructure provision to the public. It involve transferring of responsibility from public sector to the private sector for a package including designing, building, financing and operation of public sector assets such as buildings, infrastructure, etc. Apart from that, PPP allows the government to spend on investments other than infrastructure or any services that can be done under PPP system.

In Indonesia, the issues and challenges encounter in the PPP projects include limited agency unit, selection of investors, land acquisition, lack of exposure on PPP system from government officers and also public people and poor feasibility study done on related PPP projects have affect the smoothness of the project implementation.

Based on our findings, it can be concluded that all stakeholders including the public sector and public people have to play their role to ensure the success of PPP projects. Public sector shall increase the agency unit in each city and district of Surabaya. Public people shall be more opened and understand on the importance of PPP projects especially the infrastructure services. Thus, by the effort of public sector i.e. Government of Indonesia and public people will improve better application of PPP in Indonesia.

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International Construction Procurement
subject.

Mr Yudi, Head of Department Urban Planning,
Kulliyyah of Civil Engineering, Sepuluh
Nopember Institute of Technology, Surabaya
Indonesia

Mr Fajar Eko and Miss Belinda, Lecturer of
Department Urban Planning, Kulliyyah of
Civil Engineering, Sepuluh Nopember
Institute of Technology, Surabaya Indonesia

Ir. I Putu Artama Wiguna MT, Lecturer of
Department Urban Planning, Kulliyyah of
Civil Engineering, Sepuluh Nopember
Institute of Technology, Surabaya Indonesia

Students and lecturers of Department of
Urban and Town Planning, Kulliyah of Civil
Engineering, Sepuluh Nopember Institute of
Technology, Surabaya Indonesia

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