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Rethinking Regulations: Unlocking the Potential of Small-Scale Public-Private Partnerships in Infrastructure Development

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Abstract

Implementation of infrastructure development often faces bureaucratic and funding challenges. To address these issues, the National Development Planning Agency (Bappenas) launched the Small-Scale Public-Private Partnership (PPP) scheme, as regulated by the Minister of National Development Planning/Bappenas Head Regulation No. 7 of 2023. This scheme aims to facilitate and accelerate infrastructure development in regions with limited budgets, such as the street lighting project in Madiun, which uses the Availability Payment scheme. This study employs a normative juridical method with a conceptual and legislative approach to analyze the renewal of regulations governing Small-Scale PPPs. The main focus is on the legal clarity and implementation of this scheme, which still requires refinement. Although the Small-Scale PPP has a legal basis, existing regulations need to be updated to address the various practical and bureaucratic obstacles. The study recommends strengthening the role of the central government in supporting the implementation of Small-Scale PPPs and revising Article 85 of the Minister of National Development Planning/Bappenas Head Regulation No. 7 of 2023 to ensure the effectiveness and efficiency of this scheme's implementation.

1. Introduction

As a developing country, Indonesia consistently strives to advance various sectors that support the functioning of the nation. These supporting sectors include education, economy, development, and health. Numerous efforts have been made to enable Indonesia to achieve the MDGs by 2015 and the SDGs by 2030, ultimately improving the standard of living for its people. Beyond these sectors, one critical area for development is infrastructure. The development of infrastructure is crucial because adequate infrastructure in a country can accelerate improvements in the standard of living, as it connects and supports various national activities across regions. Unfortunately, the implementation of infrastructure development in Indonesia remains challenging due to various issues that can hinder its progress.[1] The challenges in infrastructure development include bureaucratic issues and funding problems. Bureaucratic challenges refer to the often slow implementation of infrastructure projects due to the lengthy approval process. This process depends heavily on the bureaucracy, which is still quite complex and time-consuming. However, efforts have been made to address these bureaucratic issues. This progress can be observed through thematic bureaucratic reforms, an extension of the general reforms launched by the Ministry of Administrative and Bureaucratic

[1] Ollcyalliztacyra Baktinadi, "Peranan Hukum Investasi Dalam Mewujudkan Kerja Sama Investasi Yang Berkelanjutan Antara Pemerintah Dan Badan Usaha," *Jurnal Intelek Dan Cendikiawan Nusantara* 1, no. 2 (2024): 1943–50.

Reform. The goal of these reforms is to accelerate the resolution of the nation's key issues, such as poverty and ease of investment.[2]

The second challenge is funding, which refers to the financial capability to support infrastructure projects. Often, infrastructure development is hindered by insufficient funding, which can result in the inability to continue these projects. To address this, a program has been established to accelerate infrastructure development by creating priority programs that facilitate the implementation of development projects in Indonesia. Infrastructure, in this context, does not only pertain to physical structures, as it generally falls into two categories: economic infrastructure and social infrastructure.[3] Economic infrastructure refers to physical facilities that support economic activities within a country, such as highways, bridges, ports, and other facilities that facilitate economic operations. On the other hand, social infrastructure encompasses facilities aimed at meeting basic needs and developing human resources, such as schools, hospitals, and public parks. Social infrastructure functions as a provider of social services for the community. The provision of both economic and social infrastructure cannot be achieved if the funding allocation does not match the necessary development requirements. This issue frequently arises in Indonesia, as seen in West Aceh, where infrastructure development is a priority, but the allocated budget is only around 10% of the total Regional Revenue and Expenditure Budget (APBK)—approximately 130 billion IDR out of a total budget of 1.3 trillion IDR. This minimal allocation poses a significant barrier to infrastructure development in Indonesia.

In response to these challenges, the National Development Planning Agency (Bappenas) introduced a solution by launching the Small-Scale PPP scheme, as outlined in the Minister of National Development Planning/Bappenas Head Regulation No. 7 of 2023 on the Implementation of Public-Private Partnership in Infrastructure Provision (hereafter referred to as Permen PPN/Kepala Bappenas No. 7 of 2023). A tangible example of the implementation of the Small-Scale PPP can be seen in the construction of street lighting in Madiun, with an investment value of 100 billion IDR, utilizing the Availability Payment (AP) financing scheme. Mechanisms like the Small-Scale PPP are essential, given that the fiscal capacity of many regions in Indonesia remains low, with numerous districts still dependent on central government support, indicating that local governments' fiscal strength is still relatively weak. PPP is very important for Indonesia's infrastructure development. "With PPP, the government will not spend large funds. In addition, collaborating with the private sector will benefit, and the risk will not be fully borne by the government. PPP is a form of long-term agreement (usually more than 20 years old) between the government, either central or regional with private partners. Through this agreement, the government and the private sector cooperate in terms of expertise and assets, to provide services to the public.

The weakness in fiscal capacity across many regions in Indonesia is a significant issue that demands serious attention. Data presented by the Minister of Finance, corroborated by

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[2] Alfa Fitri, "Aspek Environmental, Social, and Governance Sebagai Solusi Pembangunan Infrastruktur Berkelanjutan Dalam Kerjasama Pemerintah Dengan Badan Usaha," in *National Conference on Law Studies (NCOLS)*, vol. 6, 2024, 198–229.

[3] Rifyal Zuhdi Gultom and Annisa Qadarusman Tini, "Pembangunan Infrastruktur Dalam Islam: Tinjauan Ekonomi Dan Sosial," *Jurnal Ilmiah Ekonomi Islam* 6, no. 2 (2020): 203–11.

findings from the Audit Board of Indonesia (BPK), reveal that only 10% of the total 451 districts in Indonesia are fiscally self-sufficient. Conversely, 90% of the other districts remain reliant on central government assistance to meet their fiscal needs. This low level of fiscal independence highlights several fundamental problems in regional financial management. First, minimal locally generated revenue (PAD) is a key factor. Many regions have yet to optimize their PAD potential, whether through local taxes, fees, or other legitimate sources of income. Second, the efficiency of budget management is often still low, with significant leakage and inefficiency in public spending. This situation is exacerbated by the disproportionate allocation of funds relative to the actual development needs. As a result, many development programs do not run optimally, and the infrastructure needed to support economic growth and public welfare is often delayed or inadequately constructed.

Partnerships (PPPs) have been part of Indonesia's development landscape, but their implementation has predominantly been at the central government level. From a regulatory perspective, the success of PPP projects is often measured by their compliance with Government Regulation No. 38 of 2015. However, for infrastructure development in Indonesia, an update to the PPP scheme is necessary. This update should include the development of new types of PPPs capable of addressing regional development issues. Currently, central government-level PPPs cannot fully cover the development needs planned by regional governments because local projects typically do not require funding exceeding 200 billion IDR. The relatively small value of these projects often deters businesses from participating in funding, as the projects are considered too minor. This is where the Small-Scale PPP scheme aims to address the problem.[4] PPPs are said to be successfully implemented if the results are of higher quality than projects that have previously been carried out without a PPP scheme, the project is more completed, the project costs less, the PPP will transfer design risk, construction risk, operational risk, and maintenance risk to the private sector, transfer project financing to the private sector, PPPs control the impact of changes in long-term contracts by establishing contracts that protect the interests of both parties and most importantly social benefits are communicated effectively. Thus, PPPs are relevant for local governments. At present, the Small-Scale PPP scheme has a clear legal basis, established under Minister of National Development Planning/Bappenas Head Regulation No. 7 of 2023, particularly in Article 85. Despite this, Article 85 of Permen PPN/Kepala Bappenas No. 7 of 2023 is far from perfect, as it only provides a general overview of Small-Scale PPPs. More comprehensive regulations are needed for the effective implementation of Small-Scale PPPs. Therefore, the author aims to address these issues in this paper, crystallizing the problems under the title "Rethinking Regulations: Unlocking the Potential of Small-Scale Public-Private Partnerships in Infrastructure Development."

This study is relevant to several previous studies but offers a distinct contribution. The research conducted by Raldin Alif Al Hazmi[5] titled "*Optimalisasi Kerja Sama Pemerintah Dengan Badan Usaha Untuk Mendorong Pembangunan Infrastruktur di Indonesia*", examines the

[4] Sri Mulyani Indrawati et al., *Terobosan Baru Atas Penambatan Ekonomi (Rujukan Untuk Sebuah Kebijakan Ekonomi)* (Jakarta: Elex Media Komputindo, 2020).
[5] Alif, Raldin, and Al Hazmi. 2024. "Usaha Untuk Mendorong Pembangunan Infrastruktur" 4 (6): 1101–18. https://doi.org/https://doi.org/10.54957/jolas.v4i6.1010.

development of PPP schemes to achieve RPJMN targets, particularly in the waste management and education sectors. In contrast, this study focuses on the central government's role in supporting the implementation of small-scale PPPs and critically analyzes Article 85 of Permen PPN/Head of Bappenas Number 7 of 2023 to ensure its effectiveness and efficiency. The research by Wahyu Adi Mudiparwanto and Ade Gunawan[6] titled "*Urgensi Pembentukan Peraturan Daerah Tentang Kerja Sama Pemerintah Dengan Badan Usaha Dalam Penyediaan Infrastruktur*", highlights the importance of regional regulations on PPPs based on Presidential Regulation Number 38 of 2015. Meanwhile, this study emphasizes the renewal of small-scale PPP regulations, including legal clarity and the regulation of local government's fiscal capacity. The research by Mochamad Rifki Maulana (2021), titled "*Pemahaman dan Pembelajaran Tahap Perencanaan dan Penyiapan Pembangunan Infrastruktur di Indonesia Melalui Skema Kerja Sama Pemerintah dan Badan Usaha dalam Penyediaan Infrastruktur* (KPBU)", discusses shifting development paradigms toward PPP as a primary financing scheme. This study, however, specifically addresses the deficiencies in Article 85 of Permen PPN/Head of Bappenas, proposing comprehensive solutions to enhance small-scale PPP implementation.[7]

2. Methods

The research method used to examine and discuss the issues addressed in this study is a normative juridical approach. Normative juridical research, also known as doctrinal legal research, relies on existing legal literature and sources that are relevant to the issues being analyzed. This method involves studying and interpreting legal texts, statutes, regulations, and other legal documents to understand and evaluate legal principles and their application.[8] This study uses a normative juridical approach because the issues have been covered in various sources. However, there is a need for updates to ensure that the Small-Scale PPPs can be implemented more effectively. This research employs two types of approaches: conceptual and legislative. The conceptual approach seeks to clarify the issues by utilizing concepts that evolve with advancements in scientific knowledge. It aims to provide a deeper understanding of the problems based on current theoretical frameworks.[9], The legislative approach addresses the issues by examining various relevant laws and regulations. This approach helps in understanding how the current regulations apply to the issues at hand and identifies necessary updates or improvements.[10] In this study, the focus is on the Minister of National Development

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[6] Mudiparwanto, Wahyu Adi, and Ade Gunawan. 2022. "Urgensi Pembentukan Peraturan Daerah Tentang Kerja Sama Pemerintah Dengan Badan Usaha Dalam Penyediaan Infrastuktur." *Diversi :Jurnal Hukum* 8 (April): 111–38. https://doi.org/https://doi.org/10.32503/diversi.v8i1.1963.

[7] Maulana, Mochamad Rifki. 2021. "Pemahaman Dan Pembelajaran Tahap Perencanaan Dan Penyiapan Pembangunan Infrastruktur Di Indonesia Melalui Skema Kerja Sama Pemerintah Dan Badan Dalam Penyediaan Infrastruktur (KPBU)" 5 (1). https://doi.org/http://dx.doi.org/10.58258/jisip.v5i1.1646.

[8] Indah Rahmawati, "Analisis Yuridis-Normatif Terhadap Peran Dan Tindakan Telemarketing Dalam Transaksi Digital," *Jurnal Cakrawala Hukum* 11, no. 1 (2020): 60–70.

[9] Mohammad Kamil Ardiansyah, "Pembaruan Hukum Oleh Mahkamah Agung Dalam Mengisi Kekosongan Hukum Acara Perdata Di Indonesia," *Jurnal Ilmiah Kebijakan Hukum* 14, no. 2 (2020): 361–84.

[10] Aldi Wiratama, Ajie Haikal, and Zainudin Hasan, "Pendekatan Sosiologi Hukum Dalam Memahami Konflik Peraturan Perundang-Undangan Di Indonesia," *Jurnal Ilmiah Wahana Pendidikan* 8 (2022): 206–12.

Planning/Bappenas Head Regulation No. 7 of 2023 concerning the Implementation of Public-Private Partnership in Infrastructure Provision.

3. Results and Discussion

PPP has been utilized as a funding mechanism for infrastructure development in Indonesia since 2015. This collaboration aims to integrate resources and expertise from both the public and private sectors to accelerate the necessary infrastructure projects. According to the PPP Book Indonesia published by the National Development Agency in 2023, 34 projects have been successfully implemented using the PPP scheme. Of these, 28 projects are under the jurisdiction of the central government, while 6 are initiated or overseen by local governments. This data indicates that the central government predominantly leads infrastructure development projects under the PPP scheme. The predominance of central government-led projects over those initiated by local governments can be attributed to several factors, including:

1. The bureaucracy involved in implementing Small-Scale PPP by local governments tends to be complex. This complexity arises because infrastructure projects under the PPP scheme typically require substantial investment, which is crucial to attracting private sector interest. However, local government-initiated projects often have relatively small budgets, which may not be enticing enough for private companies to invest in. More complex requirements, particularly in terms of bureaucracy, are often necessary to encourage private sector participation. These stringent conditions ensure that private entities feel confident about investing in the projects. A high level of regulatory and administrative rigor is needed to address the risks and attract investment in projects initiated by local governments[11].
2. The Small-Scale PPP is still not considered a primary funding mechanism. Local governments often view Small-Scale PPPs merely as an alternative financing option for high-complexity and high-cost infrastructure projects. This perspective indirectly limits the potential of Small-Scale PPPs as a viable financing tool for various development needs. Consequently, local governments may not fully utilize Small-Scale PPPs to address infrastructure development challenges, missing out on opportunities to leverage this financing model for broader and more effective project implementation[12].

The perspective on Small-Scale PPP should be revised, given that Small-Scale PPPs are designed to be flexible and adaptable to smaller-scale projects with lower complexity. Unlike general PPPs, Small-Scale PPPs are specifically intended to address the needs of less complex infrastructure projects. Local governments should recognize that utilizing Small-Scale PPPs can effectively mitigate various challenges they face, particularly in terms of financing. By embracing this financing model, local governments could overcome barriers related to infrastructure development and enhance their ability to implement projects efficiently. The issues outlined must be addressed promptly, as effectively utilizing Small-Scale PPP can significantly benefit local governments. By leveraging Small-Scale PPPs, local governments

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[11] Muhammad Baidarus et al., "Kajian Sistematis Kebijakan Skema Pembiayaan Kerja Sama Pemerintah Dengan Badan Usaha (KPBU) Pada Sektor Perumahan Guna Mengatasi Backlog Di Indonesia," *Jurnal BPPK: Badan Pendidikan Dan Pelatihan Keuangan* 16, no. 1 (2023): 1–13.

[12] Andi Syafirah Putri Abdi Patu and Muhammad Heru Akhmadi, "Evaluasi Penyiapan Proyek Kerjasama Pemerintah Dengan Badan Usaha (KPBU) Kereta Api Makassar-Parepare," *Jurnal Kebijakan Pembangunan* 16, no. 2 (2021): 221–35.

have the opportunity to develop their capacity and experience in managing infrastructure projects through partnerships with the private sector. This strategic collaboration not only provides technical and managerial skills necessary for handling larger projects but also enhances the quality and efficiency of public service delivery. Successful management of infrastructure projects with private sector participation can create a more attractive investment environment, encourage private capital inflows, and accelerate regional development. By addressing these challenges and optimizing the use of Small-Scale PPPs, local governments can drive substantial progress in their infrastructure development efforts.

Furthermore, partnerships with the private sector allow local governments to share risks and responsibilities, thereby reducing the financial and administrative burdens that often hinder infrastructure projects. With the support of private sector technology and innovation, local governments can introduce more effective and sustainable solutions. Additionally, this partnership model encourages local governments to be more proactive in planning and implementing projects that have a direct impact on local community well-being. Active involvement of local governments in infrastructure development ensures that projects align with the needs and priorities of the local population, thereby significantly improving their quality of life. Overall, this scheme has great potential to promote more equitable and sustainable development across various regions in Indonesia.

The Small-Scale PPP should be a primary financing mechanism for local governments to accelerate infrastructure development in their regions. Legally, Small-Scale PPPs are well-established and have clear legitimacy, as outlined in Article 1, Number 6 of Minister of National Development Planning/Bappenas Head Regulation No. 7 of 2023, which details the framework for PPPs. This regulation explains that Small-Scale PPPs are designed to provide economic benefits to communities through infrastructure development. Further provisions on Small-Scale PPPs are detailed in Article 85 of the same regulation. This article specifies that infrastructure projects can be undertaken using the Small-Scale PPP scheme if they meet certain criteria. The criteria for implementing infrastructure projects under the Small-Scale PPP scheme are as follows (Article 85 of Minister of National Development Planning/Bappenas Head Regulation No. 7 of 2023):

1. The infrastructure provision plan must be straightforward, meaning the project should have low complexity and involve a minimal number of stakeholders. This involves having only one Project Cooperation Responsibility (PJPK), focusing on a single infrastructure sector, and being confined to a specific jurisdiction or area. The project should not span multiple sectors or involve cross-regional or cross-agency collaborations, as these factors would increase management and coordination complexities.
2. The second criterion for implementing Small-Scale PPPs is that the project must utilize technical solutions that have been proven to be effective and efficient. The technology employed must have been previously applied and successfully demonstrated in similar projects, minimizing technical risks and ensuring smooth project execution. Using proven technology guarantees that the project will not encounter significant technical issues and that the solutions implemented are reliable and capable of achieving the project's objectives.

3. The third criterion is that the project must not require significant financial viability support from either the central or local government. This means the Project Cooperation Responsibility (PJPK) must have sufficient fiscal capacity to carry out the project independently, without external financial assistance. Adequate fiscal capability indicates that the PJPK can manage the project's funds autonomously, including sound financial planning, efficient budget management, and the ability to address any financial challenges that may arise during the project's execution. Additionally, the Small-Scale PPP mechanism can only be used if the project can be completed within a maximum of 10 years, ensuring that the project is executed and finished within a relatively short timeframe, in line with the established planning.

Referring to the various criteria that must be met as explained above, it is evident that the implementation of Small-Scale PPPs must satisfy all established requirements. If any of these requirements are not met during the implementation of a project under the Small-Scale PPP scheme, the project cannot proceed as it does not meet the criteria. According to Article 85, Paragraph 3 of the Ministerial Regulation of the National Development Planning Minister/Head of the National Development Planning Agency No. 7 of 2023, the determination of whether a PPP project meets the criteria can only be made by the authorized parties. These parties are as follows:

1. The Minister/Head of the Agency/Regional Head/Director of State-Owned Enterprises during the preliminary study of a Small-Scale PPP initiated by the government; or
2. The Minister/Head of the Agency/Regional Head/Director of State-Owned Enterprises in the approval letter to continue the process based on the submission of the letter of intent and supporting documents by the Business Entity for a Small-Scale PPP initiated by the Business Entity.

Once a project initiated by the local government under the Small-Scale PPP scheme is confirmed to meet the established criteria, the next phase is the implementation of infrastructure development. However, this phase is not the final step in the Small-Scale PPP process. The government still bears the responsibility of reimbursing the investment made by the Business Entity to ensure that the entity does not incur losses from its investment in infrastructure development. The reimbursement methods for the costs incurred by the investor are categorized into several approaches, as follows:

A. Availability Payment Scheme: In this mechanism, the government compensates the business entity based on the availability and quality of the infrastructure and services provided, rather than the number of users utilizing the infrastructure. This payment model, known as availability payment, ensures that the business entity receives stable payments as long as the infrastructure is available and operates according to the specified standards, regardless of the number of users. Simple projects, such as Public Street Lighting (PSL), often employ the availability payment scheme. PSL is an ideal example of applying this scheme because street lighting services do not charge users directly. The public uses this facility without incurring specific fees, making a payment model based on the availability and quality of service a more effective and equitable choice[13]. The choice to use the availability payment scheme for Public Street Lighting (PSL) projects is made to ensure that the responsible business entity maintains strong incentives to consistently uphold and improve the quality and availability of the service. This approach allows the government to guarantee that street lighting is always available and functioning optimally, thereby enhancing the safety and comfort of the public using the streets, both at night and during adverse weather conditions. Furthermore, this scheme provides revenue certainty for the business entity, enabling them to better plan and manage the operation and maintenance of the infrastructure. The sustainability of this revenue encourages the business entity to continually enhance the efficiency and effectiveness of the services provided, as their payments depend on their ability to maintain the availability and quality of the infrastructure. The use of the availability payment scheme also offers additional benefits in terms of risk management. Both the government and the business entity can more effectively share and manage the risks associated with the development and maintenance of infrastructure. The government does not need to be concerned about fluctuations in service usage that could impact revenue, while the business entity is incentivized to optimize its performance, as stable payments are tied to the availability of the service. Overall, implementing the availability payment scheme for projects such as Public Street Lighting (PSL) demonstrates the government's commitment to ensuring the provision of high-quality public services without imposing additional costs on the public. Simultaneously, this scheme provides incentives for the business entity to maintain and enhance the availability and quality of the infrastructure they manage, creating a mutually beneficial system for all parties involved.

B. The User Charge Mechanism refers to a model in which a company or private entity invests funds in the construction of infrastructure with the expectation of generating revenue from users who make use of that infrastructure. Under this model, the revenue generated from users paying to use the infrastructure is allocated for various purposes. Firstly, these payments are utilized to cover the daily operational costs of the infrastructure, ensuring that the facility continues to function effectively and provide the expected benefits to the community. Additionally, user revenue is also allocated for routine maintenance and repairs as needed. This maintenance is crucial to ensure that the infrastructure remains in good condition and can be used over the long term, thereby preventing damage that could lead to service disruptions or even jeopardize user safety.[14] Furthermore, revenue obtained from user charges is also utilized to repay the investment made by the company or private entity. This investment repayment process includes the reimbursement of the initial capital invested in the infrastructure's construction, as well as providing a reasonable return to investors as compensation for the risks they have

[13] Mada Devi Kartikasari and Sonyendah Retnaningsih, "Kajian Mengenai Skema KPBU Melalui Perjanjian KPBU IKN," *Ranah Research: Journal of Multidisciplinary Research and Development* 6, no. 4 (2024): 933–41.

[14] Kurdi, "Implementation Of Public-Private Partnership Of Lhok Guci Project Viewed From The Perspective Of Investment Law And Financing Law," *Jurnal Hukum Sehasen* 10, no. 1 (2024): 247–54.

undertaken. Thus, the user charge model not only ensures the sustainability of operations and maintenance of the infrastructure but also incentivizes companies and private entities to continue investing in the development of new infrastructure[15]. This model promotes efficiency and effectiveness in infrastructure management, as the revenue generated is directly tied to usage and the quality of services provided. Companies or private entities managing the infrastructure are incentivized to enhance service quality and ensure that the infrastructure remains in optimal condition, given that their revenue depends on public satisfaction and usage. Additionally, the user charge model allows for a shared cost burden between the government and the private sector, enabling the government to allocate limited resources to other projects that cannot be funded through user charges. Thus, this model contributes to more sustainable and efficient infrastructure development and encourages active participation from the private sector in public infrastructure projects.

Despite the comprehensive and complex regulations governing the implementation of Small-Scale PPPs (KPBU Skala Kecil), there are still opportunities for improvement to enhance the effectiveness and efficiency of these initiatives. To optimize the execution of Small-Scale PPPs, the following mechanisms or measures can be considered:

1. Strengthen the Central Government's Role in Stimulating Small-Scale PPP Implementation: The central government can enhance the efficiency and execution of Small-Scale PPPs by providing support to local governments throughout the entire process, from preparation to transactions before infrastructure development under the PPP scheme. Additionally, the central government can promote the realization of Small-Scale PPPs by conducting outreach to local governments with potential for such projects. To ensure local governments effectively implement the initiatives encouraged by the central government, the central government needs to allocate funds as incentives for local governments that successfully expedite infrastructure development through PPP mechanisms.
2. Revise Article 85 of the Minister of National Development Planning/Bappenas Regulation No. 7 of 2023: Updates to this regulation could include adding new rules. In the author's opinion, the additional rules that could be included are as follows:
    a. Regulation on Payment Guarantees for Private Sector Entities: This involves ensuring payment certainty for the Availability Payment scheme. Currently, there is no clear guarantee regarding who would back the Availability Payment if the benefits from the infrastructure do not meet expectations. The update could introduce a requirement for the allocation of funds in the Regional Budget (APBD) to serve as a reserve for payments under the Availability Payment scheme. This obligation would provide a safeguard for the return of investments made by private entities, thereby enhancing payment security.
    b. Regulation on Fiscal Capacity Calculation for Availability Payments: It is crucial to establish a clear methodology for calculating the fiscal capacity of local governments to make Availability Payments. Currently, the mechanism relies on

[15] Poni Sukaesih Kurniati and Suryanto Suryanto, "Financing Model for Infrastructure Development in Autonomic Regions," *CosmoGov: Jurnal Ilmu Pemerintahan* 7, no. 2 (2021).

regional loan calculations, which do not fully reflect the overall fiscal capacity of the local government. By implementing a more comprehensive regulation, the assessment of a local government's financial capability can be more accurately determined, ensuring a more reliable evaluation of its ability to meet payment obligations.

Implementing these updates is essential for enhancing the effectiveness of infrastructure development under the Small-Scale PPP scheme. These improvements cover various aspects, as outlined above, which are crucial for the smooth execution of projects. In the context of Small-Scale PPPs, where infrastructure projects are often smaller in scale and focused on local needs, targeted updates can significantly impact the quality of life for communities.

4. Conclusions

The PPP scheme in Indonesia, implemented in 2015, aims to accelerate infrastructure development by combining resources and expertise from both the public and private sectors. According to the PPP Book Indonesia 2023, there have been 34 successful KPBU projects, with 28 managed by the central government and 6 by regional governments. The dominance of the central government in these projects can be attributed to the bureaucratic complexity at the regional level and the perception of Small-Scale PPPs as merely an alternative financing option. To enhance the effectiveness and efficiency of Small-Scale PPPs, several updates are necessary. These include strengthening the central government's role in providing support and promoting these partnerships, ensuring payment certainty to private entities, and refining the calculation of regional fiscal capacity. These measures will assist regional governments in managing infrastructure projects, sharing risks with the private sector, and introducing innovative solutions, ultimately improving the quality and sustainability of regional development. To address the issues in implementing Small-Scale PPP in Indonesia, it is recommended that the central government expand its role in providing support and conducting outreach to regional governments. This will help them better understand and optimize the PPP mechanisms. Additionally, the government must ensure payment certainty to private entities to enhance investor confidence and reduce risks. Implementing a more transparent and accurate fiscal capacity calculation system is also important, allowing regional governments to plan and execute projects more effectively. These measures are expected to make Small-Scale PPPs more effective in supporting regional infrastructure development, encouraging innovation, and ensuring project sustainability.

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