

The Indonesian government has recognised that poor transport infrastructure constrains economic and social development. To fill the financing gap the government has sought to encourage private sector investment in transport infrastructure through Public Private Partnership (PPP) arrangements by passing regulations to minimise investor risk, free up land and, in 2005-06, to promote almost 100 PPP opportunities to potential investors.

Despite government enthusiasm, the private sector has been reluctant to embrace PPP projects in Indonesia over the past decade. Deterrents include ill-conceived projects, a poor regulatory framework, and concerns about the governance of the sector. Researchers concluded that to counter these perceptions, the government needs to develop a national vision for integrated transport infrastructure and services by:

1. Consolidating various public sector streams of financial support for transport infrastructure. Placing control of the consolidated budget under the Transport and Public Works Ministries (i.e. DG of Highways), with financial monitoring by the Ministry of Finance, and BAPPENAS to monitor output.
2. Developing direct and explicit government financial support to private sector providers by:
 - o Establishing guidelines complementing the proposed Presidential Decree on Government Support for Infrastructure Development.
 - o Developing an explicit national strategy for promoting private sector participation.
3. Empowering the Transport and Public Works Ministries (i.e. DG of Highways) to issue licenses, concessions and leases to the private sector to operate transport services.

New directions in transport reform

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