

Research Paper

# From Foundation to Acceleration: An Analysis of Indonesia's Two-Decade PPP Journey

Ade Hendraputra

Ministry of National Development Planning (Bappenas), Indonesia

\*Correspondence author: [ade.hendraputra@bappenas.go.id](mailto:ade.hendraputra@bappenas.go.id)

## Abstract

Indonesia faces a substantial infrastructure gap, making Public-Private Partnerships (PPPs) critical to address financing challenges. This study discusses Indonesia's PPP framework evolution across two decades (2005-2024), exploring why progress differed markedly between the "foundational decade" (2005-2014) and "acceleration decade" (2015-2024). Using mixed-method explanatory sequential design, we combined PRISMA-compliant Systematic Literature Review of 78 studies with qualitative case analysis of two breakthrough projects—the Central Java Power Plant (PLTU Batang) and the SPAM Umbulan water supply system. Findings challenge the notion that early years represented failure. Rather, post-2015 breakthroughs resulted from targeted land acquisition reforms and institutional maturation of entities like PT PII. Notably, the Viability Gap Fund (VGF) functioned not merely as financial subsidy but as political coordination mechanism among stakeholders. We argue Indonesia's experience exemplifies policy-oriented learning—the foundational decade represented essential investment in "soft infrastructure" enabling later achievements. This evolutionary view offers a roadmap for the institutional development of other emerging economies, particularly regarding the sequencing of regulatory reform and the design of state guarantee mechanisms.

**Keywords:** Public-Private Partnership (PPP); Infrastructure Financing; Institutional Maturation; Policy Learning; Indonesia.

### ARTICLE INFO

Received: November 21, 2025

Received in revised form:

Januari 05, 2026

Accepted: April 30, 2026

doi: [10.46456/jisdep.v7i1.891](https://doi.org/10.46456/jisdep.v7i1.891)



This is an open access article under the [CC BY-SA](#) license

©Hendraputra (2026)

### THE JOURNAL OF INDONESIA SUSTAINABLE DEVELOPMENT PLANNING

Published by Centre for Planners' Development, Education, and Training (Pusbindiklatren), Ministry of National Development Planning/National Development Planning Agency (Bappenas), Republic of Indonesia

Address: Jalan Proklamasi 70,  
Central Jakarta, Indonesia 10320

Phone: +62 21 31928280/31928285

Fax: +62 21 31928281

E-mail:

[journal.pusbindiklatren@bappenas.go.id](mailto:journal.pusbindiklatren@bappenas.go.id)

Supported by Indonesian Development Planners Association (PPPI)

### Please cite this article in APA Style as:

Hendraputra, A. (2026). From Foundation to Acceleration: An Analysis of Indonesia's Two-Decade PPP Journey. *The Journal of Indonesia Sustainable Development Planning*, Vol 7(1), 85-98. <https://doi.org/10.46456/jisdep.v7i1.891>

## 1. Introduction

The development of infrastructure supports the growth of the domestic economy of the country, and this is especially clear in the example of developing countries such as Indonesia (Asian Development Bank, 2017a; World Bank, 2021). The National Medium-Term Development Plan (RPJMN) 2020-2024 estimates an enormous level of investment of IDR 6,445 trillion. However, public funds and state-owned enterprises can cover only about 58% of this load. Indonesia has one of the largest financing gaps at 42 percent; this has caused it to turn to Public-Private Partnerships (PPPs) as a crucial solution to capitalize on the use of private funds and efficiency with an aim of improving value creation through optimal distribution of risks (Grimsey & Lewis, 2007; Hodge & Greve, 2007).

Although ad hoc PPP-like programs existed under Presidential Decree No. 7/1998 during the Suharto era—most of them as emergency responses to the Asian Financial Crisis (Ministry of National Development Planning/Bappenas, 2025)—this study focuses its analysis on the time period 2005-2024. Why this period? Since 2005, with the issuance of Perpres No. 67/2005, it represents the beginning of Indonesia's formal, systematic PPP regime. The main objective of this paper is to analyze this 20-year journey, explaining how Indonesia moved from a slow phase of institution-building to a phase of accelerated implementation (Sabatier & Jenkins-Smith, 1993).

Making this policy work in reality, however, was an intricate, developmental marathon. With the introduction of the framework, Perpres No. 67/2005, initiated what we call a foundational decade (2005-2014). This was the time devoted to the development of soft infrastructure, including the creation of the Indonesia Infrastructure Guarantee Fund (PT PII) in 2009. Irrespective of these efforts, the real progress was slow; extremely few of the projects reached financial close (Asian Development Bank, 2017b). Perpres No. 38/2015 was the turning point that led to a paradigm shift, providing a catalyst for the acceleration decade (2015-2024). Most recently, Bappenas Regulation No. 9/2025 introduced further enhancements to the PPP framework—including expanded eligible infrastructure sectors and strengthened financial close mechanisms—signaling that Indonesia's institutional learning process remains an ongoing and dynamic endeavor (Ministry of National Development Planning/Bappenas, 2025). The landmark Perpres No. 38/2015 streamlined processes and strengthened the support of the government, which made long-standing projects that were sitting on ice, such as the PLTU Batang power station and the SPAM Umbulan water system, finally move from theoretical planning onto real manifestation.

This twenty-year endeavor reveals an important literature gap. Although prior research had found the major barriers and key success factors (Wibowo & Alfen, 2015) and traced bibliometric patterns (Mandasari & Wahyuni, 2019). Most of them give snapshots at a single point in time. They are more thematically fragmented and either high or micro level project concerns without bridging the two. What is needed is the holistic, evolutionary analysis of how and why the framework matured, of how it interconnected certain policy reforms with on-the-ground implementation realities.

To address this gap, this study is anchored in the theoretical perspective of New Institutionalism, which provides the most appropriate analytical lens for examining long-term policy evolution. As North (1990) argues, economic and developmental outcomes are not produced in a vacuum; rather, they are fundamentally shaped by institutions—understood as both the formal rules (laws and regulations) and informal constraints (norms and practices) that structure human interaction. From this vantage point, PPPs are not merely technical contracts for risk and value optimization (Grimsey & Lewis, 2007), but complex institutional arrangements whose performance is determined by the quality and maturity of the ecosystem in which they operate (Gisselquist, 2012).

Critically, institutions are not static. They evolve through a process of policy-oriented learning, in which policymakers adapt the rules of the game in response to feedback, failures, and experience (Sabatier & Jenkins-Smith, 1993; Thelen, 2004). This evolutionary perspective is particularly well-suited to the Indonesian PPP context, where the transition from a sluggish foundational decade to a period of accelerated implementation can be theoretically understood not as a mere coincidence, but as an archetype of institutional maturation driven by accumulated learning. It is this theoretical mechanism—how institutions evolve, and why the quality of that evolution determines developmental outcomes—that this study seeks to illuminate empirically.

The paper fills this gap through the synthesized longitudinal study of the journey of PPP in Indonesia. To the end goal formulated above, the analysis will be informed by three major questions: First, what is

the current state of academic integration within the Indonesian PPP research over the past twenty years? Second, what can the empirical experience of innovative projects teach us about the issues of the decade of foundation and the success elements of the decade of acceleration? And third, how far do these findings, when synthesized, elucidate the wider process of learning about policies in Indonesia?

## 2. Methods

To make a comprehensive decryption of the puzzle of the two-decade development of the PPP in Indonesia, this paper is well-grounded with the theoretical perspective of New Institutionalism. Why this specific approach? Since it assumes that economic results are not causal, that on the contrary, they are inherently determined by institutions, in these connections, institutionalization is understood as the formal rules (laws, regulations) and the informal restrictions (norms) which organize human interaction (North, 1990). In this regard, PPPs are viewed not as technical contracts aimed at value and risk optimization (Grimsey & Lewis, 2007; Hodge & Greve, 2007), but as elaborate institutional arrangements. This type of arrangement, formalized in regulations such as Perpres No. 67/2005 and 38/2015 and reflected in the form of organizations such as PT PII, actively manages the complex and long-term relations between the state and the non-state. The maturity and quality of such institutions, as it is evidently implied by the modern scholarship, is the key factor that determines the outcome of development and the overall performance of PPP (Gisselquist, 2012; World Bank, 2017).

In addition to its explanations in a predetermined structure, the institutional theory also offers a necessary system to explain the process of change throughout the period of time. Institutions are dynamic; they change upon adapting and reforming due to a policy-oriented learning process in which policymakers dynamically change the rules of the game as a result of feedback and failure experiences (Sabatier & Jenkins-Smith, 1993; Thelen, 2004). This evolutionary view is especially relevant to PPPs, which require the long-term nature of the phenomenon and, hence, the fact that the state has to be able to evolve and to learn based on experience (Verhoest et al., 2015). Thus, the lack of continued growth between the foundational and the acceleration decade in Indonesia is not simply a change of timeline but can be theoretically explained by an archetypal example of institutional evolution; an initial set of rules had been purposely changed to form a more efficient one. This framework will allow the analysis to go beyond the description of occurrences. Rather, it provides an explanation of how the process of institutional maturation occurs, and where the quality of reforms is directly related to the selection and effectiveness of the PPPs arrangements (Dao et al., 2020).

To transform this theoretical framework into an empirical analysis, the research will be based on the mixed-method, explanatory sequential design (Creswell & Plano Clark, 2018). This design will be used to integrate the scope of a Systematic Literature Review (Phase 1) with the narrowness of a qualitative case study analysis (Phase 2) and fully describe the research issue. The area of the investigation includes the whole Indonesian infrastructure policy environment from January 2005 through December 2024. The general flow of the research is presented in Figure 1.

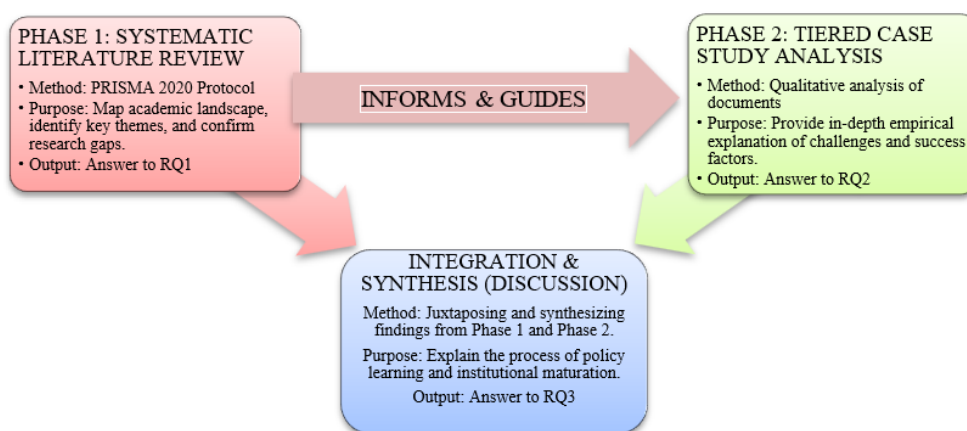


Figure 1. Two-Phase Explanatory Sequential Research Design

### Phase 1: Systematic Literature Review (SLR)

The primary objective of the first phase was to map and synthesize all the available academic and policy discussions on Indonesian PPPs. In order to do it, we adhered to the strict requirements of the PRISMA statement 2020 (Page et al., 2021). The sources that were included in the corpus of data were academic and policy publications included in three large electronic databases consisting of Scopus, Web of Science, and Google Scholar. These platforms were identified to be complementary in terms of their strengths in covering development studies and literature on public policies.

In order to be methodologically rigorous, the study employed a structured review protocol, which incorporated a specially designed search string, a particular period of time of two decades (2005-2024) and clear inclusion/exclusion limits (Table 1). The data collection was carried out in four phases, including the implementation of the search problem, subsequent elimination of overlapping records, titles and abstracts screening, and a time-consuming full-text check. Lastly, the thematic analysis (Braun & Clarke, 2006) was used to synthesize the data that was extracted in the final corpus of studies to respond to RQ1.

### Phase 2: Tiered Case Study Analysis

The second phase was the shift to the tiered case study analysis in the study. This method was considered the best to present contextualized explanations to the trends found in the SLR, which focuses on answering the complex how and why questions of this study (Yin, 2018) that answer RQ2 and RQ3. The data was based on a textual data that was collected based on a large amount of openly published materials. More importantly, these are not haphazard sources of data; they were carefully chosen because of their high degree of authoritativeness. The main sources were official government documents (like PPP Book 2025) and the reports of PT PII annually, analyses of these reports by multilateral agencies, academic literature, and reports of the media.

These documents were collaboratively compiled and for each of the chosen cases, data collection was done as a systematic compilation where the essential tool used was a data extraction template to ensure consistency. To analyze the data, we used a strong two-fold method based on thematic analysis (Braun & Clarke, 2006). This process would be used as a starting point in deduction through the thematic frame set in the SLR, and as an inductive addition, however, one with new, naturally occurring codes emerging as a result of the case-specific data.

### Limitations of the Study

While this study employs a rigorous mixed-method design, an honest assessment of its methodological boundaries is essential for the appropriate interpretation of its findings. Three categories of limitation merit explicit acknowledgment.

First, the inherent constraints of the Systematic Literature Review. Although the SLR adhered strictly to PRISMA 2020 guidelines and drew from three major databases—Scopus, Web of Science, and Google Scholar—the resulting corpus of 78 studies cannot be considered exhaustive. The search protocol was conducted primarily in English, which means that a body of Indonesian-language scholarly literature and grey literature (such as working papers, policy briefs, and institutional reports published locally) may have been underrepresented. Furthermore, Google Scholar's broad indexing, while increasing recall, introduces the risk of including lower-quality sources that may not have undergone rigorous peer review. These factors suggest that the bibliometric picture presented in Section 3.1, while indicative of broader trends, should be interpreted as a representation of the internationally accessible academic discourse rather than as a complete mapping of all knowledge on Indonesian PPPs.

Second, the potential for selection bias in the case study analysis. The cases selected for Tier 1 analysis—the PLTU Batang power plant and the SPAM Umbulan water system—were deliberately chosen as "breakthrough projects," meaning projects that overcame significant obstacles to reach financial close. This purposive selection strategy (Yin, 2018) is methodologically justified, as these cases offer the richest analytical material for examining the mechanisms of institutional learning. However, it carries an inherent limitation: focusing on successful or high-profile cases may inadvertently produce an overly optimistic picture of Indonesia's PPP trajectory. Projects that failed silently—those that were quietly dropped from the pipeline without public documentation—are structurally absent from this analysis. Future research would benefit from a comparative design that explicitly incorporates failed or stalled projects alongside successful ones, to provide a more balanced empirical foundation.

Third, the reliance on official and publicly available documentary sources. Given that both phases of this research were conducted entirely through document analysis rather than primary data collection (such as interviews or surveys), the findings are necessarily shaped by the nature of available sources. In Phase 2, the primary data sources—government policy documents, PT PII annual reports, Bappenas publications, and multilateral agency analyses—tend to represent the official or formally sanctioned narrative of events. As discussed in Section 3.3.2, this creates a risk of what Meyer and Rowan (1977) term *institutional myth*: official documents often rationalize past decisions retrospectively, presenting them as more deliberate and strategically coherent than they may have been in practice. While this study actively interrogates this narrative gap, it is important to acknowledge that the absence of primary data from private sector actors, local government officials, or civil society limits the study's ability to fully capture the ground-level complexity of PPP implementation. This is a recognized limitation of document-based qualitative research (Bowen, 2009) and represents a productive avenue for future mixed-methods work that incorporates primary fieldwork.

### 3. Results and Discussions

#### 3.1 Findings from the Systematic Literature Review

This section addresses RQ1 by mapping the academic landscape of Indonesian PPP research over two decades (2005–2024). It unpacks the results of the Systematic Literature Review, presenting a big-picture perspective of the scholarly discussion of Indonesian PPPs. The search was thorough, Scopus, Web of Science and Google Scholar were initially searched, where 1,245 records were found. In a procedure of crucial filtering, culling out duplicates and eliminating irrelevant works, 78 quality studies have been reduced to a conclusive corpus (n=78). The multi-phase exclusion process that provided a high level of specificity to certain studies passing through its stages has been represented in PRISMA flow diagram (Shown in Figure 2).

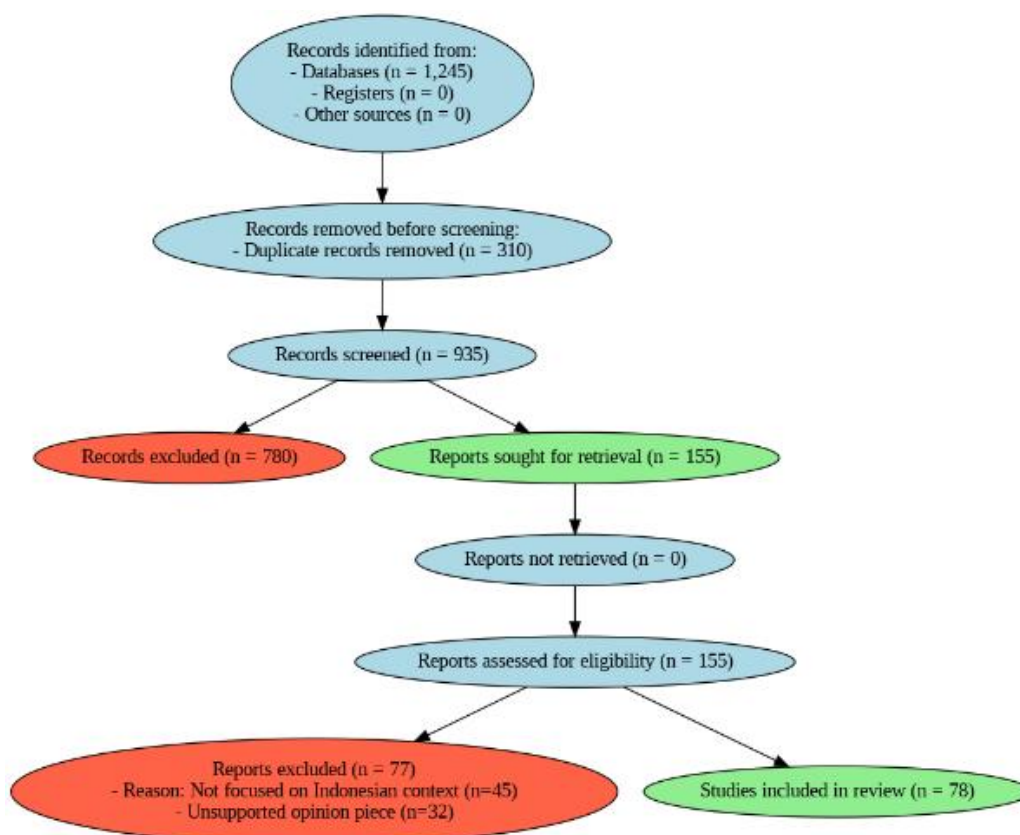


Figure 2. PRISMA 2020 Flow Diagram

This collection of 78 studies narrates a powerful story that can be described as reflecting the policy landscape itself when analyzed on a time basis (Figure 3). The publication distribution is a measure of the policy interest: a light, yet constant flow of publications can be observed throughout the foundational decade (2006-2014), and a sharp and consistent increase in frequency after 2015. This scholarly upsurge is not accidental; it is directly related to the introduction of the updated PPP regulation (Perpres No. 38/2015), indicating a refreshed hope and undergoing by the research community. The qualitative case studies (62% of all methods) have a very strong share in the landscape, indicating that researchers have been more interested in in-depth, contextual clarity rather than generalizations of statistics.

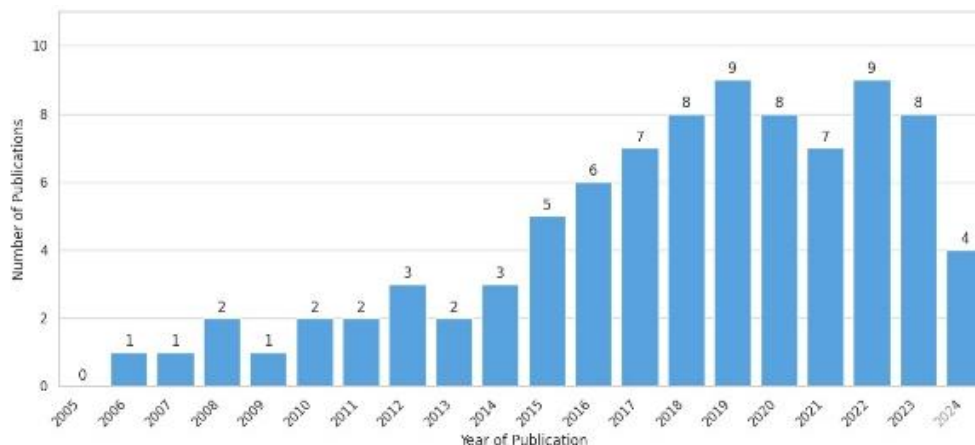


Figure 3. Bar Chart of Publication Frequency per Year

### Key Thematic Findings

The thematic synthesis revealed a set of three overarching clusters, which characterize the Indonesian PPP experience which are interconnected.

#### Thematic Area 1: The Evolution of Risk, Regulation, and Institutions.

A large part of the literature (about 45% of it) is struggling with the ground rules of the game. During the early years (before 2015), improper risk allocation was often mentioned as the main cause of the failures of the project. As a result, the development of the regulatory framework was placed in the spotlight of scholarly research. Although Perpres No. 38/2015 is continuously regarded as the historic change that finally opened the door to the process, the key transitory steps were also identified in the literature as the path on the way.

In particular, it is demonstrated that the void between 2010 and 2014 was not a vacuum, but a period of incremental development of the soft infrastructure. In-between laws, including Perpres No. 13/2010, started the simplification of the procurement process with its competitive bidding and risk-sharing practices protocols (Sam Farrands et al., 2025). Likewise, Perpres No. 56/2011 supported the mechanism of ensuring the guarantee, enhancing the position of PT PII in deriving risks (Winata & Gultom, 2024). This deepening of an institution was not only in regulations. The introduction of the Committee of Acceleration of Priority Infrastructure Delivery (KPPIP) in 2014 to organize activities of inter-ministries created a stronger ecosystem, as well as the introduction of Project Development Facilities (PDFs) in terms of feasibility studies (Kurdi & Irfan Polem, 2025). These systems played a crucial role in closing preparation gaps, which directly contributed to breakthroughs of complex projects such as the SPAM Umbulan water system (Asian Development Bank, 2021)

#### Thematic Area 2: Implementation Realities — Barriers and Enablers.

As the policy design phase is replaced by the implementation stage, the second cluster (which includes 60 or more studies) is devoted to the practical facts of the so-called acceleration decade. In this case, land acquisition comes across as the nearly universal villain, which is referred to as the most tenacious and multifaceted impediment to financial close. To bank this up is the inability of the various government agencies to effectively coordinate. To deal with these challenges, the literature has come up with particular Critical Success Factors (CSFs). There is hardly more than mere coincidence that certain successful projects were done within such a challenging environment; however, rather it can be said that it was due to high levels of commitment by the governments (so-called political will), the proper choice

of qualified partners on a private basis, and the creation of bankable project contracts, which fairly share risks.

### 3.2 Findings from the Tiered Case Study Analysis

This section addresses RQ2 by turning to the empirical ground reality. By analyzing key policy documents and project reports, we reconstruct the narratives of specific projects that defined Indonesia's PPP journey.

#### Tier 1: In-depth Findings from "Breakthrough" Projects

The Central Java Power Plant (PLTU Batang) as a case of overcoming the Land Acquisition Bottleneck. The documentary analysis of this massive USD 4 billion project confirms its status as the definitive battleground for Indonesia's regulatory reforms. Drawing from government reports and PT PII publications, the timeline reveals a grueling delay of nearly four years, primarily caused by a protracted stalemate over land acquisition. However, this delay was not in vain. A review of policy documents identifies the project as the critical test case for Law No. 2/2012 on Land Acquisition, which was eventually invoked to break the deadlock. Furthermore, the intervention of PT PII was determined. Records from the financial perspective make it clear that the government guarantee given by PT PII was essential in perpetually keeping lenders safe through all of these years of uncertainty. If this guarantee had not been there, there would have been a high likelihood that the project could have gone down before it could have financially terminated in 2016. Through this case, we get a picture of the combination of instruments of law and financial guarantees to salvage a high-stakes project.

If PLTU Batang project was a test of land laws, the SPAM Umbulan project was a test of political orchestration. Analyzed through Bappenas policy papers and Ministry of Finance publications, this case highlights the immense difficulty of coordinating across jurisdictions. The primary institutional challenge identified was achieving a consensus on tariff structures among five different local governments—a reflection of the complex risk profiles inherent in water supply projects (Wibowo & Mohamed, 2010). Two government support mechanisms emerged as the linchpins of success. First, the documents cite the provision of a Viability Gap Fund (VGF) amounting to IDR 818 billion. Crucially, Ministry of Finance records show that this VGF was not just a financial subsidy to lower costs, but a tool to make the tariff politically acceptable to local leaders. Second, in the policy briefs of Bappenas, they say the central government was not simply a regulator, of course, but it was an important go-between and organizer. This hands-on participation was important in bringing together the different needs of the local actors, and at last made possible the historic PPP deal in 2016.

#### Tier 2: Findings on Sectoral Maturation and Regional Diversification

Beyond individual projects, the toll road sector offers the clearest evidence of market maturation. An analysis of government and multilateral reports reveals a striking trajectory of growth. Data from the Toll Road Regulatory Agency (BPJT) shows that the total length of operational toll roads grew exponentially—from approximately 780 km in 2014 to over 2,800 km by the end of 2023—with total PPP investment value exceeding IDR 500 trillion. What drives this explosion? The literature points to structural improvements. While these projects face significant financial risks (Wibowo & Kochendörfer, 2005), the sector has benefited from a predictable user-charge revenue stream. More importantly, documents highlight the effective functioning of the State Asset Management Agency (LMAN). By managing a dedicated land-capping and revolving fund, LMAN has significantly de-risked the land acquisition process for investors.

Finally, the analysis demonstrates that the PPP model is successfully expanding beyond national mega-projects. A review of academic case studies highlights the SPAM Kota Semarang Barat project as a prime example of this diversification. With an investment of approximately IDR 1.2 trillion serving 60,000 households, this project is frequently cited as a successful regional PPP. A recurring finding in analyses of this project (Adiyanti & Fathurrahman, 2021) is the decisive role of local government in proactive engagement. Unlike national projects driven by Jakarta, the success here hinged on the local mayor's leadership in driving the project forward. Furthermore, the fact that this regional project secured a guarantee from PT PII illustrates the scalability of the framework: national-level support institutions are now capable of empowering sub-national infrastructure delivery.

### 3.3 Discussion

This section addresses RQ3 by synthesizing the findings from both phases. The combined analysis connects the quantitative tendencies of the SLR with the qualitative depth of the case studies to explain Indonesia's broader trajectory of policy learning and institutional maturation. Analyzing these findings in the light of New Institutionalism, we explain the distinct trajectory of Indonesia's two-decade PPP journey. It may be said that the analysis sees the transition from a sluggish start to accelerated growth not as a random occurrence, but as the outcome of a certain mechanism: the learning-oriented policy and the maturation of institutions.

#### 3.3.1 The Narrative of Policy Learning: Synthesizing Findings

As the findings are conjectured, they come together into a coherent narrative of evolution. Deliberate, though painful learning saw the shift from the foundational decade to the acceleration decade. This trajectory aligns perfectly with the tenets of New Institutionalism that assume that institutions—the formal and informal rules of the game—are not static, but are actually dynamic and evolve as actors respond to the feedback from their environment (North, 1990; Thelen, 2004). Our analysis raised two essential dimensions of this development. However, before presenting these dimensions, it is necessary to first confront an uncomfortable empirical reality: the foundational decade was not merely an era of strategic groundwork, but also a period marked by genuine structural failure.

A closer examination of the empirical record makes this clear. A more critical reading of the evidence reveals that the slow progress of the foundational decade stemmed from several identifiable structural pathologies, not simply from the inherent complexity of institution-building. A key empirical indicator is striking: of the approximately 159 infrastructure projects planned under the KPS scheme between 2009 and 2014, only a very small fraction reached financial close (Bhakti Utama & Fernando, 2020). This low realization rate points to systemic weaknesses that went beyond regulatory design.

At its core, the problem was threefold. First, government capacity at both central and sub-national levels was demonstrably underprepared for the technical and administrative demands of bankable PPP structuring (Asian Development Bank, 2017b). Second, inter-ministerial coordination was fragmented, with different agencies operating under conflicting incentives and timelines, a condition that Putri and Wirahadikusumah (2019) identified as a structural vulnerability in Indonesia's PPP policy architecture. Third, and perhaps most fundamentally, non-financial barriers—particularly low investor trust stemming from governance concerns and transparency deficits—significantly dampened private sector appetite (Amin et al., 2022). These are not minor implementation frictions; they represent the systemic liabilities that required a decade of painful experience before targeted remedies could be designed.

This reality reframes the foundational decade not as a period of deliberate, strategic foundation-laying—as the official government narrative would suggest—but as a classic case of what Lindblom (1959) called *muddling through*: incremental, reactive policy adjustment driven by the accumulation of failures rather than by a coherent master plan. The succession of transitional regulations—from Perpres No. 13/2010 to Perpres No. 56/2011—can be read as successive attempts to patch the inadequacies of the 2005 framework, each responding to a specific failure mode rather than addressing the system holistically (Stone, 2012). This reactive quality is not a critique of policymakers' intentions; rather, it reflects the inherent difficulty of building complex institutional ecosystems under conditions of political uncertainty and limited state capacity. What is theoretically significant is that this reactive process ultimately *worked*: each incremental adjustment contributed to the institutional learning that eventually enabled the comprehensive overhaul of 2015. In this sense, muddling through was not the antithesis of policy learning—it was its vehicle.

With this critical foundation established, we can now interpret the two positive dimensions of Indonesia's institutional evolution with greater analytical precision. The first dimension is the shift from regulatory theory to implementation reality. The SLR observed within the academic discourse a distinct narrative shift: the early regulations were being criticized as complex (Perpres 67/2005), while the later reforms were praised as streamlined (Perpres 38/2015). But what was the effect of this change on the ground? The answer can be found in the case studies. The PLTU Batang project, that got frozen for many years due to land acquisition stalemates can be used as a textbook example of the foundational challenges, especially when it comes to large-scale electrical infrastructure (Perdana & Rohman, 2021).

Policy learning takes place in the breakthrough of this project. The decision of the government to apply Law No. 2/2012 was not a common administrative procedure, but it was a direct, strategic response to a widely recognized bottleneck. This finding adds depth to the general academic assertion that land acquisition is a problem. It demonstrates how a specific, targeted legal reform—a form of institutional redesign—provided the tangible tool needed to resolve a real-world stalemate. This empirical evidence supports the theoretical argument that successful PPP frameworks require more than just general policies; they demand robust, specific legal instruments tailored to address predictable implementation challenges (Hodge & Greve, 2017).

The second critical dimension that complements these legal reforms is the institutional maturation in practice, particularly regarding the pivotal role of guarantees and state support. Although the literature has constantly emphasized the theoretical importance of institutions like PT PII and mechanisms like the VGF, in the case studies, their deeper operational significance becomes much more evident. The function of a guarantee fund is typically discussed in terms of financial risk mitigation (Hodge & Greve, 2007). However, the PLTU Batang case reveals a more nuanced reality: the critical function of PT PII was psychological as much as financial—it maintained lender confidence throughout a four-year delay. This showcases an institution maturing from a newly-formed entity into a credible risk manager capable of weathering significant turbulence (Verhoest et al., 2015).

In a similar way, the SPAM Umbulan case fundamentally reframes our understanding of the VGF. Although most people usually think of it as a financial subsidy to enhance commercial viability (World Bank, 2020). The analysis demonstrates its crucial function as a political coordination mechanism. By lowering the required tariff, the VGF made the project politically palatable to five different local governments, thereby breaking a complex institutional deadlock. This aligns with the view that barriers to megaprojects are often political rather than purely financial (Flyvbjerg, 2014), a finding that resonates strongly in Indonesia's decentralized landscape, where state-capital relations shape infrastructure delivery (Wijaya & Camba, 2023). In this context, the successful deployment of the VGF serves as empirical proof that the government has learned to use technocratic financial instruments to solve messy, non-financial political problems.

Beyond these two core dimensions, it is important to note that this institutional maturation did not happen in isolation. It was part of a broader ecosystem strengthening. This included the strategic de-bottlenecking efforts led by the KPPIP (and later the PPP Joint Office) and the technical support provided via the Project Development Facility (PDF). Together, these elements formed the soft infrastructure that sustained the acceleration decade.

It is important to situate these findings within the broader scholarly conversation. The trajectory of Indonesia's experience—slow institutional construction followed by an acceleration driven by targeted reforms—resonates with comparative PPP scholarship in other emerging economies. For instance, the critical importance of government commitment and multi-level political coordination, identified in this study through the SPAM Umbulan case, directly mirrors the findings of Adiyanti and Fathurrahman (2021). In their analysis of the West Semarang water PPP, which highlighted strong political support at both central and local levels as decisive success factors.

Equally notable, the persistent challenges at the sub-national level documented in this study find empirical support in more recent evidence: a 2024 study of Availability Payment PPP projects at the regency and municipal level found a success rate of only 6%—just one out of sixteen projects reaching the operational stage—underscoring that institutional maturation at the national level has not yet fully diffused to local governance (Shodiqi et al., 2024). This finding adds an important caveat to any celebratory reading of Indonesia's acceleration decade: the institutional gains remain geographically and administratively uneven.

### 3.3.2 Academic Discourse vs. Government Narrative: A Critical Dialogue

When we put the empirical results of this study in contrast to the official governmental discourse presented in such official sources as the PPP Book 2025 and the RPJMN, a critical dialogue will result. Not only do some of the areas agree, but more interestingly, some of the main narrative fractures are apparent in this comparison. This practice enables us to question the discrepancy between the policy as constructed and the policy as practiced.

The tales are aligned at the macro level. The official narrative, as well as the academic literature (our SLR results) hail the post-2015 period as a true acceleration phase. These two sources are correct in their identification of Presidential Regulation No. 38/2015 and the maturation stage of the major institutions, such as PT PII, as the main catalysts of this success. In this respect, our results prove the government's diagnosis of its reforms as largely accurate and substantially reinforced by the examination of external academics.

Yet, the story breaks upon looking back at the foundational decade (2005-2014). The official account is a retrospective description of this as an era of calculated, tactical foundation-laying. This, in theory, is a conventional policy narrative—a logical, rational narrative that governments build up to justify their activities and offer the process of evolution as deliberate, linear (Stone, 2012). The results we got paint an even grittier picture. The scholarly presentation during that period was dominated by frustration, constant hindrances, and halting projects. This implies that the foundational learning was not a planned, high-level strategy, but a problem-driven, reactive process.

This truth of muddling through (Lindblom, 1959) is visibly marked in the history of regulation. This is seen through the publication of transitional regulations, including Presidential Regulation No. 13/2010 and No. 56/2011. These rules were more of patchwork efforts to correct the errors of the 2005 framework, and not part of a comprehensive plan, until the government finally made a firm effort at the mega-overhaul in 2015.

Moreover, this discussion reveals a disconnection between the official role of policy tools and their real use. The Viability Gap Fund (VGF) is officially defined only as an instrument of financial viability gap filler of a strictly technocratic nature. The implementation of our case study of SPAM Umbulan, however reveals a different form of reality. It shows the important role of the VGF as a political tool for organizing the consensus between the conflicting local governments. The fact of this phenomenon is thoroughly documented in organizations engaged in a complex institutional environment (Meyer & Rowan, 1977; Scott, 2013). The VGF was legitimately adopted to be used for a legitimate purpose but the practical implementation of the same was scaled down to meet a sticky, informal political dilemma. This discovery adds to the official discourse. It unveils the institutional art of the real world as it shows how the government players learn to skillfully apply technocratic instruments to address the most profoundly political issues.

### 3.3.3 Global Context, Theoretical Contributions, and Policy Implications

Although these findings are specific to the Indonesian archipelago, they are adding value to the global discussion of PPP. The experience of Indonesia is quite similar to global trends; its major issues are similar to those recorded in other emerging economies (Osei-Kyei & Chan, 2015; World Bank, 2017), and the policies used are more of a calculated adoption of global best practices. This conforms to the shared incentives of governments in developing countries to embrace PPP policies, mainly to have access to privately sourced money and resources (Osei-Kyei & Chan, 2018). This tendency is quite evident in the establishment of special guarantee funds and PPP departments (Hodge & Greve, 2017) and the drive towards wide-scale regulatory change—a process that is ongoing in Indonesia, including via projects such as the Omnibus Law (Helmi et al., 2021). In this way, it can be argued that Indonesia has played an active role in the international diffusion of infrastructure policy ideas.

Viewed through the lens of the Sustainable Development Goals, Indonesia's PPP trajectory carries clear implications for SDG 9 (Industry, Innovation and Infrastructure), which calls for resilient and inclusive infrastructure as a driver of economic development. Beyond infrastructure alone, the political coordination role of mechanisms like the VGF — bridging central and local governments to unlock stalled projects — also reflects the spirit of SDG 17 (Partnerships for the Goals), which emphasizes multi-stakeholder collaboration as a key means of implementation. The lesson here for other developing countries is not simply to copy Indonesia's specific tools, but to understand the sequencing logic behind them: building the institutional and regulatory foundation first, before pushing for large-scale project delivery.

Nevertheless, the differences that are expressed in this analysis provide two important theoretical contributions. To begin with, our findings question the insufficiency of static analytical frameworks, including traditional lists of Critical Success Factors (CSFs). Our twenty-year discussion shows that a PPP framework is a learning and adaptive evolutionary system, and it is possible that future scholarly research

will shift to more process-based frameworks that can explain policy learning and institutional maturation. Second, this paper explains the necessity to go beyond the technocratic model of PPP. The fact that the financial instrument (VGF) was installed to address a political coordination issue confirms the literature that argues the major obstacles to megaprojects are not financial but rather political (Flyvbjerg, 2014). This underscores the strong interpenetration of financial and political aspects and, as such, calls for a greater theoretical integration of the prospects of public administration and political economy within the mainstream of the PPP literature.

Finally, the analysis produces a number of action-ready policy implications. This was mainly because the main rule is the necessity of strategic patience; the acceleration decade could happen because investment in the long-term in the soft infrastructure of laws and institutions was made. This is the essence of continued empowering of enabling institutions such as PT PII, which will give them the means and political support needed to carry out their operations in a credible manner. In addition, the results suggest a change in state capacity to develop the government as an adept negotiator, as opposed to just a regulator. Finally, the maturation of the toll road sector is a clear indication that the one-size-fits-all strategy cannot be the best solution, and the government should work out the specific, sector-oriented strategies that will focus on narrowing the bottlenecks of various categories of infrastructure.

## Conclusion

The paper has traced the evolutionary arc of Public-Private Partnerships in Indonesia, explaining the critical transition from the sluggish foundational period (2005–2014) to the era of accelerated implementation (2015–2024). We were able to unravel a multi-layered narrative by synthesizing a Systematic Literature Review with deep-dive case studies. Although the academic literature correctly identifies the post-2015 policy surge, the case study evidence adds an important level of granularity: it proves that project breakthroughs were not magical occurrences, but were directly enabled by targeted legal reforms and the adept deployment of state support mechanisms. By far, the most interesting finding was how the Viability Gap Fund (VGF) functioned beyond its financial role, serving as a vital instrument for political coordination. Moreover, the explicit inclusion of supporting bodies like PDFs, KPPIP, and GCAs highlights that success was driven by a holistic PPP ecosystem, not just individual projects.

In its essence, this research reframes the narrative of Indonesia's PPP journey. We argue that it should not be viewed as a simple binary of failure followed by success, but rather as a continuous, coherent process of policy-oriented learning. The foundational decade was not a lost era of stagnation; it was a necessary investment in soft infrastructure—building the laws, institutions, and state capacities that became the essential preconditions for the tangible successes of the acceleration decade. The painstaking development of institutions like PT PII and the hard-won lessons from early stalled projects were fundamental. It is due to that initial friction that the robust and credible PPP framework we see today would not exist.

As discussed in Section 2.3, this study's use of publicly-accessible documents and purposive case selection necessarily bound the scope of its findings. It is precisely these boundaries that shape a productive agenda for future research. With Indonesia progressing towards using PPPs to better represent more complicated sectors, including social infrastructure, and align them with the national agenda on sustainable finance in general (Setyowati, 2023), new questions will certainly arise.

In the future, the experience of the initial two decades is always the most important. Strategic patience will be demanded, there will be more necessity to strengthen the main institutions of the state and develop the ability of the government as a good orchestrator than ever. In conclusion, the case of Indonesia is a living proof that there is indeed only one truth: the road to the successful PPP program is a long, painstaking institutional-building project, it is not a race to complete projects.

## Acknowledgments

The author would like to give his deepest thanks to everyone who gave priceless help, information, and input throughout the time of the research and writing of this paper. It is entirely up to the author for any remaining errors, omissions, or interpretations.

## References

- Adiyanti, N. P., & Fathurrahman, R. (2021). Assessing Critical Success Factors for PPP Water Project in Indonesia: Lessons from West Semarang. *Policy & Governance Review*, 5(2), 164. <https://doi.org/10.30589/pgr.v5i2.372>
- Amin, A., Ahmad, M. A. N., Sholihin, M., & Abdul Rahman, R. (2022). Trust in Government and Public-Private Partnership on Infrastructure Financing: Indonesian Experience. *International Journal of Academic Research in Business and Social Sciences*, 12(10). <https://doi.org/10.6007/ijarbs/v12-i10/14861>
- Asian Development Bank. (2017a). *Meeting Asia's Infrastructure Needs*. <https://doi.org/10.22617/FLS168388-2>
- Asian Development Bank. (2017b). *Public-Private Partnership Monitor*. <https://doi.org/10.22617/TCS179134-2>
- Asian Development Bank. (2021). *Public-Private Partnership Monitor: Indonesia*. <https://doi.org/10.22617/SGP210069-2>
- Bhakti Utama, A., & Fernando, R. (2020). KAJIAN EMPIRIS PENYEBAB RENDAHNYA TINGKAT REALISASI PROYEK INFRASTRUKTUR KERJASAMA PEMERINTAH DAN SWASTA (KPS) DI INDONESIA. *ORBITH*, 16(2), 77–88.
- Bowen, G. A. (2009). Document Analysis as a Qualitative Research Method. *Qualitative Research Journal*, 9(2), 27–40. <https://doi.org/10.3316/QRJ0902027>
- Braun, V., & Clarke, V. (2006). Using thematic analysis in psychology. *Qualitative Research in Psychology*, 3(2), 77–101. <https://doi.org/10.1191/1478088706qp063oa>
- Creswell, J. W. ., & Plano Clark, V. L. . (2018). *Designing and conducting mixed methods research*. SAGE.
- Dao, N. H., Marisetty, V. B., Shi, J., & Tan, M. (2020). Institutional quality, investment efficiency, and the choice of public–private partnerships. *Accounting & Finance*, 60(2), 1801–1834. <https://doi.org/10.1111/acfi.12514>
- Flyvbjerg, B. (2014). What you Should Know about Megaprojects and Why: An Overview. *Project Management Journal*, 45(2), 6–19. <https://doi.org/10.1002/pmj.21409>
- Gisselquist, R. M. (2012). *WIDER Working Paper No. 2012/30 Good Governance as a Concept, and Why this Matters for Development Policy*. [www.wider.unu.edu](http://www.wider.unu.edu)
- Grimsey, Darrin., & Lewis, Mervyn. (2007). *Public private partnerships : the worldwide revolution in infrastructure provision and project finance*. Edward Elgar.
- Helmi, H., Fitria, F., & Kusniati, R. (2021). PENGGUNAAN OMNIBUS LAW DALAM REFORMASI REGULASI BIDANG LINGKUNGAN HIDUP DI INDONESIA. *Masalah-Masalah Hukum*, 50(1), 24–35. <https://doi.org/10.14710/mmh.50.1.2021.24-35>
- Hodge, G. A., & Greve, C. (2007). Public–Private Partnerships: An International Performance Review. *Public Administration Review*, 67(3), 545–558. <https://doi.org/10.1111/j.1540-6210.2007.00736.x>
- Hodge, G. A., & Greve, C. (2017). On Public–Private Partnership Performance. *Public Works Management & Policy*, 22(1), 55–78. <https://doi.org/10.1177/1087724X16657830>
- Kurdi, & Irfan Polem. (2025). THE ROLE OF PUBLIC-PRIVATE PARTNERSHIPS (PPP) IN OVERCOMING BUDGETARY AND BUREAUCRATIC BARRIERS IN INFRASTRUCTURE DEVELOPMENT IN INDONESIA. *Bengkoelen Justice : Jurnal Ilmu Hukum*, 15(1), 44–63. <https://doi.org/10.33369/jbengkoelenjust.v15i1.38836>
- Lindblom, C. E. (1959). The Science of “Muddling Through.” *Public Administration Review*, 19(2), 79–88. <https://doi.org/10.2307/973677>
- Mandasari, V., & Wahyuni, E. T. (2019). Infrastructure Development by Public-Private Partnership in Indonesia: A Systematic Literature Review. *CSID Journal of Infrastructure Development*, 2(2), 153. <https://doi.org/10.32783/csid-jid.v2i2.90>

- Meyer, J. W., & Rowan, B. (1977). Institutionalized Organizations: Formal Structure as Myth and Ceremony. *American Journal of Sociology*, 83(2), 340–363. <https://doi.org/10.1086/226550>
- Ministry of National Development Planning/Bappenas. (2025). *Public Private Partnerships : Infrastructure project plan in Indonesia 2025 (PPP BOOK 2025)*. [https://perpustakaan.bappenas.go.id/e-library/file\\_upload/koleksi/dokumenbappenas/konten/Dokumen%202025/Konten/PPP%20Book%202025.pdf](https://perpustakaan.bappenas.go.id/e-library/file_upload/koleksi/dokumenbappenas/konten/Dokumen%202025/Konten/PPP%20Book%202025.pdf)
- North, D. C. (1990). *Institutions, Institutional Change and Economic Performance*. Cambridge University Press. <https://doi.org/10.1017/CBO9780511808678>
- Osei-Kyei, R., & Chan, A. P. C. (2015). Review of studies on the Critical Success Factors for Public–Private Partnership (PPP) projects from 1990 to 2013. *International Journal of Project Management*, 33(6), 1335–1346. <https://doi.org/10.1016/j.ijproman.2015.02.008>
- Osei-Kyei, R., & Chan, A. P. C. (2018). COMPARATIVE STUDY OF GOVERNMENTS' REASONS/MOTIVATIONS FOR ADOPTING PUBLIC-PRIVATE PARTNERSHIP POLICY IN DEVELOPING AND DEVELOPED ECONOMIES/COUNTRIES. *International Journal of Strategic Property Management*, 22(5), 403–414. <https://doi.org/10.3846/ijspm.2018.5223>
- Page, M. J., McKenzie, J. E., Bossuyt, P. M., Boutron, I., Hoffmann, T. C., Mulrow, C. D., Shamseer, L., Tetzlaff, J. M., Akl, E. A., Brennan, S. E., Chou, R., Glanville, J., Grimshaw, J. M., Hróbjartsson, A., Lalu, M. M., Li, T., Loder, E. W., Mayo-Wilson, E., McDonald, S., ... Moher, D. (2021). The PRISMA 2020 statement: an updated guideline for reporting systematic reviews. *BMJ*, n71. <https://doi.org/10.1136/bmj.n71>
- Perdana, A. P., & Rohman, M. A. (2021). Land Acquisition Problems Project for Electrical Infrastructure Development. *IPTEK Journal of Proceedings Series*, 0(1), 178. <https://doi.org/10.12962/j23546026.y2020i1.8484>
- Putri, R., & Wirahadikusumah, R. D. (2019). Readiness of local government in PPP project development - case of LRT Bandung. *MATEC Web of Conferences*, 270, 05002. <https://doi.org/10.1051/mateconf/201927005002>
- Sabatier, P. A. ., & Jenkins-Smith, H. C. . (1993). *Policy change and learning : an advocacy coalition approach*. Westview Press.
- Sam Farrands, Tian Xu, Chris Cheng, Serafina Muryanti, & Emir Nurmansyah. (2025, July 8). *Public-Private Partnerships in Asia - Indonesia Guide*. King & Wood Mallesons. <https://www.kwm.com/global/en/insights/latest-thinking/public-private-partnerships-in-asia-indonesia-guide-2025.html>
- Scott, W. Richard. (2013). *Institutions and organizations : ideas, interests, and identities*. SAGE Publications, Inc.
- Setyowati, A. B. (2023). Governing sustainable finance: insights from Indonesia. *Climate Policy*, 23(1), 108–121. <https://doi.org/10.1080/14693062.2020.1858741>
- Shodiqi, A. Z. I., Tamin, R. Z., & Mahani, I. (2024). Study on Basic Requirements and Critical Success Factors (CSFs) of Implementing Availability Payment in Public-Private Partnership in Regency/Municipal Government: A Case Study of Public Street Lighting in Bandung Municipal and Madiun Regency. *Journal of the Civil Engineering Forum*, 10(3), 287–298. <https://doi.org/10.22146/jcef.12564>
- Stone, D. A. . (2012). *Policy paradox : the art of political decision making*. W.W. Norton & Company.
- Thelen, K. (2004). *How Institutions Evolve*. Cambridge University Press. <https://doi.org/10.1017/CBO9780511790997>
- Verhoest, K., Petersen, O. H., Scherrer, W., & Soeipto, R. M. (2015). How Do Governments Support the Development of Public Private Partnerships? Measuring and Comparing PPP Governmental Support in 20 European Countries. *Transport Reviews*, 35(2), 118–139. <https://doi.org/10.1080/01441647.2014.993746>

- Wibowo, A., & Alfen, H. W. (2015). Government-led critical success factors in PPP infrastructure development. *Built Environment Project and Asset Management*, 5(1), 121–134. <https://doi.org/10.1108/BEPAM-03-2014-0016>
- Wibowo, A., & Kochendörfer, B. (2005). Financial Risk Analysis of Project Finance in Indonesian Toll Roads. *Journal of Construction Engineering and Management*, 131(9), 963–972. [https://doi.org/10.1061/\(ASCE\)0733-9364\(2005\)131:9\(963\)](https://doi.org/10.1061/(ASCE)0733-9364(2005)131:9(963))
- Wibowo, A., & Mohamed, S. (2010). Risk criticality and allocation in privatised water supply projects in Indonesia. *International Journal of Project Management*, 28(5), 504–513. <https://doi.org/10.1016/j.ijproman.2009.08.003>
- Wijaya, T., & Camba, A. (2023). The politics of public–private partnerships: state–capital relations and spatial fixes in Indonesia and the Philippines. *Territory, Politics, Governance*, 11(8), 1669–1688. <https://doi.org/10.1080/21622671.2021.1945484>
- Winata, L. E., & Gultom, Y. M. L. (2024). The effects of governance on performance: the case of Public–Private Partnership (PPP) toll roads in Indonesia. *International Journal of Construction Management*, 24(13), 1398–1406. <https://doi.org/10.1080/15623599.2023.2219937>
- World Bank. (2017). *Public-Private Partnerships: Reference Guide Version 3*. World Bank, Washington, DC. <https://doi.org/10.1596/29052>
- World Bank. (2020). *INFRASAP INSIGHTS A Retrospective Synthesis of Identified Challenges and Roadmaps to Achieve Infrastructure Development Goals*. <https://documents1.worldbank.org/curated/en/099032625235026411/pdf/P178264-99a201a3-a154-4bfc-9759-cb2db38b104a.pdf>
- World Bank. (2021). *Boosting the Recovery*. <https://www.worldbank.org/en/country/indonesia/publication/indonesia-economic-prospects-iep-june-2021-boosting-the-recovery>
- Yin, R. K. (2018). *Case study research and applications : design and methods*. SAGE Publications, Inc.