

Infrastructure Investment Law Formulation to Ensure Low Transaction Cost at Policy Level: Case Study of Public Private Partnership Project at the Ministry of Public Works and Housing of the Republic of Indonesia

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Abstract : Public private partnership (PPP) scheme was considered as an alternative source of funding for infrastructure provision. However, the performance of PPP scheme and interest of private sector to participate in the provision of infrastructure was still practically low. This phenomenon motivates the research to reconstruct the form of collaborative governance at the policy level from the perspective of transaction cost of the PPP scheme. Soft-system methodology (SSM)-based action research was used as this research methodology. The result of this study concludes that the emergence of transaction cost sources at the policy level is caused by the absence of a law that governs infrastructure investment, especially the implementation of PPP scheme. This absence is causing the imbalance in risk allocation and risk mitigation between the public and private sector. Thus, this research recommended the formulation of infrastructure investment law that aims to minimize asymmetry information, to anticipate the principal-principal problems, and to provide legal basis that ensures risk certainty and guarantee fair risk allocation between public and private sector.

Keywords : public governance, public private partnership, soft system methodology, transaction cost

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