Risks Analysis on Public Private Partnership on Market Development Projects in Surabaya

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ABSTRACT

Cooperation between Private and Government or commonly known as Public Private Partnership (PPP) is a contractual agreement between government institution and private institution. With PPP concept, it is expected the funding difficulty will be resolved by the fund from the investors. The advantages of PPP implementation are the increasing of public participation, the increasing of government and private’s effectiveness because of the procurement of public facility, technology transfer, and the increasing of accountability. On the other hand, apart from those benefits, PPP also has several weaknesses, there are risks for the institutions involved in the project, some of them are lack of interest to invest in the project and no fund availability from the investors. Some previous studies had analyzed PPP risks on clean water procurement project, tol road project, and on PPP scheme projects in China. But, none of these studies based their research on market development. It emerges the necessity to conduct a risk analysis about PPP on market development project seen from the government point of view as the project owner.

Population and sample in this research is the government involved in the market development project which uses PPP concept in Surabaya. Data from the questioner is analyzed using Saverity Index and Probability Impact Matrix. From this research, it was found 13 risks which have great impact on PPP. Those 13 risks are (1) The emergence of new competitors in shopping center business. (2) The lack of interest to invest on PPP projects. (3) No fund availability from the investors. (4) Investors’ financial worsening during the project. (5) Inadequate experience in building shopping center (market). (6) The number of stands/stalls that are sold is below expectation (many of those are still empty). (7) Lack of supervision on the budget from the government. (8) The quality during the construction and operation is not the same. (9) Construction delay. (10) The high cost of land release. (11) Investors’ inability to pay capital loan. (12) The investors’ inability to manage, build, operate, and finance the market. (13) Lack of support from the society, council, and government.

Key words: Probability Impact Matrix, Public Private Partnership, Risk Analysis, Severity Index