RISK MANAGEMENT IN PRIVATELY FINANCED PUBLIC PROJECTS
(CASE STUDY: WATER SUPPLY PROJECT OF AREA X)

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Abstract

The population of area X has increased significantly from year to year, so that the needs for clean water are increasing too. This condition encourage the local government of area X through PDAM X to improve the quality service of water supply. However, based on data from PDAM X in 2000, PDAM X only has a production capacity of 720 liters / sec (Tjahyono, 2002). The capacity only able to serve 17.17% of total water that required by the community. In addition, since 2000 Indonesia with other 189 countries have agreed on a global commitment to achieve eight development targets that summarized in the deal world, named the Millennium Development Goals (MDGs) (Stalker, 2008). One of the Eight development targets is the environmental issues in which to discuss issues of water supply. Based on the Indonesia’s achievement in status of the MDGs, it is known that the access of urban drinkable water only reaches 30.8% while the target to be achieved by 2015 is 67.7%. Access to rural drinkable water only reached 9%, while the targets to be achieved is 52.8%.

To overcome the shortage of water supply, PDAM X should increase the number of water treatment plant (WTP) or increase the production capacity of the existing WTP. However, the implementation of WTP development projects is costly. Because of the limited funds that are owned by the PDAM X, then
the PDAM X held a public projects of drinking water supply projects that funded privately, where the rules on such cooperation are set out in INMENDAGRI (Instruction of the Minister of Home Affairs) No. 21 year 1996 on the instructions of cooperation of local water government with private company. That particular privately funded public projects are realized as rehabilitation projects uprating operate transfer (RUOT) project (www.perpamsi.or.id) by the private companies so hopefully the problems of water shortage can be resolved. Cooperation with other parties, of course, will increase the risks that may arise during the drinkable water supply projects. Therefore, it is necessary to manage the risk which may cover the interest of all parties involved in the projects effectively (Ozdoganm and Birgonul, 2000).

Therefore, this study will conduct a process of risk management project starting from identifying, analyzing, and evaluate the risks that arise on RUOT Project in drinkable water project of PDAM X using the severity index X and the probability impact grid. Then allocate those risks to the parties that involved in the partnership using descriptive statistical analysis, risk mitigation and provide recommendations that must be done by both parties, both the PDAM X and the private parties. The results from this study is that there are 7 risks classified as high risk, 7 risks as medium risk, and 6 risks as low risk. In addition, from risk allocation result there are 10 risks that allocated both to the government and private parties. The process then followed by giving the proposed mitigation to handle the risks.

**Keywords:** Project Risk Management, Public Private Partnership Projects, Severity Index, Probability Impact Grid, Descriptive Statistics Analysis