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Sharia Public Private Partnership: An Alternative Financing For Infrastructure Development In Indonesia

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Sharia Public-Private Partnership (Sharia PPP), Infrastructure Development Financing, Islamic Financing.

Abstract

Infrastructure development in Indonesia requires diverse and sustainable sources of financing, because the Indonesian APBN/APBD is not sufficient to finance Indonesian infrastructure financing needs, so other alternative sources of financing are needed. The aim of this research is to examine the role of Sharia Public Private Partnership (Sharia PPP) as an alternative financing for infrastructure development in Indonesia. The research is qualitative research in the form of descriptive analysis through library research, literature and government policies/regulations. The research results show that regulatory the Sharia PPP has a legal basis and the government has provided support, facilities (by establishing financing and guarantee institutions) and incentives for PPP projects, however its implementation still faces obstacles in terms of institutional readiness, sharia financial literacy, sharia financing instruments, size Indonesia's Islamic Bank asset as well as lack understanding of business entities and market players.

***Keywords**: Sharia Public-Private Partnership (Sharia PPP), Infrastructure Development Financing, Islamic Financing.*

INTRODUCTION

In the Indonesian Long-Term Development Plan (RPJP) 2025-2045 It is stated that one of the priorities of national development is infrastructure development and is referred to as a key factor (*enabler*) in achieving national development goals, including increasing competitiveness, equitable development, and economic growth (Undang-Undang Republik Indonesia Nomor 59 Tahun 2024 Tentang Rencana Pembangunan Jangka Panjang Nasional Tahun 2025-2045, 2024). Infrastructure development will strengthen national connectivity and the development of basic infrastructure such as clean water, sanitation, housing and electricity, food security, energy and water security, and the development of mass transportation systems in urban areas will help boost national economic growth (Friendica M & Putra, 2022). An appropriate and solid infrastructure is expected to be able to contribute well to a country's economy (Gunawan, n.d.-a).

The Minister of Finance of the Republic of Indonesia estimates that the financing needs for infrastructure development in Indonesia in 2025-2029 will reach around US$ 625,37 billion or equivalent Rp 10.162 trillion (kurs 16.250), while the government budget can only meet around 40% or US$ 250,15 billion or equivalent Rp. 4.065 trillion, so that there is a shortage of approximately US$ 375,22 billion or equivalent Rp 6.097 trillion (Arini, 2025). This causes the government to have to find other sources of funding for the shortage. Infrastructure financing which is mostly long-term can be carried out through several schemes where the most commonly used scheme is funding through APBN/APBD And BUMN/BUMD. Furthermore, through social responsibility programs from corporate social responsibility/CSR private sector and community participation. As private sector participation on a more limited scale can also help more or less in development infrastructure in Indonesia (Suhendra, 2017). In addition, the government can open more participation from the business sector, both private and BUMN in a mutually beneficial partnership program through the Public Private Partnership scheme either through government initiatives (*solicited*) as well as business entity initiatives (*unsolicited*) (Irwanugroho, 2019) with conventional and sharia schemes.

By involving business entities, both private and/or BUMN in the scheme PPPs will provide business entities with the opportunity to play a role in building a more adequate, accountable, effective, efficient and sustainable service provision to the public, even though the process of providing infrastructure through the scheme is time-consuming. PPPs can take longer and more costly than financing from APBN/APBD. However, with a good and fair risk sharing between the government and business entities and continuous benefits for business entities so that in the long term this scheme is believed to be able to provide benefits for both business entities and the government (Putri & Putri, 2020). Infrastructure projects that can be carried out with the PPPs scheme are quite many and diverse, including transportation infrastructure such as the construction of toll roads, non-toll roads, bridges, airports, ports, trains, MRT, LRT, terminal and logistics facilities, energy infrastructure and power-electricity such as the construction of PLTA, PLTU, PLTP and PLTS, and renewable energy infrastructure, water and irrigation resources such as reservoirs, dams and irrigation and flood control networks, drinking water and sanitation infrastructure, telecommunications and informatics infrastructure, health infrastructure, educational infrastructure, housing and residential infrastructure, tourism infrastructure, waste and waste treatment infrastructure and others that have high public benefit value, technically feasible, financial, economic, and environmental, cannot be adequately financed from only APBN/APBD and attractive for business entities to collaborate with.

In terms of legal basis, the government of the Republic of Indonesia has regulated the mechanism for the implementation of Government Cooperation with Business Entities in Presidential Regulation Number 38 of 2015 concerning Government Cooperation with Business Entities in the Provision of Infrastructure, the core of which is to formalize the scheme PPPs as a form of cooperation between the government and business entities in building the provision of public infrastructure and an explanation of the definition, objectives and main points in the PPPs, then there is a Ministerial Regulation PPN/Kepala Bappenas Nomor 7/2023 (which updates Ministerial Regulation Number 4/2015 (and the revision of the year 2020) where this Ministerial Regulation regulates the implementation procedures PPPs as well as several other supporting Ministerial Regulations that regulate the implementation of PPPs Further.

To attract business entities and sharia financing from Indonesian and foreign Islamic financial institutions that require sharia schemes or schemes that do not violate Islamic sharia in the provision of infrastructure for the public, the government (*solicited*) or business entities (*unsolicited*) as initiating a project KPBU can offer schemas PPPs Sharia to complement alternative infrastructure and financing provision involving business entities and financial institutions both from within and outside the country. Project integration PPPs with sharia principles will be an innovative step to help encourage transparent, inclusive, and sustainable development. PPPs Sharia-based is also expected to attract not only relatively limited domestic investment but also multilateral institutions such as the Islamic Development Bank and major Islamic banks in the world (Sandy, 2024). For this reason, this study is aimed at researching the role of Public Private

Partnership (PPPs) Sharia as one of the methods of financing infrastructure development in Indonesia when there are limitations APBN Indonesia, so it is hoped that the government can be more optimal in providing the infrastructure needed by the Indonesian people from several sources of financing other than APBN/APBD.

Theoretical Framework

There are several definition of PPPs, the first definition from World Bank "a long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility and remuneration is linked to performance" *(Public Private Partnership Resource Center, 2017)*. Based on Government Regulation Number 38 of 2015 PPPs is defined as cooperation between the Government and a Business Entity in the provision of its infrastructure and/or services for the public interest referring to the specifications that have been previously set by the Government, which partially or fully use the resources of the business entity with regard to the sharing of risks between the parties. Then Asian Development Bank (ADB) give definition "a contractual arrangement between the public and private sectors whereby resources and risks are shared for the delivery of public infrastructure or services"(Asian Development Bank, n.d.). Next Organisation for Economic Co-Operation and Development (OECD) Define PPPs as "an agreement between the government and one or more private partners (which may include the operators and the financers) according to which the private partners deliver the service in such a manner that the service delivery objectives of the government are aligned with the profit objectives of the private partners and where the effectiveness of the alignment depends on a sufficient transfer of risk to the private partners" (Organisation For Economics Co-Operation And Development, 2008). By the four definitions PPPs above can be concluded:

Aspects	Indonesia (PP 38/2015)	World Bank	ADB	OECD
Long-term contracts	✅	✅	✅	✅
Transfer risk	✅ (to business entities)	✅ (to private)	✅ (Sharing risks)	✅
Performance-based payments	Not explicitly emphasized	✅	⚠️ (not always)	⚠️ (not always)
Purpose	Provision of infrastructure	Public services and infrastructure	Infrastructure and public services	Public services

As an alternative to building infrastructure provision by involving business entities, both private and BUMN, PPPs also aimed at inviting the private sector to participate in the provision of infrastructure so that it is expected to improve the quality of products and better public services, increase efficiency because in some sectors business entities have more advanced technology, *know-how*, and systems, man power and experience in providing infrastructure services compared to if it is done by the government. The main purpose of using the scheme PPPs among other things, it is to improve effectiveness and efficiency, better quality of products and public services, the existence of capital and risk sharing between the government and business entities as well as the competence or expertise of human resources (Hendratni et al., 2021), also to meet the need for funding in a sustainable manner in the development and provision of non-profit infrastructure. APBN/APBD, create a healthy investment climate for infrastructure provision for business entities, encourage the use of the principle of service users pay for the services they receive while still considering the ability to pay users, and provide certainty of return on investment of business entities through periodic payment mechanisms by the government to business entities in the development of infrastructure provision (Setiajatnika et al., 2023). Coordination between financial and banking institutions, including Islamic financial and banking institutions, with governments and business entities needs to be strengthened to create a more integrated and effective infrastructure ecosystem (Dina et al., 2024). From the side of the initiator (the party who started the project) of the PPPs project divided into two types:

1. PPPs project on the initiative of the government
   - PPPs projects which is initiated by the government, which then offered the project to business entities to cooperate with.
   - The government sets the project specifications and risk sharing that will be borne by the government and business entities.
2. PPPs initiative by business entity (*unsolicited*)
   - PPPs project which is initiated by the business entity to the government with the initiative of the business entity itself.
   - Business entities must submit proposals that meet the technical, financial and economic feasibility requirements, and are able to demonstrate the existence of adequate financial resources to build the provision of infrastructure services.
   - The government will then evaluate the proposal and decide whether to proceed with the PPPs project or not (Peraturan Menteri Pekerjaan Umum dan Perumahan Rakyat Nomor 2 Tahun 2021 Tentang Tata Cara Pelaksanaan Kerja Sama Pemerintah Dengan Badan Usaha Dalam Penyediaan Infrastruktur, 2021).

The PPPs project scheme commonly used consists of operation and maintenance (O&M), build-finance (BF), design-build-finance-maintenance (DBFM), design-build-finance-maintain-operate (DBFMO) and concessions. The most common PPPs scheme in Indonesia are design, build, finance, operate, maintenance (DBFOM) (Yusuf & Wibowo, 2024).

Next PPPs Sharia is defined as "cooperation between the government and business entities in the provision of infrastructure for the public benefit using Islamic sharia principles, including in terms of financing, contracts, and risk management, without involving elements of riba, gharar, and maysir". Legal basis KPBU Shariah can be seen in:

1. Regulation of the Minister of Finance (PMK) No. 60 Year 2020 About Infrastructure Financing Through PPPs Schemes with Sharia Approach. KPBU It can be done with sharia financing, using contracts such as ijarah, mudharabah, musharakah, and others.
2. Fatwa DSN-MUI (Dewan Syariah Nasional – Majelis Ulama Indonesia): Contracts used in PPPs must be in accordance with the following fatwas (DSN - MUI, n.d.):

Shariah Contract	Fatwa DSN-MUI
Ijarah	Fatwa DSN No. 09/DSN-MUI/IV/2000
Musyarakah	Fatwa DSN No. 08/DSN-MUI/IV/2000
Mudharabah	Fatwa DSN No. 07/DSN-MUI/IV/2000
IMBT (Ijarah Muntahiya Bittamlik)	Fatwa DSN No. 27/DSN-MUI/III/2002

3. KNEKS (National Committee on Sharia Economics and Finance): Supporting the development of sharia-based infrastructure financing as part of strengthening the national sharia economy, one of which is by issuing guidelines for business entities for optimizing sharia financing (Sandy, 2024).

Deducable differences conventional PPPs with Sharia PPPs are as follows:

Aspects	KPBU Conventional	KPBU Sharia
Project	Provision of infrastructure for the public interest	Provision of infrastructure for the public interest with Islamic sharia principles (does not contain elements of riba, gharar, and maysir)
Sources of funding	Commercial loans, bonds	Sharia contracts (mudharabah, musyarakah, ijarah, etc.) and sukuk.
Interest element (riba)	Allowed	Forbidden
Contract mechanism	General law agreements	Sharia contract-based agreements
Risk assessment	Conventional	*Syariah-based risk sharing*
Supervision	Government and technical agencies	Government + Sharia Supervisory Board (Dewan Pengawas Syariah – DPS)

Infrastructure provision scheme with a PPPs scheme is a funding scheme where the government and business entities share project risks. Business entities are allowed to seek funding to be able to finance the capital dan operational expenditure PPPs project. For the financing of infrastructure projects, business entities in addition to using their own funds. It can also seek loans or financing from investors, banks and other financial institutions. With the increasing sharia financing in banks, the PPPs not only can use the conventional banking system but can also use a financing system with a sharia mechanism to find financing funds from lenders and investors who want to finance with a sharia scheme. PPPs sharia scheme has now basically been socialized by the National Committee for Sharia Economics and Finance (KNEKS) with the Ministry of Public Works and PT Penjaminan Infrastruktur Indonesia (Persero) where these three agencies have issued Concept Note sharia PPPs that can be used as a reference for the implementation of Sharia PPPs in Indonesia (Gunawan, n.d.-b).

PPPs sharia project requirements are basically the same as a project KPBU conventional, but supplemented with provisions that are in accordance with sharia principles. Here are the main requirements of the sharia PPPs project in Indonesia:

1. Project feasibility
   A PPPs project must have technical, economic, social, and environmental feasibility. PPPs project must have a project feasibility study that assesses the project's potential profitability and ability to attract investors.

Return PPPs scheme that can be applied in the PPPs sharia scheme:

Schema	Return Source	Suitable for Projects KPBU	Appropriate Shariah Scheme
User Charge (payment mechanism obtained from tariffs or fees paid directly by infrastructure service users)	Direct users (customers)	Tolls, electricity	Ijarah (rental for infrastructure)
Availability Payment (payment mechanism from the Government to Business Entities in PPP (Government Cooperation with Business Entities) projects, based on the availability of infrastructure services, not from direct user tariffs)	Government	Hospitals, schools and public infrastructure facilities	Ijarah/IMBT/Sukuk Ijarah (a kind of asset-based sharia bond)
Viability Gap Fund - VGF (funding support from the government to assist PPP projects that are economically feasible but is not financially feasible for business entities).	Government Grants	Social projects	Permissible (not usury)
Annuity Payment	Government (annual installments)	*Build, Operate, Transfer*) (BOT)/*Build,Transfer, Operate* (BTO)	Ijarah or Musyarakah
Equity Return	Project advantages	Open investment	Musyarakah/Mudharabah (capital cooperation contract/capital and energy cooperation contract)
Asset Buyback/Transfer	Government buybacks	*Build,Transfer, Operate* (BTO) / *Build, Own, Operate* (BOO)	IMBT (lease with the transfer of assets at the end of the lease period)

2. Conformity with sharia principles
   PPPs project must be based on Islamic morals in muamalah, does not contain riba, gharar (ambiguity), and maysir (speculation/gambling) approved by the Sharia Supervisory Board (Dewan Pengawas Syariah - DPS).
3. Regulatory support that refers to:
   - Regulation of the Minister of Finance (PMK) Number 60/PMK.08/2020 about Infrastructure Financing through PPPs.
   - Presidential Regulation Number 38 Year 2015 about PPPs.

- Fatwa DSN-MUI related to sharia contracts.
- Indonesia's Sharia Economy Masterplan by KNEKS.
- And other related regulations.

4. There is cooperation between the government and business entities.
   The government, either the central government or the local government, plays the role of the person in charge of the project in collaboration with business entities that have technical, financial, and experience in the field of projects related to long-term cooperation schemes (minimum 5 (five) to 30 (thirty) years).
5. Sources of sharia funding.
   Project funding KPBU originating from Islamic investors, Islamic banking, project sukuk, pension funds or Islamic mutual funds where the source of payment to investors follows sharia principles (e.g. profit sharing or ujrah, not interest).
   There is a clear risk-sharing and profit-sharing scheme.
   Risk determination is carried out fairly and transparently between the government and business entities where the profit and risk sharing system is determined based on the agreed sharia contract.
6. PPPs project sector.
   It can only be done for sectors that do not contradict sharia principles, such as toll roads, airports, ports, hospitals, educational facilities, public housing, renewable energy and others and are not allowed to be used for haram sectors such as tourism or entertainment that is contrary to sharia, gambling, alcoholic beverages and others.

METHODS

This research is a qualitative research in the form of descriptive analysis which is a research approach used to describe in depth a phenomenon, event, or situation based on non-numerical data where data and information collection is carried out through a search for appropriate scientific journals using google scholar and google search and library research some literature and government policies/regulations on Government Cooperation with Business Entities (KPBU). Literature study techniques are research activities to obtain data and information sourced from various literature, not only in the form of books but also other library sources that can support research such as scientific journal articles, scientific reports, government policy documents and *web-pages* of ministries and agencies involved in PPPs and media reporting (Zed, 2014).

RESULTS AND DISCUSSION

Referring to the theory of public goods, the provision of public services is the responsibility of the government, while the provision of private goods is provided by the private sector, but in reality there are mixed goods which are semi-public goods and semi-private goods where the provision of these mixed goods can be carried out by the government or private or jointly (Abdullah, 2020).

The provision of infrastructure services through Government Cooperation with Business Entities (PPPs) as one of the methods of development and provision of public service infrastructure began to be formally developed in Indonesia starting in 2005 with the issuance of Presidential Regulation (Perpres) No. 67 of 2005 concerning Public and Private Partnership in the Provision of Infrastructure. PPP's first project is the Palapa Ring project which is a very strategic project to provide a national fiber optic network (broad band) with a project value of Rp. 7.63

trillion (Direktorat Pengelolaan Dukungan Pemerintah dan Pembiayaan Infrastruktur, n.d.), while the first Sharia PPPs project is the Regional General Hospital (RSUD) project of dr Zainoel Abidin with sharia financing worth Rp 2.5 trillion (Nurrahman & Hartoyo, 2019). World history records that the system of government-private sector cooperation has existed since ancient Roman times where emperors granted concessions for ports, roads, and public facilities (as recorded in the 6th century Digeste legal code) which developed into government cooperation contracts with today's complex business entities (*A Short History of Public-Private Partnerships*, 2025).

The implementation of the Public Private Partnership (PPPs) project in the provision of *solicited* infrastructure involves several stages, namely:

1. Planning stage.

- Government (Ministers/Heads of Institutions/Regional Heads) as the initiator of the PPPs project, prepare a budget plan for the implementation of PPPs.
- Identification of infrastructure needs and preparation of priority PPPs project lists.
- Preparation of a preliminary study that includes a preliminary review of the project plan, selection of infrastructure delivery methods, and a review of infrastructure provision initiatives.
- The results of this preliminary study were then submitted to the Ministry of Education. PPN/BAPPENAS to be included in the PPPs Plan List.

2. Preparation stage.

- Preparation of a pre-feasibility study
- Implementation of supporting activities such as social analysis studies, environmental studies (AMDAL/UKL-UPL), risk assessment and land acquisition plan.
- Preparation of government support and/or guarantee plans, as well as form PPPs suitable analysis.
- Exploring market interest to gauge the interest of the business entity/investor in the PPPs project.

3. Transaction stage.

- Project location determination.
- Search and selection of Implementing Business Entities (Badan Usaha Pelaksana) through a transparent tender process.
- Market consulting to get input from potential investors.
- Signing of cooperation agreements between the Government and Business Entities.
- Project cost fulfillment and implementation preparation.

4. **Implementation stage.**

- Construction and implementation of infrastructure provision in accordance with the agreed design and specifications.
- Operation and maintenance of infrastructure during the concession period.
- Payment execution Availability Payment (AP) by the Government to the Implementing Business Entity (Badan Usaha Pelaksana), in accordance with the availability of the service if the source of return is from AP.
- Project performance evaluation and periodic reporting.

Meanwhile, the stages of PPPs from the proposal of a business entity (unsolicited) are the initiation, preparation, transaction and implementation of the PPPs agreement where in the initiation stage of unsolicited PPPs requires the condition of an Initiative Permit (Surat Izin Prakarsa) accompanied by a summary of the project study, financial statements of the prospective Implementing Business Entity (BUP) and if the BUP candidate is in the form of a consortium, then the consortium agreement must be attached (Amelia, 2023).

In an effort to improve the implementation of PPPs schemes in Indonesia, the government has basically made efforts to provide facilities and provide assistance and support to attract investors and lenders to be interested in participating in PPPs project investments. These facilities, assistance and support are also used for Sharia-based PPPs projects.

1. Project Setup Facility (Project Development Fund/PDF)
   PDF facility is a facility provided by the Ministry of Finance for the preparation of PPPs projects before the project is auctioned to the Implementing Business Entity (BUP) until the project obtains financing (*financial close*) from banks or financial institutions. In its implementation, the Ministry of Finance can assign a state own enterprise or collaborate with international financial institutions to assist Person in Charge of Cooperation Projects (Penanggung Jawab Proyek Kerjasama) in preparing and transacting a PPPs project.
2. Viability Gap Fund/VGF
   VGF is the support of the Ministry of Finance that is given to finance part of the construction costs. The provision of VGF is intended to increase the feasibility of projects that are economically feasible but not financially feasible so it is hoped that with the support of this VGF business entities are interested in participating in their PPPs projects.
3. Project Funding.
   To meet the financing of long-term PPPs projects, apart from banks and financial institutions, the Ministry of Finance has established a state-owned enterprise, namely PT Sarana Multi Infrastruktur (Persero) whose task is to provide loans in financing infrastructure projects in Indonesia.
4. Guarantee
   In order to mitigate risks in PPPs projects for BUP that implements PPPs projects. The Ministry of Finance has established PT Penjaminan Infrastruktur Indonesia (Persero) which is a business entity for guaranteeing infrastructure projects in Indonesia, including providing government guarantees in PPPs infrastructure projects.
5. Land Acquisition
   Considering that land acquisition is an obstacle in the provision of infrastructure, the Ministry of Finance has also formed a special unit, namely the State Asset Management Institution (Lembaga Manajemen Aset Negara - LMAN) which is tasked with assisting in the procurement of land for infrastructure projects including PPPs projects that are classified as National Strategic Projects (Proyek Strategis Nasional).

In general, in a PPPs project structure, the Implementing Business Entity (BUP) is required to have its own funds (self-finance) which is part of the capital contribution to finance part of the total capital expenditure (capex) and operational expenditure (opex) fund needs of the PPPs project. In general, the amount of self-finance for capital contribution is at least 30% of the total capex and opex needs, then the rest can be sought through other financing options (Gunawan, n.d.-a). In Sharia PPP, of course, the funding used is financing that is in accordance with sharia principles and the principle of prudence in banking, where alternative financing can be obtained from:

1. Financing from Sharia Banks.

BUP that has been determined as the winner of the auction and has signed a PPPs agreement can apply for assistance in the form of financing to Islamic banks to meet the needs of the project. Islamic banking financing can use one or more contracts that have been approved by the Sharia Supervisory Board of Sharia Banks. In addition, financing using a combination of sharia contracts can be carried out if the financing structure provided to the Implementing Business Entity (BUP) is given in several financing facilities.

2. Issuance of Sukuk Mudharabah.
   BUP can issue securities in the form of sukuk mudharabah which is a certificate of ownership of a commodity issued based on a mudharabah contract or agreement where one party provides capital and the other party provides manpower and expertise, then shares the profits according to the ratio that has been previously agreed and if the PPPs project suffers a loss, the party providing the capital will bear it according to the contract in sukuk mudharabah.
3. Sharia Limited Participation Mutual Funds (RDPT)
   Sharia Limited Participation Mutual Fund (RDPT) is another funding alternative where this mutual fund is an instrument of collecting funds from investors where the funds that have been collected are then invested by the Investment Manager in a portfolio directly related to the Sharia RDPT project. This Sharia RDPT is only offered on a limited basis to professional financiers and is not allowed to be offered through public offerings and is prohibited from being owned by 50 (fifty) professional financiers or more. Professional financiers who buy this mutual fund are of course financiers who have the ability to buy RDPT units and are able to conduct risk analysis on the project financed by the Sharia RDPT.
4. Issuance of Sukuk Ijarah for Refinancing
   BUP who wants to refinance a PPPs project that has been completed, can obtain it by issuing sukuk ijarah with the underlying PPPs project that has been completed, where the issuance of sukuk with this ijarah/lease contract is then purchased by the investor and will be proof of the investor's ownership and the investor's rights to the utilization of the benefits of the project. In order for BUP to be able to take advantage of the benefits of the project, BUP can rent project benefits from sukuk holders and pay periodic rental fees as a return (Gunawan, n.d.-a).

There have been the realization of 16 (sixteen) Sharia PPPs projects until 2024 with the initiative of the Ministry of Public Works and Housing, the Ministry of Transportation, and the Madiun Regency Government. This Sharia PPPs project is financed by banks and Islamic financial institutions with a total financing of IDR 20.35 trillion. This amount was then added to the Cileunyi Sumedang Dawuan (Cisumdawu) Toll Road PPP project, which is the largest sharia financing project in Indonesia with a value of IDR 5.5 trillion financed by the syndication scheme and Musyarakah Mutanaqishah (MMQ) contract of Bank Syariah Indonesia (BSI) and PT Sarana Multi Infrastruktur (Persero) in early 2025 (Wirdayanti et al., 2024).

From the above explanation, it can be seen that the government has basically prepared regulations, facilities, facilities and incentives to attract business entities to participate in the provision of infrastructure in Indonesia due to the limitations of the State Budget/APBD to provide it, considering that the PPPs project scheme for the provision of infrastructure is still relatively new where the number of employees and/or state civil servant (aparatur sipil negara) including in ministries and agencies that are heavily involved in PPPs, namely the Ministry of Finance. National Development Planning/National Development Planning Agency. The Ministry of Finance and the Ministry of Public Works, Financial and Banking Institutions as well as Business

Entities, both state-owned and private, Regional Governments and market players who relatively do not have much understanding and understanding of the provision of infrastructure with the PPPs scheme and the level of literacy is still low, so it is necessary to make more socialization programs and seminars for this scheme with the aim of increasing the number of civil servants and market participants who understand this scheme in addition to increasing the level of literacy where due to the low level of public literacy has resulted in doubts about the benefits and benefits of this PPPs concept (Abdullah, 2020). For Sharia PPPs, there are obstacles to the level of Islamic financial literacy and inclusion of the Indonesian people which is still low, including Islamic finance in the context of Sharia PPPs, where in 2024 the Islamic financial literacy will still be at 39.11% while the level of Islamic financial inclusion will only reach 12.88% (National Survey of Financial Literacy and Inclusion (SNLIK) in 2024 by the Financial Services Authority (OJK) (Guseinnova, 2024). In addition, there are limited financing from banks and Islamic financial institutions where Islamic banking assets are only 10% of the total national Islamic financial assets with a value of IDR 960.82 trillion (Rose & Wicaksono, 2025) with a market share of 7.72% from national banks, so that to finance infrastructure projects with large value, syndication is needed in national Islamic banking or other schemes involving other financial institutions or institutions or Islamic banking abroad.

One of the objectives of increasing the level of literacy is to encourage an increase in infrastructure project initiatives needed by the community with PPPs financing, both *solicited* and *unsolicited* , especially from local governments and business entities in regions that until now are still relatively minimal in the level of infrastructure provision with their PPPs schemes, both conventional and sharia, and eliminate public doubts about the benefits of the PPPs scheme. Furthermore, there is an increase in synergy between ministries and agencies as well as increasing the knowledge and skills of state civil servants and human resources of consultants and business entities involved in PPPs projects, simplifying bureaucratic processes that hinder and prolonging the PPPs process, making the PPPs process more transparent and the support of banks and financial institutions in preparing innovative financing structures that can meet the needs of PPPs projects without sacrificing the principles of prudence and existing regulations.

The Government of the Republic of Indonesia, both central and regional governments with coordination across ministries and regions and from the proposal of business entities (PPPs *unsolicited*) compiles a list of infrastructure projects needed along with a pre-estimated budget, then from the list of infrastructure projects a study is carried out to divide it with several criteria such as the level of strategy, the level of urgency and priority of the project, the plan of good financing sources from the state budget/regional budget or alternative financing of non-state budget/regional budget, and other criteria. Infrastructure projects that are economically and financially attractive and that can be more effective and efficient if carried out by business entities (that have technology, *know-how,* human resources and experience) are prioritized mainly to become PPPs projects, both conventional and sharia, then infrastructure projects that are urgent, have high benefits, are economically feasible but not financially feasible can be included as PPPs projects with support government in the form of *Availability Payment* (AP) or *Viability Gap Fund* (VGF). Furthermore, for projects that provide infrastructure that are potential, suitable and can be financed from PPPs, both conventional and sharia, it can be recommended to start the planning stage by the government (Ministers/Heads of Institutions/Regional Heads) as the initiators of the PPPs project.

CONCLUSION

The infrastructure provision scheme with the Sharia PPPs scheme is one of the alternative infrastructure financing for the Republic of Indonesia in the condition of limited state budget/regional budget to finance it. The PPPs scheme has been formally developed in Indonesia since 2005 with the issuance of Presidential Regulation (Perpres) No. 67 of 2005 concerning Public Private Partnership in the provision of infrastructure services and until now there have been 17 infrastructure provision projects with a value of IDR 25.85 trillion implemented under the Sharia PPPs scheme. The value of infrastructure provision with the Sharia PPPs scheme is still relatively small compared to Indonesia's infrastructure funding needs in 2025-2029 which amounted to IDR 6,097 trillion so that the potential is still very large to be developed where for this an active role is needed from the government and business entities to initiate infrastructure provision projects that have the potential to be financed from the Sharia PPPs scheme. On the other hand, the implementation of the PPPs scheme in Indonesia still faces obstacles in terms of the literacy level of state civil servants, business entities, both state-owned and private, and market participants, increasing the level of Islamic financial literacy, where one of the goals of increasing the level of PPPs literacy and Islamic finance is to encourage the increase of initiative to provide infrastructure projects needed by the community from PPPs, especially from the regions, readiness and synergy between institutions, bureaucratic problems and difficult processes, the PPPs process is still not transparent and there is still a lack of innovation in Sharia financing instruments and structures that can finance PPPs projects, and the limited ability of Islamic banks to finance PPPs projects of great value. Solutions that can be done include making more socialization programs and seminars to explain the PPPs scheme and Islamic finance with the aim of increasing literacy levels, then increasing synergy between ministries and agencies as well as increasing the knowledge and skills of state civil servants and human resources consultants and business entities involved in PPPs projects, simplifying bureaucratic processes that hinder and prolong the PPPs process, create a transparent PPPs process and increase support for banks and financial institutions in preparing innovative financing structures that can meet the needs of PPPs projects.

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