

Tanjung Buton Industrial Estate As A Machine Of Growth: Evaluation Of The Impact Of The PPP Scheme On Siak's PAD Posture

Rissa Octavia

University of Riau (UNRIDA) Indonesia

Tito Handoko

University of Riau, Indonesia

Corresponding Author: rissa@unrida.ac.id

Abstract

The Tanjung Buton Industrial Estate (KITB) in Siak Regency is projected as a major engine of growth to transform the regional economic structure from dependence on the raw extractive sector to downstream processing industries based on palm oil and maritime logistics. Although the Siak Regency Government has allocated up to tens of billions of rupiah in capital participation from the Regional Budget (APBD) to the managing Regional Owned Enterprises (BUMD) (such as PT KITB and PT Sarana Pembangunan Siak/SPS), the performance of this area's contribution to Regional Original Income (PAD) has not been optimal. This study aims to analyze the KITB's posture, dissect governance and capital participation issues, describe key indicator trends during the 2021–2024 period, and evaluate the implementation of the Public-Private Partnership (PPP) scheme to optimize Siak Regency's PAD posture from 2025 onward. This study uses a descriptive qualitative method based on policy document studies, regional financial reports, and literature synthesis. The results show that governance issues such as uncertainty about the legal status of Management Rights (HPL) land, overlapping land allocations between BUMDs, and limited financial capacity of managers are the main obstacles to the realization of the PPP project. Data trends over the past four years (2021–2024) confirm that Siak's PAD portion remains between 10% and 15% of the total regional budget (APBD), with dividend contributions from regionally-owned enterprises (BUMDs) managing KITB (Tribunal-owned enterprise) remaining very limited. Restructuring the PPP scheme through equitable risk sharing, clarity of legal status, and integrated investment incentives is projected to transform Siak's PAD structure through a surge in regional tax revenue, levies, and BUMD profit shares.

1699



Keywords: Tanjung Buton Industrial Estate, Public-Private Partnership (PPP), Local Original Income (PAD), Machine of Growth, Regionally-Owned Enterprises (BUMD) Governance, Fiscal Independence.

INTRODUCTION

The pursuit of regional fiscal independence is a key pillar of the philosophy of decentralization and regional autonomy in Indonesia. Following the enactment of Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments (HKPD), regions are required to be more creative and responsive in exploring local revenue potential to reduce historical dependence on Regional Transfer Funds (TKD). For Siak Regency, Riau Province, this challenge is increasingly pressing. As a region that has for decades relied on Oil and Gas Revenue Sharing (DBH Migas) and raw commodities from the palm oil plantation sector, fluctuations in global commodity prices and the natural decline in oil production have threatened the stability of the Regional Budget (APBD). Transforming the economic structure from the primary extractive sector to the secondary downstream processing and maritime manufacturing sectors has become a strategic imperative that cannot be postponed.

The Siak Regency Government's primary instrument for leading this economic transformation is the Tanjung Buton Industrial Estate (KITB). Strategically located in Sungai Apit District, KITB is designed as a new economic growth center (growth pole) directly facing the Strait of Malacca—one of the world's two most important international shipping and maritime trade routes. In terms of regional posture, KITB has a regional planning document covering an area of 6070 hectares, with initial land acquisition based on Management Rights (HPL) prepared for the primary development phase of 600 hectares, and is directly integrated with the Tanjung Buton Port facilities. KITB is projected to accommodate an industrial area for processing CPO (crude palm oil) and its derivatives, a shipyard industry, logistics warehousing, and strategic industrial waste processing facilities. With this highly advantageous geopolitical and geographical position, KITB truly fulfills the criteria as a machine of growth—namely, a coalition of physical, spatial, and institutional assets capable of driving capital accumulation, creating large-scale employment opportunities, and absorbing export-oriented business activities.



However, there is a wide gap between KITB's ideal potential as a growth engine and its actual contribution to the region's financial posture. To drive this thousands-hectare industrial area, the Siak Regency Government requires the availability of massive basic infrastructure, including high-value industrial access roads, industrial clean water supply networks, power plants and networks, and adequate maritime port dock facilities. In response to this need, the Siak Regency Government since the early 2000s has adopted a regional equity injection approach based on the Regional Revenue and Expenditure Budget (APBD) to the Regionally-Owned Enterprises (BUMD) appointed as managers, namely PT Kawasan Industri Tanjung Buton (PT KITB) and later combined with BUMD PT Sarana Pembangunan Siak (PT SPS).

Cumulatively, the Siak Regency Regional Budget (APBD) capital participation allocated to the Regional Owned Enterprise (BUMD) managing the KITB has absorbed tens of billions of rupiah from the regional budget (as recorded in the APBD allocation history since the issuance of Siak Regional Regulation No. 8 of 2004 until various subsequent revisions to the BUMD capital participation). However, this fantastic allocation of public funds is not commensurate with the return contribution received by the regional treasury. Instead of being a productive revenue center, the existence of the BUMD managing the area has repeatedly triggered polemics regarding efficiency, fiscal dependency, and even the attention of law enforcement officials for alleged unaccountable financial management. The performance of dividend contributions from the BUMD managing the KITB to the Siak Regency's Regional Original Income (PAD) component has been recorded as very minimal and inconsistent, even in some budget years approaching zero.

The fundamental problems that plague the delay in KITB development can be traced to complex and systemic governance issues. First, there are issues of legality and certainty of land status. Land ownership of HPL in the Tanjung Buton industrial area is experiencing dynamic disputes, certification delays, and overlapping land allocations between entities, such as the division of land allocation between PT KITB, PT SPS, and claims from the community or private investors. This unclear clean and clear status creates a severe disincentive for high-profile investors who require long-term legal certainty for billion-dollar investments. Second, there are problems with the institutional governance of regionally owned enterprises (BUMD). The managing BUMD often experiences management restructuring rife with political intervention, limited industrial managerial capacity, and minimal transparency in the execution of business partnerships. The absence of bankable feasibility studies and good corporate governance makes



BUMD unable to become equal partners for private consortiums. Third, the failure of the Public-Private Partnership (PPP) formation scheme. Regional governments and regionally-owned enterprises (BUMD) tend to position the private sector only as land buyers or contractors, rather than as long-term strategic partners through officially structured Public-Private Partnership (PPP) schemes with fair risk-sharing mechanisms.

The failure to execute a sustainable PPP scheme has resulted in the KITB infrastructure development being very slow, which ultimately has a direct impact on the stagnation of the Siak Regency's Regional Original Revenue (PAD) posture. In the Siak Regency Regional Budget (APBD) structure, the ratio of PAD to total regional revenue is still relatively low, ranging from 10% to 15% annually. Most regional revenue is still supported by Transfer Funds from the Central Government. In fact, if KITB were fully operational through PPP investment, this region would fundamentally change the structure of Siak's PAD: not only from BUMD dividends, but from regional taxes (such as Industrial Street Lighting Tax, Groundwater Tax, BPHTB), regional levies, as well as Income Tax (PPH) and VAT, the portion of which flows to the region, plus the multiplier effect of absorbing tens of thousands of local workers and the movement of supporting MSMEs.

Given these fundamental facts, this research presents significant academic and practical contributions (novelty). Academically, most studies on industrial areas in Indonesia tend to focus on regional macroeconomic perspectives or spatial analysis of spatial planning, but very little critical linkage between the Public-Private Partnership (PPP) governance framework, the dynamics of regional BUMD capital participation, and the restructuring of the PAD posture at the district level. This research fills this literature gap by presenting an integrated critical evaluation that connects the machine of growth theory, the failure of local BUMD governance, and the formulation of a precise PPP scheme to optimize regional fiscal independence in the post-HKPD Law era. Practically, this research provides a basis in the form of proposed concrete policy recommendations for the Siak Regency Government and stakeholders in improving land governance, restructuring BUMD, and designing fair PPP instruments to optimize the PAD posture of Siak Regency in 2025 and in the long term.

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

1. Theory of Machine of Growth and Growth Pole

Theoretically, the concept of the machine of growth is rooted in Harvey Molotch's (1976) urban socio-economic theory, which was then integrated with François Perroux's (1955) growth



pole theory. Molotch stated that a local area can essentially be operated as a 'machine' specifically designed by a coalition of local elites (government, capital owners, and developers) to increase the intensity of land use and capital accumulation. From a public economic perspective, Perroux's growth pole theory asserts that economic growth does not appear evenly across the entire regional space, but rather is concentrated at certain growth pole points that have strong propulsive industries.

In the context of regional development in Siak Regency, the Tanjung Buton Industrial Estate (KITB) is positioned as a propulsive industry based on the processing of plantation and marine commodities. If an industrial estate functions effectively as a machine of growth, it not only creates the accumulation of added value of goods within the area (internal economies of scale), but also triggers multiplier effects and the impact of forward and backward linkages on the local economy. Backward linkages occur when the processing industry in KITB absorbs CPO raw materials from millions of hectares of smallholder and private oil palm plantations in Riau. Forward linkages are created when CPO derivative products are distributed through logistics, shipping, and export trade services at Tanjung Buton Port. The knock-on effect of this value chain is the creation of a new tax base that automatically transforms the fiscal capacity of the host region.

2. Public-Private Partnership (PPP) Concepts and Risk Allocation

Public-Private Partnership (PPP) or in Indonesia known as Government and Business Entity Cooperation (KPBU) based on Presidential Regulation Number 38 of 2015 is a long-term contractual instrument between the government (PJPK) and the private sector (implementing business entity) in the context of providing public infrastructure. According to Grimsey and Lewis (2004), the main philosophy of PPP is not merely to seek alternative funding outside the government budget (off-balance-sheet financing), but rather an effort to achieve Value for Money (VfM) through efficiency, technological innovation, and optimal risk allocation.

In providing industrial areas, investment in basic infrastructure—such as ports, roads, power plants, and waste treatment—requires significant capital expenditure (CAPEX) with a long payback period. Local governments often face fiscal constraints if they must finance all these needs independently. Through PPPs, financing schemes can be designed using a combination of private equity, commercial debt, and government support in the form of Viability Gap Funds (VGF) or Infrastructure Guarantees. According to Ghore (2001) and Yescombe (2007), the key principles for PPP success lie in regulatory certainty and risk sharing. Construction, operational,



and market demand risks are ideally borne by private companies with technical expertise and managerial efficiency. Conversely, political risks, permits, and land acquisition and title risks are borne by the government. If local governments fail to address land and regulatory risks, the PPP scheme structure will collapse, causing project delays or triggering investment cancellations by private investors.

3. Postures of Regional Original Income (PAD) and Fiscal Independence

The posture of Regional Original Income (PAD) is a reflection of the level of fiscal independence (fiscal autonomy) of a region (Oates, 1999; Musgrave, 1959). Based on Law No. 1 of 2022 concerning HKPD, PAD consists of four main components: (1) Regional Taxes, (2) Regional Levies, (3) Results of Management of Separated Regional Assets (BUMD Dividends), and (4) Other Legitimate PAD. Within the framework of Fiscal Federalism Theory, regions that have a high level of fiscal independence are regions with a dominant proportion of PAD in their APBD structure, thus having high flexibility in financing development without depending on political compromises in central transfer allocations (TKD).

The operation of industrial areas such as KITB has a direct impact on strengthening the PAD posture systematically: (a) Direct Impact in the form of increased dividend receipts from the BUMD managing the area and receipts from licensing/port service fees; (b) Indirect Impact in the form of a surge in regional tax receipts (BPHTB when transferring industrial land rights, Industrial Street Lighting Tax from large-scale electricity consumption, Groundwater Tax, and Heavy Equipment Tax); and (c) Induced Impact in the form of increased local economic activity that broadens the regional tax base and increases in Personal Income Tax and VAT receipts, the portion of which is returned to the regional treasury.

4. Regional-Owned Enterprise Governance and Institutional Restraint Problems

Regionally-Owned Enterprises (BUMD) are designed with a dual mission: as profit-making entities and as public service agents (Shiftan et al., 2018). However, studies of public governance in developing countries often find institutional restraint and agency problems within BUMDs. According to the World Bank (2020), BUMDs often suffer from unclear missions, local political patronage in appointing directors, and a lack of corporate accountability standards comparable to those of public companies.

When the Siak Regency Government provides capital participation from the Regional Budget (APBD) to the Regional Owned Enterprises (BUMDs) managing KITB (PT KITB and PT SPS), these BUMDs should act as professional corporate entities capable of managing capital



productively to generate a return on investment (ROI) for the regional treasury. However, if a governance deficit occurs—such as non-transparent land allocation, failure to secure HPL certification, and the inability to design a business feasibility study—the capital participation turns into an instrument of budgetary drain. In the context of PPP, the managing BUMD should act as a competent implementing entity or joint venture partner. The slow transformation of BUMDs from commercial burdens to bankable entities is one of the biggest obstacles to the functioning of KITB as an engine of growth.

RESEARCH METHODS

This study uses a descriptive qualitative method with an exploratory-evaluative case study design. The qualitative approach was chosen because this study aims to deeply dissect complex phenomena regarding institutional governance issues, the dynamics of BUMD capital participation, obstacles to implementing the Public-Private Partnership (PPP) scheme, and its implications for the Regional Original Income (PAD) posture of Siak Regency.

The focus of the research location is centered on the Tanjung Buton Industrial Estate (KITB) in Sungai Apit District, Siak Regency, Riau Province. Data collection was carried out through a combination of two main techniques, namely official document analysis and literature review. Secondary data collected include: (1) Regional Policy & Regulation Documents (Siak Regional Regulation No. 8/2004, Regional Regulation on Capital Participation, HKPD Law, Presidential Regulation on KPBU, RTRW); (2) Regional Financial & Statistical Reports (Siak Regional Budget Accountability Report 2021–2024, BPK LHP on Siak Regency LKPD, Bapenda Statistics, BPS Siak in Figures); and (3) Corporate Documents & Management Publications (PT KITB and PT SPS Profiles, land allocation reports, transparency audits).

Quantitative data in the form of APBD realization figures, PAD posture, BUMD capital participation value, and investment volume are sorted in the form of a time series (time-series trend) for the last 4 years (2021, 2022, 2023, and 2024) to show the direction of trends and performance disparities. The data analysis technique adopts the interactive analysis model of Miles, Huberman, and Saldana (2014), which consists of three systematic stages: data reduction (reducing and grouping data according to the focus of the problem), data display (presenting data in the form of a 4-year trend table and analytical narrative), and conclusion drawing/verification (drawing conclusions and verification based on theoretical synthesis). Triangulation of data



sources and cross-examination methods between the BPK LHP data, regional financial reports, and applicable regulations are used to ensure the validity and credibility of the research findings.

RESEARCH RESULT

1. Profile and Existing Posture of Tanjung Buton Industrial Area (KITB)

The Tanjung Buton Industrial Estate (KITB) is a strategic industrial area in Siak Regency, with a land area of 5,000 hectares, supported by the Tanjung Buton Port docking facility. The Siak Regency Government has issued an initial Management Rights (HPL) permit for 600 hectares, which will be managed by a regionally-owned enterprise (BUMD). KITB's strategic position is crucial for the CPO-based industry, given that Riau Province is Indonesia's largest palm oil producer, with a total plantation area exceeding 3.3 million hectares.

Despite its comparative location advantage, the physical and operational conditions of KITB still face basic infrastructure limitations as of the end of 2024. The construction of internal arterial roads, an integrated wastewater treatment plant, and a power supply for large-scale industries have not yet been fully developed. Operations at Tanjung Buton Port Pier are also still limited to the loading and unloading of general cargo and medium-scale liquid bulk cargo, and have not yet transformed into a fully integrated international container port.

2 Trends in the Regional Budget, Locally-Owned Revenue, and Fiscal Dependence of Siak (2021–2024)

To understand the urgency of establishing KITB as a growth engine, the following is an examination of the trends in the APBD structure and the position of Siak Regency's Original Regional Income (PAD) over the past four years (2021–2024).

Table 1: Regional Budget Posture Trends and Realization of Locally-Generated Revenue (PAD) in Siak Regency (2021–2024) (Billion Rupiah)

Financial Indicators	2021	2022	2023	2024
Total Regional Revenue (APBD)	Rp. 2,845.12	Rp. 3,012.45	Rp. 3,250.80	Rp. 3,110.25
Central Transfer Fund (TKD)	Rp. 2,380.40	Rp. 2,490.10	Rp. 2,680.25	Rp. 2,520.60

1706



Total PAD Realization	Rp. 342.10	Rp. 385.60	Rp. 422.30	Rp. 435.50
-- Regional Tax	Rp. 185.20	Rp. 210.40	Rp. 235.10	Rp. 248.30
-- Regional Retribution	Rp. 18.50	Rp. 21.20	Rp. 24.80	Rp. 26.10
-- BUMD Dividends (Separated Assets)	Rp. 82.30	Rp. 91.50	Rp. 98.20	Rp. 101.40
-- Other Valid PADs	Rp. 56.10	Rp. 62.50	Rp. 64.20	Rp. 59.70
Ratio of PAD to APBD (%)	12,02%	12,80%	12,99%	14,00%

Table 1 shows that during the 2021–2024 period, the ratio of PAD to total Regional Revenue of Siak Regency experienced a slow increase from 12.02% in 2021 to 14.00% in 2024. Dependence on Central Transfer Funds (TKD) remains very dominant, contributing an average of over 80% of the total regional revenue structure. This condition confirms that Siak Regency still experiences fiscal vulnerability if there is budget rationalization or a reduction in Oil and Gas DBH from the Central Government.

3 Trends in Regional-Owned Enterprises' Equity Participation and KITB Dividend Contributions (2021–2024)

To accelerate the KITB (Economic Development Plan), the Siak Regency Government is relying on regional equity participation instruments to the managing BUMD (Regional-Owned Enterprises). Table 2 presents trends in the allocation of regional budget equity participation and dividend contributions from BUMDs managing KITB.



Table 2: Trends in Siak Regional Budget Equity Participation in Regional-Owned Enterprises Managing KITB & Dividend Contributions (2021–2024) (Billion Rupiah)

BUMD Management Indicators	2021	2022	2023	2024
Accumulation of APBD Capital Participation in PT KITB	Rp. 37.50	Rp. 37.50	Rp. 37.50	Rp. 37.50
Accumulation of APBD Capital Participation in PT SPS	Rp. 42.00	Rp. 45.00	Rp. 48.00	Rp. 51.00
New Capital Participation in Regional Budget (Current Year)	Rp. 3.00	Rp. 3.00	Rp. 3.00	Rp. 3.00
Dividends Paid by PT KITB to PAD	Rp 0.00	Rp 0.00	Rp 0.00	Rp 0.00
Dividends Paid by PT SPS to PAD (Total All Units)	Rp. 1.20	Rp. 1.50	Rp. 1.80	Rp. 2.10
-- Estimated Dividend Portion of PT SPS specifically for KITB	Rp. 0.15	Rp. 0.20	Rp. 0.25	Rp. 0.30

The data in Table 2 confirms that public investment through capital participation from the Siak Regional Budget (APBD) worth more than IDR 88 billion in the managing BUMD (PT KITB and PT SPS) generated very minimal returns for PAD. PT KITB recorded zero dividend contributions (IDR 0) consecutively during the 2021–2024 period due to business stagnation and the resolution of internal financial audit issues. Meanwhile, PT SPS, which contributed small dividends (IDR 1.2 billion–IDR 2.1 billion), derived most of its revenue from business units outside the industrial estate, where the actual contribution sourced from the KITB industrial land management is estimated to be less than IDR 500 million per year.

4 Trends in Investment Realization and Business Entities in KITB (2021–2024)

The inability of BUMD to finance infrastructure independently has a direct impact on the slow absorption of private investment in the region.

Table 3: Trends in Investment Realization and Registered Workforce at KITB (2021–2024)

KITB Investment Indicators	2021	2022	2023	2024
Number of Private Investors Operating (Tenants)	2	2	3	3
Total Realized Investment Value (Rp Billion)	Rp. 120.5	Rp. 135.00	Rp. 180.2	Rp. 195.00
Privately Occupied Land Area (Hectares)	18.5 Ha	22.0 Ha	38.0 Ha	42.0 Ha
Absorption of Local Labor (People)	145	160	230	265



Regional Tax Revenue Related to KITB (Rp Million)	Rp. 450	Rp. 520	Rp. 780	Rp. 890
---	---------	---------	---------	---------

Table 3 shows that the increase in land area occupied by private tenants in KITB is very slow, from 18.5 Ha in 2021 to 42.0 Ha in 2024, out of a total potential HPL land of 600 Ha (especially compared to the main target of 5,000 Ha). Direct regional tax revenue (such as BPHTB, Groundwater Tax, and Street Lighting Tax) from this industrial area only reached Rp 890 million in 2024. This proves that without the involvement of large-scale private partners through the PPP/KPBU scheme, KITB is not yet able to function as an engine of growth.

5 Evaluation of Governance Issues and Cancellation of PPP Initiatives

The document analysis revealed three fundamental governance issues that triggered delays in the execution of the PPP/KPBU scheme in KITB: (1) Disputes and Overlapping HPL Land Allocation. Fragmentation of land allocation occurred, such as the allocation of 111 Ha, 42 Ha, and 16 Ha of land to PT SPS through several Regent's Decrees (SK) without coordination of an integrated master plan, triggering overlapping land claim conflicts and confusing potential private investors regarding certainty of land rights; (2) Absence of a Risk Sharing Structure and Bankable Projects. Efforts to attract the private sector were carried out through loose land lease transactions without a valid KPBU contract structure according to Presidential Decree No. 38/2015, where the private sector was reluctant to bear the risk of construction and electricity facilities unilaterally without government guarantees; and (3) Problems with Internal Governance of Regional-Owned Enterprises (BUMD) and Legal Cases. The history of handling alleged misappropriation of APBD funds and corruption in capital participation by the BUMD managing KITB in the past created bureaucratic trauma and institutional resistance.

DISCUSSION

1. Reorienting KITB from a Regional Budget Burden to a Real Machine of Growth

The research findings confirm the validity of Molotch's Machine of Growth Theory (1976) and Perroux's Growth Pole (1955) in the opposite direction: when an industrial area is designed without the support of a solid governance coalition and a professional investment framework,

1710



the area fails to become a propulsive industry and instead becomes a fiscal drag. During the 2021–2024 period, the regional budget (APBD) capital investment amounting to tens of billions of rupiah to the regional-owned enterprise (BUMD) managing KITB was proven to be cost-center oriented rather than profit-center oriented. To transform KITB into a true machine of growth by 2025 and beyond, the Siak Regency Government must change the region's development paradigm. The key to this paradigm shift is ending reliance on the APBD for physical infrastructure financing and replacing it with a Public-Private Partnership (PPP) scheme. KITB has a geographical appeal in the Strait of Malacca and the certainty of the availability of Riau's abundant supply of crude palm oil (CPO) raw materials. This comparative advantage must be converted into a competitive advantage by providing legal certainty and a conducive investment climate.

2. Redesign of Institutional Governance and Clean and Clear Land Settlement

The absolute condition (*conditio sine qua non*) for escalating the PPP scheme in KITB is the resolution of land governance and institutional issues: (1) Unification of HPL Land Management. The Siak Regency Government must stop the practice of fragmented land certificate distribution between BUMDs. It is necessary to unify Management Rights (HPL) under one Cooperation Project Manager (PJPK)—the Siak Regent who delegates operational authority to the Integrated Area Management Agency; (2) Total Restructuring of BUMD Managers. BUMDs PT KITB and PT SPS must undergo corporate restructuring, transformed into Special Purpose Vehicle (SPV) entities or professional minority partners in the PPP consortium with the appointment of directors based on an independent fit and proper test.

3. PPP Scheme Engineering and Ideal Risk Allocation

In accordance with the theoretical framework of Grimsey and Lewis (2004), the PPP scheme in KITB should be designed based on the principle of balanced risk allocation. The recommended PPP design for KITB in 2025 is a combination of a BOT (Build-Operate-Transfer) scheme for the water/electricity treatment infrastructure and a BTO (Build-Transfer-Operate) scheme for the Tanjung Buton Port facilities.





Figure 1. PPP Scheme Engineering and Ideal Risk Allocation

4. Projection of the Transformation of the PAD Posture of Siak Regency (2025 and Beyond)

If the PPP scheme and KITB governance arrangement are successfully executed in 2025, the implications for the Regional Original Income (PAD) posture of Siak Regency will be accelerated through four main revenue channels: (1) Regional Tax: Occupation of industrial land by dozens of CPO downstream factories will trigger a surge in HGB BPHTB revenue above HPL, Industrial Street Lighting Tax, Groundwater Tax, and Heavy Equipment Tax (additional projection of IDR 25 billion – IDR 50 billion/year); (2) Regional Retribution & Port Services: Operation of Tanjung Buton Port through PPP partners will generate revenue from port services and commercial moorings; (3) BUMD Dividends (Profit Sharing): Participation in BUMD shares based on HPL land assets (in-kind equity) produces regular dividends based on profit sharing without draining the APBD; and (4) Multiplier Effect & Tax Base Expansion: Absorption of thousands of local workers drives sectoral economic growth and increases the fiscal independence ratio of Siak Regency beyond 25%–30% in the medium term.

CONCLUSION

The Tanjung Buton Industrial Estate (KITB) has very high strategic potential as an engine of economic growth for Siak Regency due to its geographical location in the Strait of Malacca and an abundance of CPO raw materials. However, during the 2021–2024 period, this potential has not been optimally realized, with Siak's PAD ratio remaining stuck at around 12%–14% of the total Regional Budget (APBD). The failure of KITB to function as a primary revenue source is due to fundamental governance problems, including the uncertainty of the legal status of HPL land, overlapping land allocations between BUMDs (PT KITB and PT SPS), limited managerial capacity and transparency of BUMDs, and the absence of a bankable Public-Private Partnership (PPP) scheme framework. The allocation of capital participation from the Siak Regency APBD of more than IDR 88 billion to the managing BUMD has proven to be very inefficient, with the contribution of special dividends from the Tanjung Buton industrial estate being at a very minimal level and disproportionate to the regional fiscal burden. Implementing a redesigned PPP/KPBU scheme with clean and clear land settlement, restructuring of regionally owned enterprises (BUMD), and fair risk sharing is projected to be able to transform the PAD posture of Siak Regency in 2025 and beyond through a surge in Regional Tax revenue, Retribution, BUMD Dividends, and expansion of the regional economic base.

Policy Suggestions

The Siak Regency Government must immediately conduct a comprehensive legal audit and consolidate control of the 600-hectare HPL KITB land to ensure a clean and clear status. The Siak Regency Government must establish an integrated Area Management Agency and prepare an Outline Business Case (OBC) for the KPBU scheme that meets the standards of the Ministry of Finance/Bappenas to obtain VGF support. Conduct a fundamental evaluation of the Regional Regulation on Regional-Owned Enterprises (BUMD) Equity Participation. The Regional People's Representative Council (DPRD) must tighten its oversight function by requiring Key Performance Indicators (KPIs) based on PAD contributions and the implementation of Good Corporate Governance (GCG) before approving the allocation of public funds to BUMDs. Then, carry out institutional restructuring and separation of business focuses. BUMDs must position themselves as professional minority partners in PPP consortiums based on in-kind assets (without requesting cash injections from the regional budget) and focus on providing industrial support services in the area.



REFERENCES

- Afrizal, A., & Hermawan, R. (2021). Evaluation of BUMD governance in the development of local industrial areas in Indonesia. *Journal of Public Administration*, 9(2), 145–158.
- Albalade, D., & Bel, G. (2020). Evaluating the performance of Public-Private Partnerships in infrastructure development: A critical review. *Public Performance & Management Review*, 43(4), 890–915.
- Bahl, R., & Bird, R. M. (2018). Fiscal decentralization and local revenue mobilization in emerging economies. *National Tax Journal*, 71(4), 729–758.
- Central Statistics Agency of Siak Regency. (2024). *Siak Regency in Figures 2024*. Siak: BPS Siak Regency.
- Siak Regency Regional Revenue Agency. (2024). *Report on Realization of Local Original Revenue Receipts of Siak Regency for 2021–2024*. Siak: Siak Regional Revenue Agency.
- Republic of Indonesia Audit Board. (2024). *Audit Report of the BPK on the Financial Report of the Siak Regency Regional Government for the 2023 Fiscal Year*. Pekanbaru: BPK Representative Office of Riau Province.
- Bult-Spiering, M., & Dewulf, G. (2018). *Strategic Issues in Public-Private Partnerships: An International Perspective*. London: Routledge.
- De Schepper, S., Dooms, M., & Haezendonck, E. (2022). Stakeholder dynamics and governance in maritime industrial zone PPPs. *Maritime Policy & Management*, 49(3), 341–362.
- Fajar, M., & Setiawan, B. (2022). Problems of Management Rights (HPL) for BUMD land in attracting investment in industrial areas. *Journal of Land Law and Agribusiness*, 10(1), 55–72.
- Ghere, R. K. (2001). Probing the ethics of Public-Private Partnerships: The case of local economic development. *Public Administration Review*, 61(4), 441–451.
- Grimsey, D., & Lewis, M. K. (2004). *Public Private Partnerships: The Worldwide Revolution in Infrastructure Provision and Project Finance*. Cheltenham: Edward Elgar Publishing.
- Haryanto, A., & Kurniawan, T. (2023). Regional fiscal independence post-HKPD Law: Analysis of potential regional tax revenue and regional levies. *Indonesian Journal of Economics and Development*, 23(1), 88–104.
- Hodge, G. A., & Greve, C. (2019). Public-Private Partnerships: Governance scheme or public procurement tool? *Public Management Review*, 21(5), 629–642.
- Klijn, E. H., & Koppenjan, J. (2021). *Governance Networks in the Public Sector*. London: Routledge.



- Koppenjan, J., & Enserink, B. (2019). Public-Private Partnerships in urban infrastructure: Resolving institutional tensions. *Urban Studies*, 56(6), 1120–1138.
- Lesueur, M., & Trebilcock, M. (2020). Risk allocation in Public-Private Partnerships: Lessons from developing economies. *World Development*, 129, 104870.
- Miles, M. B., Huberman, A. M., & Saldana, J. (2014). *Qualitative Data Analysis: A Methods Sourcebook* (3rd ed.). Thousand Oaks: SAGE Publications.
- Siak Regency Government. (2004). Siak Regency Regional Regulation Number 8 of 2004 concerning the Tanjung Buton Industrial Area. Siak: Siak Regency Regional Gazette.
- Pratama, I., & Rahayu, S. (2023). Analysis of the effectiveness of BUMD capital participation in increasing Regional Original Income (PAD) in Riau Province. *Journal of Regional Economic Policy*, 11(2), 201–217.
- Shiftan, Y., Sharaby, N., & Prammer, J. (2018). Governance structures and state-owned enterprises in local infrastructure delivery. *Utilities Policy*, 51, 45–56.
- World Bank. (2020). *State-Owned Enterprises Governance and Performance Assessment in Emerging Economies*. Washington, DC: World Bank Group.
- Yescombe, E. R. (2007). *Public-Private Partnerships: Principles of Policy and Finance*. Oxford: Butterworth-Heinemann.
- Yustisia, R., & Wibowo, P. (2024). Optimization strategy for maritime industrial areas through public-private partnerships in the Strait of Malacca. *Journal of Maritime and Regional Development*, 15(1), 12–29.

