

# Public Private Partnerships in a Multi-Level Governance Setting: a Study of Indonesian PPP Program in the water sector

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# Background

- Demand for water has significantly increased and exceeds the availability of the supply
- Lack of appropriate levels of public investment in this basic infrastructure, despite being one of SDGs
- One possible solution to close the gap between demand and the funding is to turn to private sector through a **Public-Private Partnership (PPP) scheme**
- Recently, more than 110 countries have adopted PPP as a procurement method for infrastructure delivery in the water sector
- **Different variants of PPP forms** and each country's particular adoption of PPP depends on its own values, legal system and political situation
- For countries with a decentralized system of government operation, developing insights into intergovernmental relations is necessary for successfully managing PPP programs
- The aim of this study is to **extend the observation of PPP relationships to include not only public and private sector relations but also intergovernmental relations**



# Indonesian Context

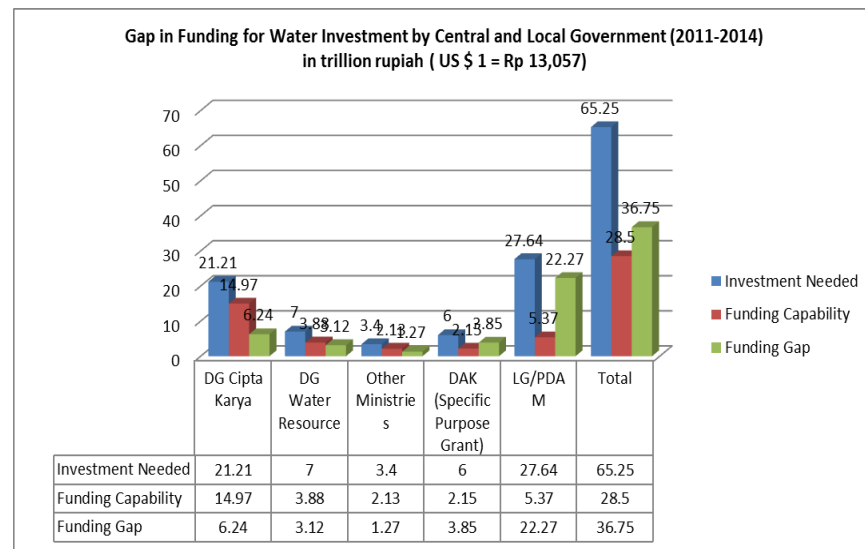
## Limited Budget for Infrastructure

Infrastructure and Central Government Expenditure

Year	Infrastructure Expense (in Trillion Rp)	Government Expense (in Trillion Rp)	Infrastructure as % of total Govt Expense
2006	54,0	699,1	7,7
2007	59,8	752,4	7,9
2008	78,7	989,5	8,0
2009	91,3	1000,8	9,1
2010	99,4	1126,1	8,8
2011	125,6	1320,8	9,5
2012	161,5	1548,3	10,4
2013	201,3	1683,0	12,0

Adapted from Ministry of Finance data (2014)

Gap in Funding for water investment by Central and Local Government (2011 – 2014)

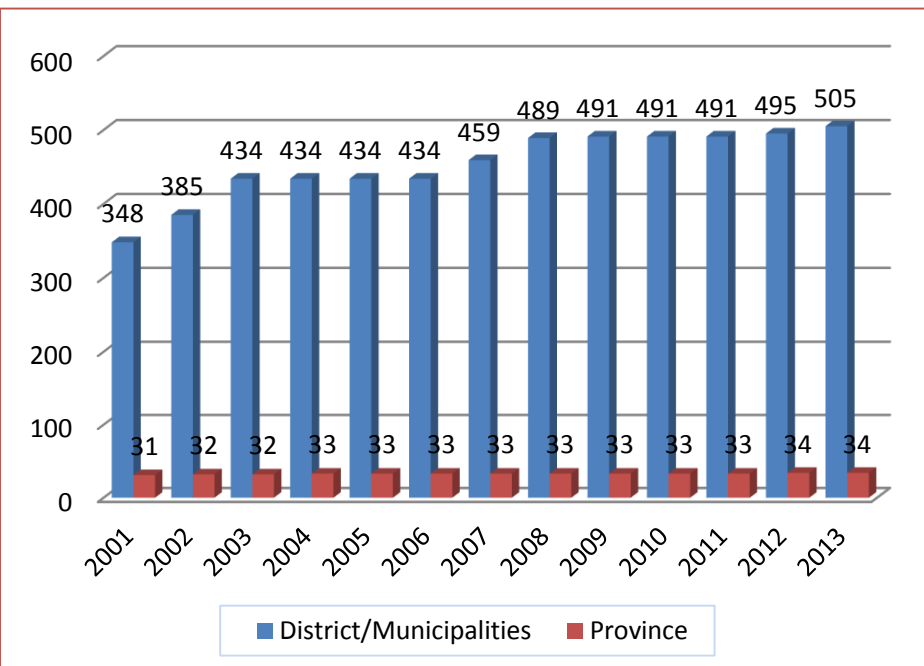


Adapted from Ministry of Public Works data (2014)

# Indonesian Context

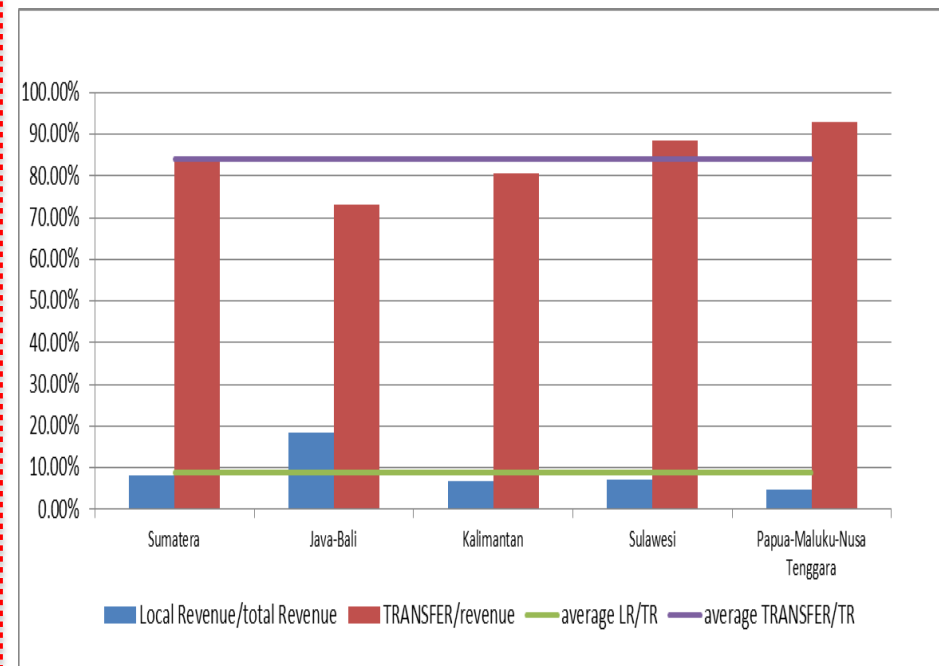
## The degree of decentralization

Indonesian Sub-National Regions



Adapted from DGFB data (2014)

Local Government Dependency Ratio

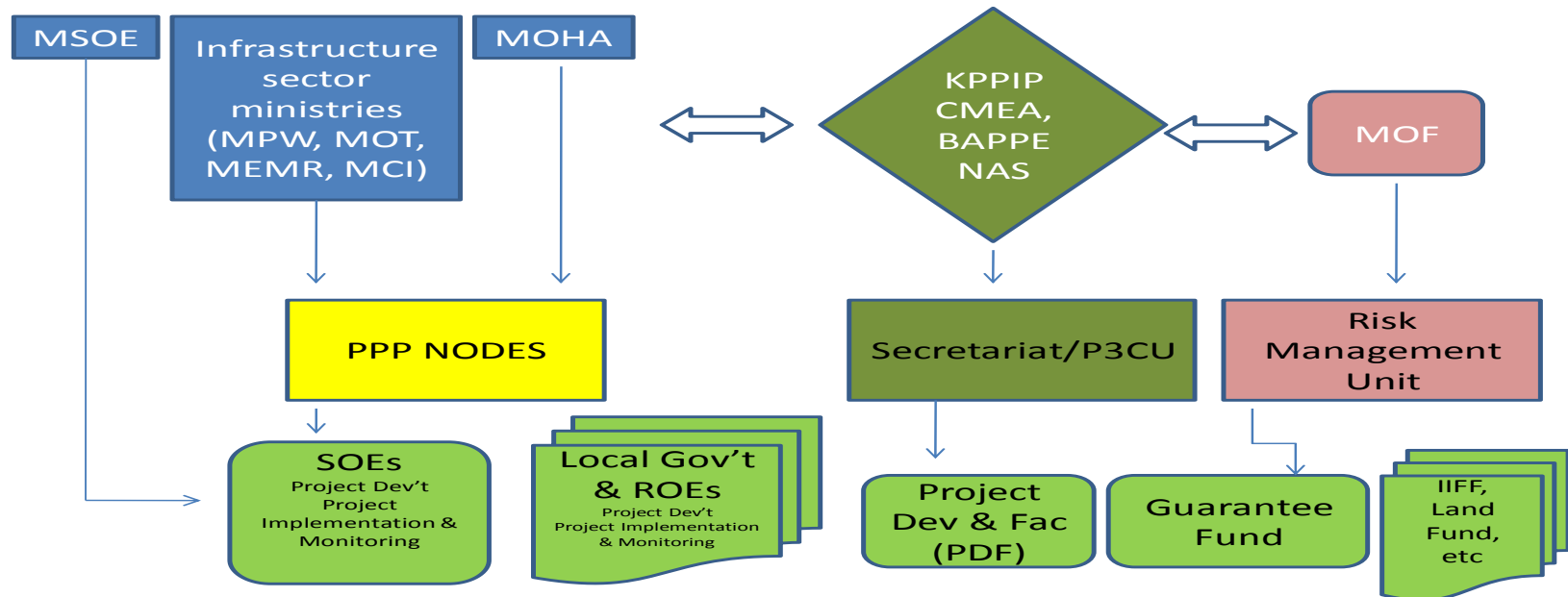


Adapted from DGFB data (2014)

# Indonesian Context

## Indonesian PPP Program

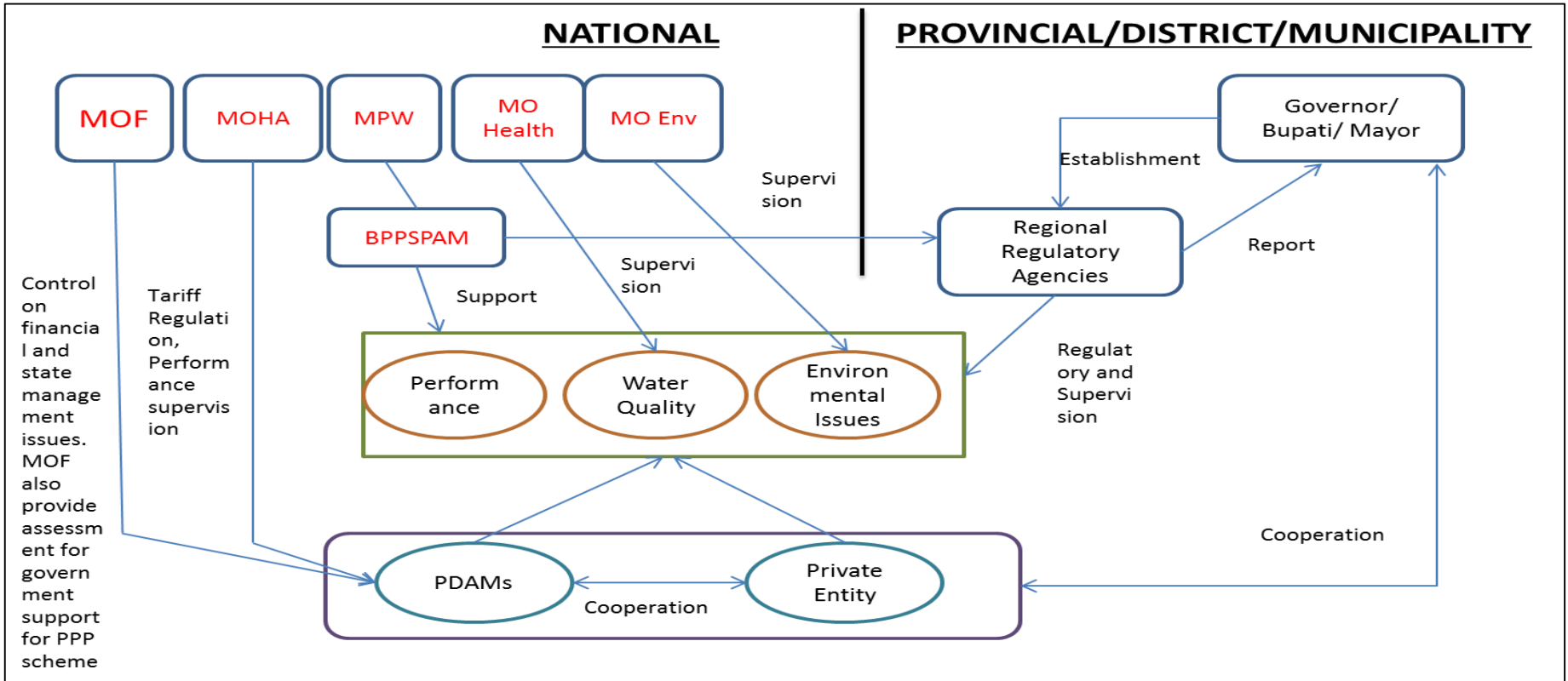
### The PPP Institutional Framework



Source: Priatna, D.S. (2009). Strategy for Developing Infrastructure PPP in Indonesia. Seminar presentation. Presented on 42nd Annual Meeting Board of Governors, Bali, 5 May. Asian Development Bank

# Indonesian Context

## Indonesian water governance



Source: adapted from the Water Dialogue Indonesia (2011)

# Indonesian Context

## Water resource management

Central Government	Provincial Government	Local Government
i. Cross country boundaries	i. Cross districts/municipalities boundaries	i. Within one district
ii. Cross province boundaries		ii. Central government authorities if mandated by regulation
iii. National strategic interest	ii. Central government authorities if mandated by regulation	

Source: Law No. 7/ 2004

## Some examples of Indonesian PPP Programs

No	Project	Location	GCA
1.	Umbulan water supply	East Java	East Java Government
2.	Tangerang water supply	Tangerang District	Tangerang Government
3.	Bandar Lampung water supply	Bandar Lampung	Bandar Lampung Government
4.	Semarang Barat water supply	Semarang	Semarang Government
5.	Solid Waste Management Improvement Project, Bandung Municipal	Bandung	Bandung municipal government

Sourced from Bappenas (2015)



# Literature Review

- i. Common themes in the **developed country cases** :
  - a. Performance measurement
  - b. Organizing choice of water provision and its impact
  - c. Institutional arrangement → decentralized to the local government
  
- ii. Common themes in the **developing country cases**:
  - a. Development of PPP program
  - b. Political influence
  - c. Institutional arrangement → decentralized to the local government
  
- iii. **Comparison between developed and developing country cases**:
  - a. The importance of institutional arrangement of PPP in the water sector → decentralized to local government
  - b. the lack attention of the issue of coordinating decision-making across different government agencies or levels of government involved in implementing and maintaining PPP programs
  
- iv. Current **frameworks for PPP in the water sector** literature:
  - a. Economic perspective
  - b. Governance perspective – less well developed





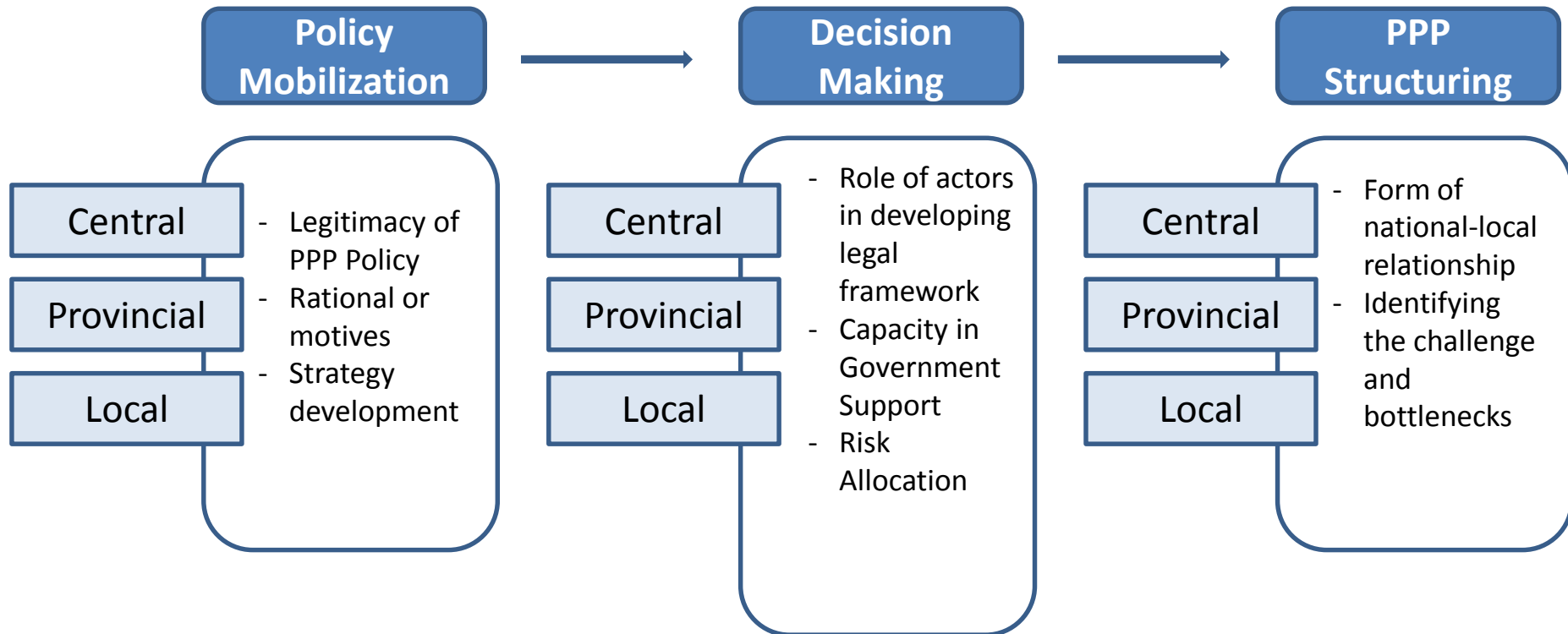
# Discussion

- i. Gaps in the literature : current PPP studies in the water sector have **neglected the whole cycle of policy making**, and have not investigated the role of public actors in each governmental level.
- ii. Current approach that emphasises the technical aspect of PPP generally **ignore the processual aspect of PPP development**.
- iii. The approach that explores the governance aspect of PPP seems to only focus on the horizontal relationship between public and private actors. The highly complex and dynamics characteristics of **decision making involving several levels of government are largely overlooked**.
- iv. Therefore, employing a **multi-level governance approach** will provide new insights into the development of PPP policy and implementation in the water sector.



# Proposed Framework

## PPP Development in a multi-level governance setting



Source: Adapted from Piattoni (2009)



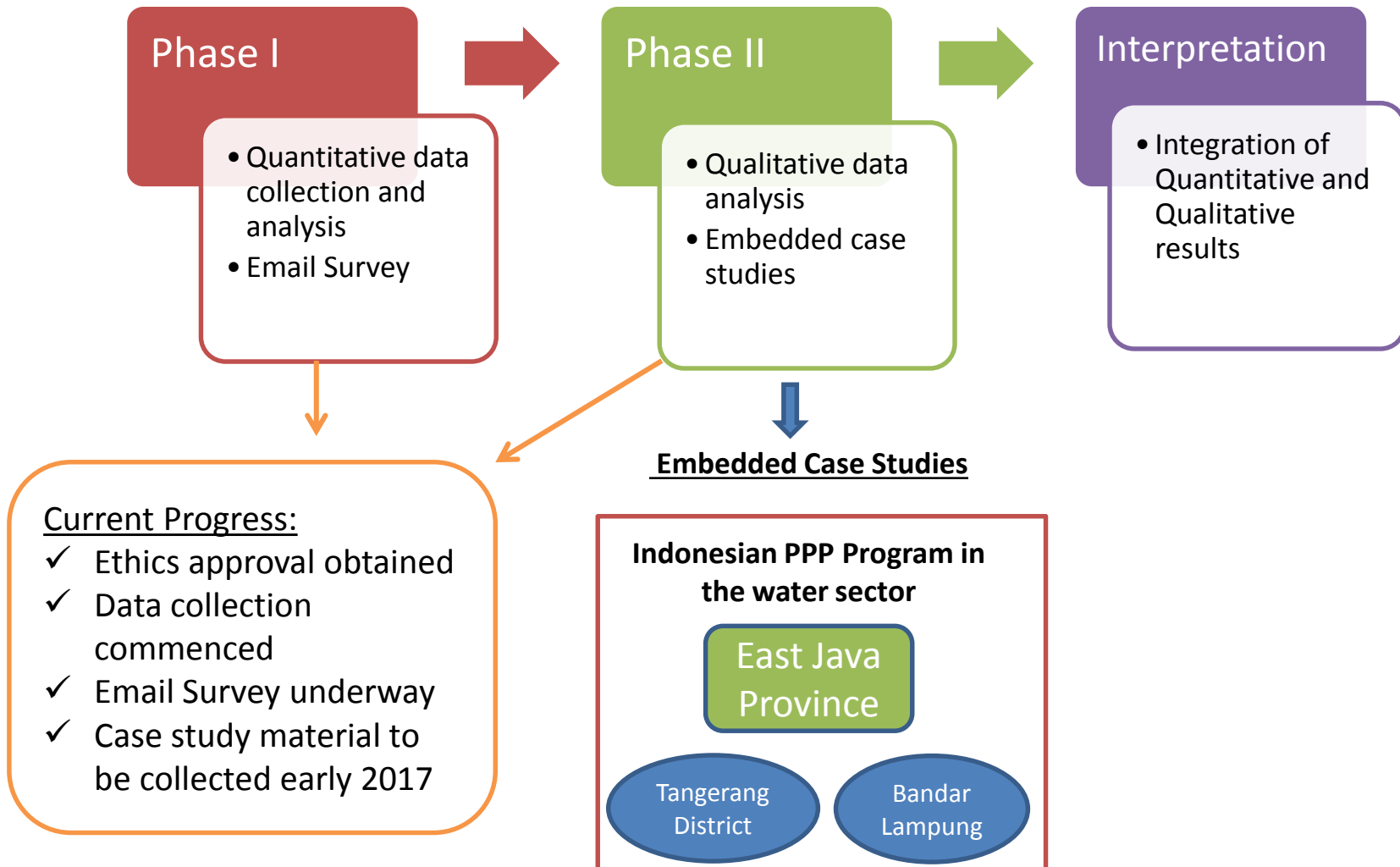
# Proposed Framework

## Role Mapping

Policy Stage		Most Optimal			Least Optimal		
		Central	Prov	Local	Central	Prov	Local
1	Agenda Setting						
	a. Actor motive/rational						
	b. Legitimacy						
2	Decision Making Rule						
	a. Regulation						
	b. Pre Feasibility Studies						
	c. Government Support/ Funding						
	d. Risk Allocation						
3	Implementation						
	a. Central – local relationship						
	b. Policy coherence						



# Research Design



**THANK YOU**

