

# The Role of Public Private Partnerships in Sustainable Infrastructure Development in Bandung City

Lia Muliawaty\*

Postgraduate Program of Public Administration

Universitas Pasundan

Bandung, Indonesia

\*liamuliawatydr69@yahoo.com

**Abstract**—Most major cities in Indonesia face relatively similar problems, namely the existence of limited infrastructure and limited government budget. Whereas the existence of infrastructure is absolutely essential for various activities such as business, administrative, social, tourism and others. The same problem also faced by government of Bandung City. To overcome the problem of infrastructure, among others, through cooperation with the private sector, namely by using investments from the private sector. The partnership program between the government and the private sector is known as Public-Private Partnership (PPP). There are many PPP programs, for example, the Build Operation Transfer (BOT) program which is considered suitable for long-term investment and sustainable infrastructure development. In order to realize a city based on the concept of the target of sustainable development goals (SDGs), the role of PPP is very important. However, the target SDGs are complex, require sustainability, require multiple perspectives, and scientific disciplines. Therefore, the role of PPP in building the infrastructures of the city of Bandung based on the SDGs concept is important.

**Keywords**—*infrastructure; city; PPP; sustainable development goals*

## I. INTRODUCTION

The rapid development of the city followed by a high population increase, including urbanization and unemployment, has caused many major cities in the world to have difficulty providing infrastructure. Likewise, most major cities in Indonesia face relatively similar problems, namely limited infrastructure and minimal budgets. In general, problems in infrastructure development are caused by development costs that are greater than the available budget; the government does not have modern technology; the government does not have professional management experience, and so on. In terms of government costs, it relies on a limited Regional Budget (APBD). Besides that, the APBD allocated to other sectors is not only infrastructure development. However, infrastructure is an absolute thing for a big city like Bandung, namely in order to facilitate various needs of its citizens in business, transportation, administration, education, health, social, tourism and other activities. The complicated problem is also faced by the Bandung City government which is building a modern city and sustainable city based on the concept of Sustainable.

Development Goals (SDGs). One of the criteria for SDGs based infrastructure is: "As emphasized by the United Nations' Sustainable Development Goals (SDGs), investment in quality infrastructure is to achieve sustainable development and empowerment communities around the world. Can be broadened to include economic and social as well as environmental concerns [1].

To deal with the problem of providing infrastructure is to collaborate with the private sector by using investment, technology, and management from the private sector. The partnership program between the government and the private sector is known as Public-Private Partnership (PPP). This program has been widely applied in various countries, as stated by Greve and Hodge: "The PPP institution has important parts of government." As well as in developing countries" [2]. For example, a PPP program in Jakarta is the provision of clean water managed by foreign management, namely Thames company of United Kingdom and Suez company of France. Both of them are partnering with private companies with the following objectives: "Jakarta's water privatization through Public-Private Partnership (PPP) mechanism is a public policy, as it is intended to increase the level of water service quality [3]. There are many PPP programs including Build Operation Transfer (BOT) which is considered suitable for long-term investment. As stated by Greve and Hodge that PPP is of many kinds: "There is a great variety in how these elements can be used, for example Design Finance Build Operate (DFBO) or Build Own Operate Transfer (BOOT) [2]. While the form of business can be in the form of joint ventures or joint operations between the government and private companies.

However, in order to realize a city based on the concept of Sustainable Development Goals (SDGs), the role of PPP is very vital. This is because the target SDGs are complex, demand sustainability programs, and require large funding. Therefore, the role of PPP in building the infrastructure of the city of Bandung based on the SDGs concept is a necessity.

## II. LITERATURE REVIEW

There are several concepts of understanding about PPP, namely: "Public-Private Partnership (PPP) describes a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies. These schemes are sometimes

referred as PPP, P3 or P3. Thus PPP refers to a long-term contractual partnership between the public and private sector agencies, specifically targeted towards financing, implementing and operating infrastructure facilities and services in the State [4]; The term PPP refers to long term contractually regulated coordination between public and private sector for the fulfilment of public task in combining the necessary resources partners and distributing existing project risk according to risk management [5]; According to Marcellus that PPP is: "A model of the NPM in which government collaborates with the private sector or other independent organizations in the provision of those public goods and services which the private and independent organizations can as well handle [6]; "Public-private partnership (PPPs) increasingly have become the default solution to government problems and needs, most recently for infrastructure, and they are embraced by a wide range of constituencies, across political parties, and throughout the world [7]; PPPs can be loosely defined as institutionalized cooperative arrangements between public-sector actors and private-sector actors [2]; "...the idea of privatizing public service has been introduced by the World Bank, as Public Private Partnership (PPP) "PPP arrangements pave the way to both the public and private sectors to share the responsibilities in providing the services [3]. Public private arrangements can have many forms, but the common distinguishing characteristic is a shared governance structure and decision-making process. Such a partnership combines the private sector's dynamism with the public sector's responsibility of public interest which makes it work better" [8]; Public-Private Partnership (PPP) describes a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies PPPs if handled properly can improve service delivery though results measurability becomes a challenge [4]. Well negotiated public private partnerships should lead to a country's economic growth Public Private Partnerships have become widely adopted and popular in public sector management although with varying degrees of success amidst the challenges it brings with [9]. The 1990s saw the establishment of the PPP as the key tool of public policy across the world [10]. Public-private partnerships between a government agency and private-sector company can be used to finance, build and operate projects, such as public transportation networks, parks and convention centers [11]. PPP is a nebulous concept with little analytical leverage. There are different compartments of research adhering to different understandings of PPP [12].

### III. RESEARCH METHODS

This study used qualitative methods because this research is to explain the phenomena that occur in the object of research. The main considerations for choosing this method are: "In situations where it is known, it is often a start with qualitative methods (interviews, focus groups, etc.)" [13]; Besides that, the aim of the research is to interpret: "The nature of qualitative research is interpretive inquiry through what they see, hear and understand" [1]; Qualitative researchers prioritize processes rather than results or products that involve fieldwork [14]; Yin states that: "...qualitative research can be the occasion for

*developing new concepts"* [15]; The qualitative approach sometimes helps develop new theories [16].

Primary data is obtained through direct surveys of research objects, conducting interviews with stakeholders, especially primary stakeholders. Data obtained by interviewing stakeholders selected at random while secondary data comes from previous research, literature, and the internet. Besides that, it comes from visual documentation as an analysis material.

### IV. RESULTS AND DISCUSSION

The city of Bandung is the capital of the province of West Java which functions as a city of government administration. So that it requires a lot of infrastructure to run the administration period. The city of Bandung does not have natural resources, so its main source of income depends on economic sectors such as the tourism industry and creative industries. Therefore, the previous Mayor of Bandung City, Ridwan Kamil, stated that it was necessary to increase the potential of human resources in the field of creative industries. The limitations of natural resources and the development budget have prompted the Bandung City government to implement PPP-based infrastructure development cooperation. Through the PPP program, various infrastructure developments can be accelerated, both in the form of physical and non-physical infrastructure such as information technology (IT) and digital information-based programs. These programs can reduce the cost and time of the registration administration process, for example the GAMPIL program, a public service for the registration of small companies. The use of this program has encouraged an increase in the number of SMEs in the city of Bandung. The GAMPIL program was realized using the PPP scheme with the private sector because of the limited budget and mastery of modern technology of the Bandung City government. In addition, there are several infrastructures built under the PPP program, including the development of the Railway station area on the *Kebon Kawung* street in collaboration with the French government; the Bandung Smart City public service program that collaborates with IT private companies from Jakarta; procurement of city bus public transportation modes in collaboration with private transportation companies; Bandung Tour on the Bus (*Bandros*) bus which collaborates with several private companies, namely *Bank Mandiri*, *Bank BCA*, *Yogya Supermarket*, and other companies. The cost for modifying the *Bandros* bus is quite expensive at around 1 billion. At present the Bandung City government has 6 units of *Bandros*. The procurement of the *Bandros* bus is a corporate social responsibility (CSR) program for private companies.

#### A. *Tourism Infrastructure in Bandung City Based on PPP Program*

Bandung City known by many names, such as creative city, culinary city, and smart city. To realize the designation above, various infrastructure development efforts have been carried out, especially the provision of tourism infrastructure in order to increase revenue from the sector. The domestic tourism industry is an important economic potential for the city of Bandung because it can increase income and create jobs for its

citizens. Some of these infrastructures are public spaces such as city parks, playgrounds, sports venues, recreation areas, shopping centers, transportation modes, and others. Most are built on PPP-based cooperation or sponsor from a private companies.

The city center called *Alun-alun* is the main recreation center for domestic tourists from outside the city and suburbs of Bandung. They can recreation around the place for free. Other domestic tourists, especially from Jakarta and the upper middle class, can do shopping and culinary activities in the northern part of Bandung, such as Riau, Cihampelas, Sukajadi, Setiabudhi, and many other places. Clothing shops - often called factory outlet - are built by the private sector on government-owned land or buildings owned by government agencies.

The form of the PPP program includes using the assets of the Bandung city government for private business interests, such as being used for cafes, restaurants, factory outlet and the like. For these purposes, many buildings have changed their function and have been renovated so that their aesthetic or historical values are lost. For example, historical buildings on the Riau street that are used for "Heritage" factory outlets, their historical values are lost due to being replaced by a clothing store. Some of the old buildings on Braga Street used to be collaborative with the private sector to be neglected and dirty.

For example is a shelter for city bus of Trans Metro Bandung that is not used as a result of a cooperation agreement between the private sector and the city of Bandung. This is a negative impact of the PPP program. Some public infrastructure rates are expensive because the private sector wants big, fast profits, and capital returns quickly. To avoid the failure of the implementation of the PPP program there needs to be a legal umbrella for both parties, namely the government and the private sector: "For PPP to be successfully initiated and implemented, the presence of a conductive and enabling legal and regulatory framework is a critical prerequisite" [10].

#### *B. Government Regulations as Drivers of the PPP Program*

In order to implement the PPP program the government issued several regulations, namely the Presidential Regulation (Perpres) and the Minister of Finance Regulation. Government Regulation number 1 of 2008 concerning Government Investment. Meanwhile Perpres number 67 of 2005 concerning Cooperation between the Government and Business Entities in the Provision of Infrastructure. Furthermore, this Perpres was amended to become Presidential Regulation number 13 of 2010. The Government also established the Indonesian Infrastructure Guarantee Fund (IIGF) to guarantee the implementation of infrastructure development programs. The above regulations are issued as a legal umbrella so that the implementation of PPP runs smoothly.

The Bandung City Government issued a Regional Regulation which was multi-year. This is necessary because loans or PPP program partnerships can be between 25-30 years long and require large fees. But the fact is that not all PPP programs run smoothly due to various factors from both parties, for example there has been a change in government

officials who initiated the PPP program before. Whereas further government officials are not interested or do not want to continue the program as happened in clean water management in Jakarta. Substitution of government officials, such as Mayor or Governor every five years, can cause the PPP program not to run properly or even stop. This is because of changes in policy by new officials who have different ideas and programs. This symptom is also seen in the Bandung City tourism program after a new turn of mayor this year. Although the new mayor is a former deputy mayor of Bandung but a tourism infrastructure development program has not been developed. So that many attractions, such as city parks, are damaged or dirty. However, this can cause the quality of tourism programs to decline and reduce their income.

Besides that, the cause of the failure of a PPP program can be caused by the public, for example parking machines in the city of Bandung which are less effective in its use because vehicle owners do not understand its use. Even though the procurement of automatic parking machines is funded by the PPP program. The failure of the PPP program can be caused by a variety of factors, not only about finance but also user factors. So that it can cause harm to both parties, private companies and the government. Therefore, PPP programs should be used to build and provide important and profitable infrastructure. The success of the PPP program needs to be supported by a variety of factors, such as what the Rwandan government has done: "Transparency is very vital in PPP as this driver for their success or failure and there should not be any political or other interference [9]. Greve and Hodge stated that summing up, the PPP has become an important new institution in the world of infrastructure policy [2].

There is an opinion that the PPP program benefits the private sector more than the government or the public interest. The PPP program is considered to have a strong business orientation because the private sector wants to get a lot of profits and a quick return on investment. The PPP program can increase the dominance of privatization of public infrastructure so that public access is limited, only the middle to upper public can use it. The negative side of the PPP program is privatization as stated by Greve and Hodge that PPP was just another word of privatization [2]. The public policy was to be shared with the private sector to provide services [4]. Privatization has been a major contributor to the globalization of public services and administration [17].

#### V. CONCLUSION

Some of the infrastructure in the city of Bandung, both physical and non-physical, was built with the PPP program or facilitated by CSR programs of private companies and government companies. Some tourism infrastructure, such as city parks and recreational facilities, are built with PPP programs and corporate CSR. In fact, some PPP programs did not work well, did not benefit both parties or even did not take place such as the Trans Metro Bandung city bus project. This is caused by many factors, for example, it is less profitable for both parties.

Other factors that can cause the PPP program to be unsuccessful are corruption, unprofessional management,

official turnover and policy changes, and others. In order to reduce the above constraints, the Bandung City government has made a multi-year regional regulation on PPP.

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