

Sub-Session 2

New Public Management: Public Private Partnerships and Creating Opportunities for All

City Economic Development: Opportunity for All

**Ho Chi Minh
Jakarta**

HO CHI MINH CITY

URBAN ECONOMIC DEVELOPMENT: OPPORTUNITIES FOR ALL

- GDP:

+ Year 2005: total GDP: US\$ 12.2 billion

GDP per capita: US\$ 1,985

+ Year 2010: total GDP: US\$ 22 billion

GDP per capita: US\$ 3,112

- GDP growth rate:

+ Period 2001 – 2005: average 11% /year.

+ Period 2006 – 2010: average 13% /year.

- GDP structure:

	2000	2005	2010
Total	100%	100%	100%
Agriculture, forestry and fisheries	2.2%	1.4%	0.8%
Industry - construction	44.1%	48.1%	47.5%
Trade - Services	53.7%	50.5%	51.7%

- Investment capital:

+ Total investment capital from 2001 – 2010: US\$ 20 billion to US\$ 25 billion.

+ Average:

□ Period 2001-2005: about US\$ 1.5 billion to US\$ 1.7 billion/ year.

□ Period 2006–2010: about US\$ 3.2 billion to US\$ 3.4 billion/year.

- The annual average investment structure:

	2001-2005	2006-2010
Agriculture, forestry and fisheries		US\$ 303 billion
(1.2%)	US\$ 400 billion	
(0.8%)		
Industry and Construction		US\$ 13,310 billion
(52.5%)	US\$ 24,150 billion	

(45%)

Trade - Services US\$ 11,737 billion

(46.3%)US\$ 27,950 billion (53.2%)

- Poverty alleviation is one of the basic social policies which are given top priority by the Government of Viet Nam in both the short and long-terms.
 - Highlights of urban development strategy:
 - o Encourage the urban poor to lift themselves out off poverty with the assistance of the Government and the community. No discrimination between local inhabitants and migrants. Encourage the community to participate in solving the issues of housing and infrastructure development.
 - o Establish overall policies for urban development to gradually eradicate slum areas and makeshift dwellings. Support the poor to improve, and upgrade their housing and basic infrastructure.
 - o Develop the programs of constructing, upgrading infrastructure network; ensure access to basic services such as water supply, drainage, sanitation, public lighting, electric supply for the urban poor
 - Get rid of irrational administrative procedures. Speed up administrative reform: land and housing management, construction licensing, household registration, business registration. It will help accelerate the development of all economic players, and to boost up the national economy.
 - Implement the restructuring of the local economy in the direction of greater shares for the trade-service sector, modernized industry-construction sector, enhanced productivity for agriculture, forestry, and fisheries sectors. Move labor-intensive industries to neighboring provinces. Further develop industries having high added value.
 - Speed up the consolidation and restructuring of state-owned companies by equalization, selling, assignment or leasing.
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HO CHI MINH CITY
THE 6th ASEAN-PACIFIC CITY SUMMIT
DATE: 29/11/2004 – 02/12/2004

BANGKOK - THAILAND

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URBAN ECONOMIC DEVELOPMENT
OPPORTUNITIES FOR ALL

GDP:

- Year 2005: GDP total is US\$ 12.2 billions at the average of US\$ 1,985/person/year.
- Year 2010: GDP total is US\$ 22 billions at the average of US\$ 3,112/person/year.

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URBAN ECONOMIC DEVELOPMENT
OPPORTUNITIES FOR ALL

GDP growth:

- Phase 2001 – 2005: average 11% /year.
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URBAN ECONOMIC DEVELOPMENT OPPORTUNITIES FOR ALL

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URBAN ECONOMIC DEVELOPMENT OPPORTUNITIES FOR ALL

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URBAN ECONOMIC DEVELOPMENT OPPORTUNITIES FOR ALL

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URBAN ECONOMIC DEVELOPMENT OPPORTUNITIES FOR ALL

- Poverty alleviation is one of the basic social policies which are interested specially by the Government of Viet Nam and is also one of the socio-economic development programs which are both presently urgent and essentially long-term.
- Comprehensive strategy of Viet Nam's growth and poverty alleviation have been approved by the Prime Minister of Viet Nam government in the document No 2585/VPCP-QHQT dated May 21st 2002.

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URBAN ECONOMIC DEVELOPMENT OPPORTUNITIES FOR ALL

- Animate the urban poor to deliver themselves off their poor circumstances with the assistance of the Government and social community, no differentiate between the local inhabitants and the immigrants, encourage the community to participate in solving the issues of accommodation, infrastructure development, income increasing and community management.
- Establish general policy for developing urban to settle step-by-step slum areas and temporary housing, support the poor to improve, upgrade their accommodation and basic infrastructure conditions.

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URBAN ECONOMIC DEVELOPMENT OPPORTUNITIES FOR ALL

- Develop the programs of constructing, upgrading infrastructure network spreading each local, ensure the water supply and drainage, sanitation, public light, electric supply for the urban poor areas, sewage management in the principle of socialization to reduce environmental pollution.
- Set up the national strategy of urban development, urban upgrading policy including consideration of poverty alleviation objective, establish urban planning criteria and procedures, ensure the environmental sanitation requirements and payment affordability of the poor.

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URBAN ECONOMIC DEVELOPMENT OPPORTUNITIES FOR ALL

- Reform administrative procedures to be suitable for the poor's conditions (land and housing management, construction license, housing register, business register). Take difference the scope of state administrative management, public administrative services, public interest services and integrated economic.
- Implement the route of structural economic transfer, improve the trade-service sector, modernize the industry-construction sector, develop the production quality of agriculture, forestry, fisheries. To move the industries using high labor rate into contiguous locals, improve goods production industries having high added value.

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URBAN ECONOMIC DEVELOPMENT OPPORTUNITIES FOR ALL

- Improve the route of arranging state companies according to the privatization, deliver for people, selling and hire.

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JAKARTA
PUBLIC PRIVATE PARTNERSHIPS
(AN OPTIMUM SOLUTION FOR PUBLIC SERVICES)

Mr. SUTIYOSO, GOVERNOR OF JAKARTA

I. BACKGROUND

The monetary crisis which started to happen in Indonesia in the mid 1997, has directly brought about the changes in social, politics and economy of Indonesia. The severe and long monetary crisis has also affected the life structure of people in Jakarta. Seeing this, people use it as a momentum to execute pressures to the Central Government in order to carry out a total democratization process including acceleration process of decentralization. In responding the trend, the Central Government then implemented several policies which basically allow more rooms to Regional Governments to be responsibly and consequently govern their own regional administrations in order that democracy runs as planned.

Decentralization process that happened after the crisis brought a big change in the balance of authority between the Central and Regional Government. Compared to that before monetary crisis, Regional Governments now enjoy more authority and more independence. On the other hand, such situations bear the consequences to the Regional Governments, for they are demanded to be able to design comprehensive and integrated policies by accommodating various aspects simultaneously. These, in turn demand them to be able to design, organize, formulate, implement and evaluate policies. Undeniably, they also have to include financial consequences.

Policy making in the Jakarta Provincial Government adopts three approaches namely, participative, coordinative and bottom-up. The Participative Approach is implemented by way of encouraging designated elements of society to be actively involved in the process of policy making. This is aimed at minimizing distortions between the 'want' of society and the 'want' of the Government. Coordinative Approach is aimed at covering and accommodating all sectors of development so that jealousy between one sector and the others can be prevented. The Bottom-Up Approach which is done by means of encouraging the lowest layer of the community to the upper level is aimed at catering and accommodating the need of the whole society hierarchically.

In order to yield representative, acceptable and quality policies, the Jakarta Provincial Government based its administration on six essential principles namely, law enforcement, public interest, openness, proportionality, professionalism, and accountability. The use of these six principles is aimed at keeping the credibility of a certain policy so that any product of policy which has been taking a long process can be accountable, be it legally, technically, economically, and socially. This, will surely prevent misunderstanding between government and society or within the society itself.

II. SITUATION & PROBLEMS OF JAKARTA

Like other metropolitan cities in the world, Jakarta cannot avoid heavy, serious, complicated and complex problems. Issues faced by Jakarta are not only limited to physical, environmental and economical but they also cover problems of cultural and social. Some problems that need immediate action are flood, traffic congestion, limited housing, solid waste, water and air pollution, decreasing environmental health, drug and the like. Such a situation forces Jakarta Provincial Government to respond any issue professionally and proportionally in accordance with its financial capacity. Shortly, in order to promote welfare for the people of Jakarta, the Jakarta Provincial Government should be able to formulate an acceptable development policy for all stakeholders, be it technically, financially, economically, socially and culturally.

Before moving further to the pattern of policy making, it might worth noting to see some indicators of economy in Jakarta due to the impact of monetary crisis. In terms of economy, Jakarta was very much influenced by the crisis which is started in the mid 1997. This can be seen from the growth of Jakarta's GRDP (Gross Regional Domestic Product) and its Regional Budget from 2000 to 2004 as follows:

Table 1. Growth of Jakarta's GRDP

(Constant price of 1993)

Year 2000 – 2004

No	Year	Growth (%)	Regional Budget
(in Million USD)			
1	2000	4.33	451
2	2001	3.64	904
3	2002	3.87	1,081
4	2003	3.72	1,284
5	2004	4.70	1,409

Source: Statistic Bureau, Jakarta 2003

1 US\$ = Rp. 9000,00

In economic term, the monetary crisis influenced very significantly to the growth of economy of Jakarta. In 1998 there was no growth in the economy of Jakarta, on the contrary it decreased up to 17.49%. From then on it grew steadily. In 2003, economy of Jakarta grew at 3.72%. This shows that Government has taken the right step in developing its economy so that it stimulated economic sectors to revive.

This monetary crisis had also a direct influence on the pattern of use of GRDP. There was a significant shift in the use of GRDP. Expenditures in households towards GRDP increased from 43.59% in 1997 to be 48.37% in 2002. It shows that the monetary crisis has not at all affected the household consumption pattern. However, the crisis had very much influence on the Government's

consumption rate. The consumption rate tend to decrease from 6.17% of the total GRDP in 1995 to 4.16% of the total GRDP in 2002. Such a situation would of course influence the Government's economic policy.

Based on the empirical data from four years period, namely from 1998 to 2003, the economy in Jakarta was very much dominated by secondary and tertiary sectors (industries and services). Meanwhile, farming has decreased significantly from 0.18% of the total GRDP in 1998 to 0.16% in 2003. This fact convinced the idea that urban administration should focus its economic development program on the sectors of services, such as trading, hotels, restaurants, financial services, leasing and manufacturing industries.

Based on the above economic indicators, it can be seen that the pattern of need of the Jakarta people is very specific. The demand of the people of Jakarta tend to be on the quality of services which means speed, comfort and safety. The implication is that the Jakarta Provincial Government should be able to provide high quality services.

In considering the actual condition in the field, that is financial limit from the Jakarta Provincial Government on the one hand and the accumulated and multi dimensional problems of society on the other, the Jakarta Provincial Government took some strategic steps. One of the strategic steps is by using Public Private Partnership Approach, that is an activity in which the operational pattern is based upon a long term cooperation agreement between the Government and the private sectors. The contract comprises business risks, assets contribution, and profit sharing. The purpose of such a cooperation pattern is to optimize skills and abilities of each sector. So, the strength of the Public Private Partnership is the combination between the power of each sector to render the best service to the people in a form of optimum services.

III. FORMAT OF PUBLIC PRIVATE PARTNERSHIPS

With the consideration of immediate needs of the people, readiness of the Jakarta Provincial Government, and readiness of the private sectors to participate in the development program, the Jakarta Provincial Government applies Public Private Partnership for certain programs, namely:

- (1) The development of Mass Rapid Transit (MRT); in this case the construction of bus-way. This is actually an effort in ordering mass transportation system in Jakarta. On the first phase, the Jakarta Provincial Government constructed infrastructures such as road, bus shelters, pedestrian bridges and procurement of buses. The first corridor of bus-way, a 12.9 km route, connecting Blok M – Kota is an embryo of Public Private Partnerships (Quasi Public Private Partnerships) in Jakarta. Although this is not yet a full pledge program of Public Private Partnership, at least it can encourage private sector to participate in the development of the

next corridor of bus-way. It is admitted that the first bus-way program has yet overcome the traffic congestion but it surely has given a lot benefit to the users of public transportation.

For the next program of Bus-way corridor II of 16 km long, and corridor III with 17 km long are expected to be established on fully Public Private Partnerships. It means, that the Government will only provide all needed infrastructures of the bus-way, meanwhile private partners will provide the fleet and run the technical operations. Both bus-way programs are planned to be in operation by the end of 2006.

- (2) The provision of clean water to the people of Jakarta which is run by PAM JAYA is also a type of Public Private Partnership. In this cooperation, Jakarta Provincial Government grants a certain concession to the mentioned private partner to manage clean water from the initial processing up to the distribution process to the inhabitants of Jakarta. From the management of this water the private party receives a compensation in a form of tariff decided by the Jakarta Provincial Government. On this cooperation, the private party enjoys the financial benefit, while the Government gets the advantage in the form of service to the people of Jakarta who enjoy the clean water facilities in an affordable price.

In order to control the cooperation activities between both parties, the private and the Government, a Regulatory Board consists of some experts, society and Government is established. The responsibility of this Board is to monitor the performance of the private partner in providing services and to monitor the Government in fulfilling its responsibility. Shortly speaking, this Regulatory Board bears the task of supervising the rights and responsibilities of both parties in running the agreed cooperation activities.

- (3) The use of Public Private Partnerships pattern is also applied in the sector of health services to the community. In this type of cooperation the Government will construct the hospital building with its main equipments, meanwhile the private partner will provide the uncovered equipments and set up the institution and management. Profit sharing will be determined proportionally based on the portion of the capital invested in the mentioned hospital.

In this Public Private Partnership the hospital will enjoy the profit derived from the service given to the community which is financially measurable. In the mean time, the Government will get non-financial benefit in the form of services enjoyed by the society who get proper health services in an affordable prices. Thus, with such pattern of partnerships both the Government and the private sectors enjoy the proper benefit though they cannot be measured financially. Up to the moment this partnership can be said as a success, from which society can obtain the proper health services while the private sectors have never claimed any lost financially.

IV. CONCLUSION

Based on the empirical data it has to be admitted that some programs that applied the Public Private Partnerships pattern within the Administration of Jakarta Provincial Government have not shown a satisfactory results. At least there are five affective factors can be identified as contributing to the success of Public Private Partnership's program. The five factors are:

- (1) The first factor is the credibility of the Government on the eyes of society. It means that the Government should win the trust of the society and the private sectors in running the Administration. Besides, the Government should also fully support the program of Public Private Partnerships.
- (2) The second factor is the full involvement of the public sector. It means that the Government should totally be involved in the Public Private Partnerships program. The program covers the activities in planning, implementing and monitoring. This, should be periodically held by the Public sector.
- (3) The third factor is the availability of a comprehensive and integrated planning. Planning should be meticulously prepared, beginning from the agenda setting up to the evaluation phase. A clear description of responsibility between public and private sector should be made. This is to be made so that points of responsibility are clearly visible.
- (4) The fourth factor is communication. There should be proper and proportional communication between the Government and all stakeholders who are involved in the project. It means that communication should not be limited only between the officials of the public sector and the involved private personnel, but also to all stakeholders who are involved in a project should actively and periodically communicate with each other.
- (5) The last factor is the right choice of the private partner. It surely is not easy to find good and responsible private partners. The Government should be able to sort out and identify private entities with reliable track record and high accountability.

Thus, Public Private Partnerships is a very good program, especially for City Administration with limited financial capacity. Apart from this, such a type of cooperation can also encourage participation of the society in developing their city. Nonetheless, attention should be paid on the five determinants which affect the success of Public Private Partnership program, namely reliable leadership, active participation of public, comprehensive planning, communication with stakeholders and the right choice of private partners.












