

READINESS OF LOCAL GOVERNMENT IN PPP PROJECT DEVELOPMENT – CASE OF LRT BANDUNG

Authors: *Revana Putri*¹, *Reini D. Wirahadikusumah*²

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¹Post Graduate from Management and Construction Engineering, Bandung Institute of Technology, Indonesia
revana_putri@yahoo.com

²Lecturer of Post Graduate from Management and Construction Engineering, Bandung Institute of Technology, Indonesia
reiniwhk@gmail.com

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PPP PROJECT FAILURE | INTRODUCTION

AND WHAT YOU CAN DO ABOUT IT ?

“**The failure of PPP project** is generally caused by the way the government works in preparing projects that are not adjusted to the needs of the PPP, the constraints of land acquisition, poor coordination between central and local government, DPRD participation, and overlapping regulations.

-UKP4,2014

“Projects with the PPP scheme often face problems such as the **high cost of tendering, complex negotiation, and different opinion that arise conflicts among stakeholders**”

- Akintoye, et al 2001

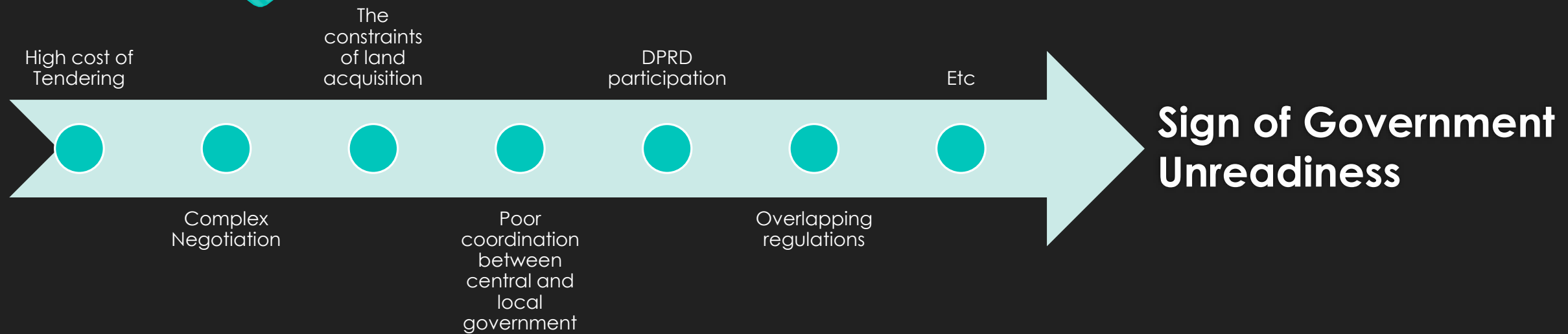
Indonesia is **still lagging** behind in the development and provision of transportation infrastructures such as railways, road networks, ports, and airports. This condition occurred for almost the last 20 years or since the economic crisis of 1997/1998 to the current era when compared to other countries or neighbour countries such as Malaysia.

- PPP Guidelines, PT SMI, 2014.



PPP PROJECT FAILURE | INTRODUCTION

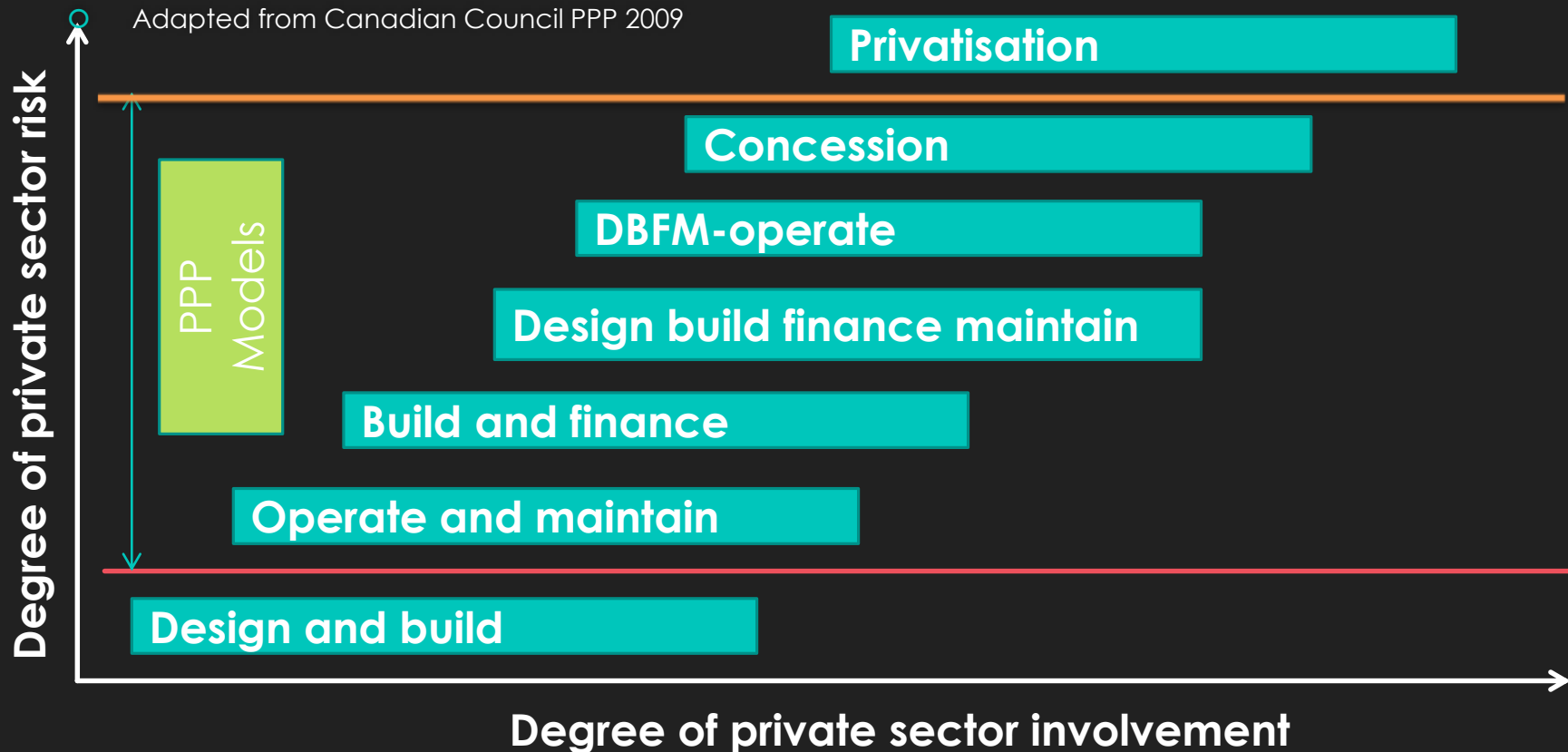
AND WHAT YOU CAN DO ABOUT IT ?



- Government unreadiness can cause adverse effects such as project delays or failures.
- The readiness of the government plays a major role in realizing the success of the project under the scheme of PPP.
- This research will develop an indicator of government readiness assessment for transportation infrastructure project with the scheme of PPP aligned with the national condition.

LITERATURE REVIEW

- Public private partnerships (PPPs) are agreements between government and the private sector for the purpose of providing public infrastructure, community facilities and related services.



| LITERATURE REVIEW

DEVELOPING GOVERNMENT READINESS ASSESSMENT SYSTEM

Principles of PPPs

Output based specification

- Contracting Authority defines the service required
- Design of the works to deliver that service lies with the private sector

Long-term contractual arrangements

- The contract can be for 25/30 years plus

Value for money

- Cost measured against conventional procurement.
- Whole life costs and quality are combined to gauge VFM

Transfer of risk

- Transfer of design and construction risk
- Risk of ownership transferred to the private sector

Market competition

- Competition will drive best value
- Gives public sector access to innovation

Whole life costing

- Long term responsibility for building operation and maintenance
- Focus on reducing cost

The challenges faced by the government in PPP Project

Insufficient funding

Improper project planning and selection

Inefficient management

Inadequate maintenance

| RESEARCH METHOD

GOVERNMENT READINESS ??

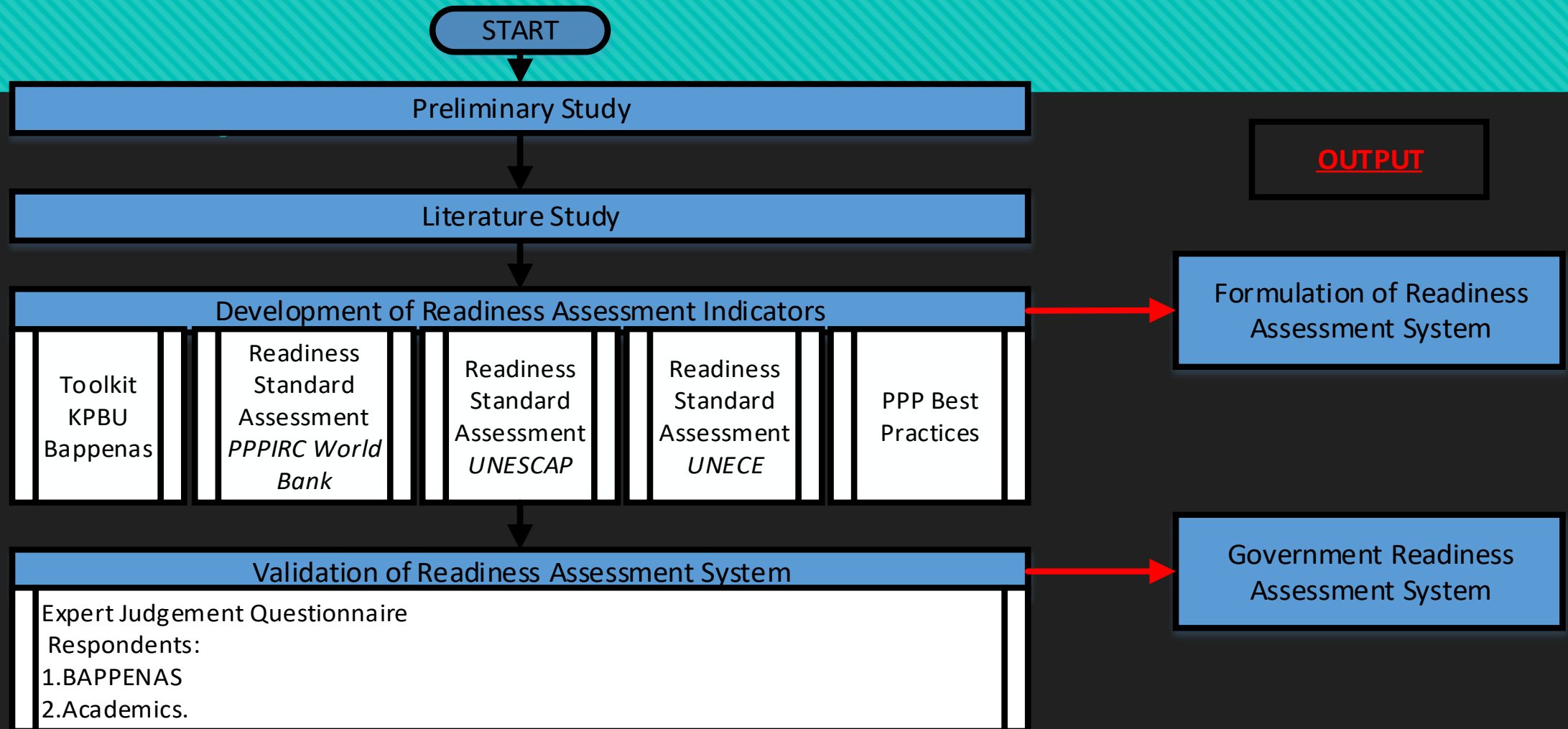


The definition of readiness in this study is "Conditions which indicate that the government has met the factors that become indicators of the Government's Readiness Assessment System in carrying out the transportation infrastructure project of PPP".

The government readiness assessment that will be used in this research is formulated from the guidance of the implementation of the PPP in Indonesia, and the formulation of several assessment systems that have been used in other countries as described above. The government's readiness assessment system was developed using these standards:

1. Readiness Assessment Standard of LRMT with PPP scheme made by PPPIRC World Bank.
2. Standards of Readiness Assessment made by United Nations ESCAP.
3. Standards of Readiness Assessment of PPP Project according to UNECE.
4. Toolkit of PPP Indonesia stage made by State Ministry for Development Planning (BAPPENAS)

DEVELOPMENT OF THE ASSESSMENT SYSTEM



| DEVELOPMENT OF THE ASSESSMENT SYSTEM

Primary Data

"Primary data in the form of questionnaire distribution divided into 2 stages."

1. Questionnaire 1 is intended to get the views of respondents on the weight they deem fit to the government's readiness assessment system. In this study, the selection of respondents is planned to be taken from Bappenas, KPPIP and Ministry of Transportation. So that the results of research weight can be generated from people who have the technical capability in evaluating the stages of project implementation with the scheme of KPBU.
2. Questionnaire 2 is intended to obtain a government readiness assessment in implementing the LRT Bandung project.

Analysis

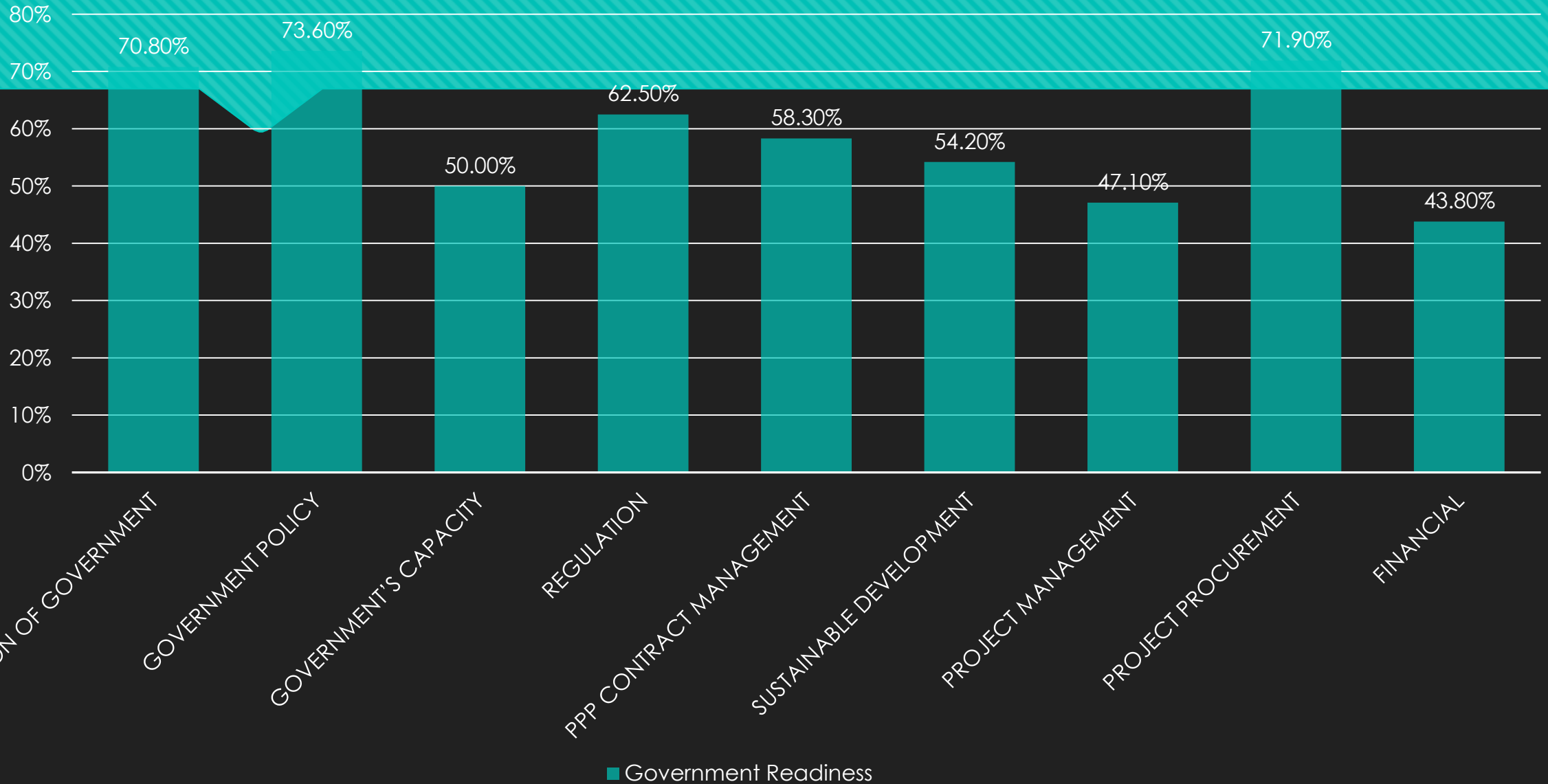
1. Validity of Readiness Assessment System
2. Analysis of Weight Criteria on Government Readiness Assessment System
3. Analysis of Government Readiness Assessment LRT Bandung
4. Analysis of Constraints Affecting Government's Readiness LRT Bandung - Structured Interviews and Questionnaires

	Related Factor
AREA 1	CONDITION OF GOVERNMENT
1.1	Government's Support
1.2	Public Participation
1.3	Law Enforcement Conditions
AREA 2	GOVERNMENT POLICY
2.1	Consistency and Clarity of Policies Related to PPP
2.2	Content of PPP Policy
2.3	Business Entity
AREA 3	GOVERNMENT'S CAPACITY
3.1	The conditions of government capacity
3.2	Government Development Program related to PPP
AREA 4	REGULATION
4.1	A clear legal basis for PPP project implementation.
4.2	Legal issues related to PPP
AREA 5	PPP CONTRACT MANAGEMENT
5.1	General Framework of Investment Contract
5.2	Development related provisions
AREA 6	SUSTAINABLE DEVELOPMENT
6.1	Environmental Policies and Regulations
6.2	Implementation of Sustainability in project planning
AREA 7	PROJECT MANAGEMENT
7.1	Project Management Process
7.2	Basic Capabilities of Project Management
7.3	Design Conditions and Specifications of PPP Projects
7.4	Risk Allocation
AREA 8	PROJECT PROCUREMENT
8.1	Procurement Management Team
8.2	Condition of the Method of Selection and Evaluation of the Proposal

| GOVERNMENT READINESS

ASSESSMENT SYSTEM

GOVERNMENT READINESS in LRT Bandung



| CONCLUSION

1. The research on the development of this readiness assessment system resulted in the assessment system that can be used to assess the readiness of local governments in implementing the transport infrastructure projects under the PPP scheme. The assessment system was developed based on three (3) studies on readiness assessment system in various countries, namely: Public-Private Partnerships for Transport Infrastructure Toolkit from PPPIRC World Bank, United Nations ESCAP and UNECE.
2. The system is then adapted to the **guidance** of the stages of the implementation of the development of transportation infrastructure with the scheme of PPP in Indonesia from BAPPENAS. The results of the development of this scoring system can be seen in Table 2, comprising the nine (9) areas of the readiness assessment system, composed of twenty-two (22) factors.
3. From the test conducted by this readiness assessment system to the Government of Bandung City in implementing the LRT Bandung project, it can be seen that the average of the area reviewed in this study has a readiness level of 59.1% in implementing the project under the PPP scheme, the highest level of readiness is the area of government policy with a value of 73.6%, while the lowest value is the financial area with a value of 43.75%.

| SUGGESTION

1. Factors of assessment in this system were only done limited to interviews with respondents, literature studies, and document review available to the public. In some factors, actual document verification cannot be performed to assess whether the PPP implementation readiness indicator is properly implemented and to what extent its effectiveness is implemented. This is due to limited access to data collection. Further development of this system can be done by looking at it.
2. The weight/importance level of each factor in this system is considered to be of equal value. There are biases, related to the results of the government's readiness assessment. The importance of each area may have different weights when compared to the impact of readiness. Further development of this system can be done by looking at it. Determination of the weight of each factor on this system can be done with the help of expert opinion. The readiness assessment system generated in the research is only through a simple validation process with the assessment of academics and BAPPENAS due to the limited time of research. Further research can validate the other parties who are more experienced in implementing the project with PPP scheme in order to have a more valid system improvement suggestion.

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