

**AN EXPLORATION OF THE EXTENT TO WHICH
PUBLIC PRIVATE PARTNERSHIPS COULD REDRESS
SOME OF THE DEVELOPMENT CHALLENGES
IN EASTERN INDONESIA**

BY

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VOLUME 1

**Thesis submitted to fulfill the requirements of a Doctor of Philosophy.
Flinders Institute of Public Policy and Management,
School of Political and International Studies.**

**THE FLINDERS UNIVERSITY
OF SOUTH AUSTRALIA
ADELAIDE
2005**

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ABSTRACT

Indonesia achieved remarkable growth during the first 25 years of its series of Five Year Development Plans, which started in 1968. However, growth has not been well distributed across the regions, in part this is as a result of the Indonesian government development policy of a growth centre approach which has benefited 'Western Indonesia' (Kawasan Barat Indonesia, KBI) more than 'Eastern Indonesia' (Kawasan Timur Indonesia, KTI). Prosperity needs to be spread across Indonesian regions and needs to be more equitably shared.

The thesis argues that government needs to search for other ways to overcome the imbalance by accelerating KTI development, to reduce this region's resentment, which may increase the risk of disintegration.

The central aim of this research is to describe and critically evaluate the potential usefulness of Public-Private Partnerships (PPPs) as a means to address the regional imbalance in economic development. It aims to make a contribution by:

1. **Describing** in detail the ways government decision-makers see the situation, in other words giving the viewpoints of the state;
2. **Providing** detailed transcriptions of the interpretations and opinions expressed by powerful decision makers in the public and private sectors;
3. **Demonstrating** how the public, private and non-government sectors operate;
4. **Making** the realistic point that the links across these sectors leads to both positive and negative outcomes; including
5. **Illustrating** through examples how corruption spreads from the public to the other sectors.

This study examines the contributing factors to regional imbalance in Indonesia between KBI and KTI by means of a case study of policy and management challenges in KTI. It examines the current strategy used for accelerating the economic development of KTI and considers whether a new strategy of Public Private Partnerships would have relevance and can be developed and implemented to accelerate the development.

Current strategies especially formulated for accelerating KTI economic development include:

(i) The Policy and Strategy of the Eastern Indonesia Development Council

(ii) The Program of the Ministry for Acceleration of Eastern Indonesian Development; and

(iii) The Integrated Economic Development Zone program

However, one of the weaknesses of these policies is the lack of cooperation across government and the private sector.

This study has found that the government strategies and policies have neither matched local needs nor the implementation of economic development. The study, based on both interviews and secondary data, demonstrates that the causes of the economic imbalance are systemic and multiple. They span not only government policies contributing to the imbalance directly and indirectly but also other factors, such as:

(i) Systemic corruption across the public, private and non-government sectors;

(ii) Lack of willingness to address the issues, lack of capital, lack of capable human resource and lack of infrastructure, lack of domestic and international market access, lack of communication and coordination and lack of cooperation.

To overcome these problems, the Indonesian government together with business and the watchful eye of diverse civil society organizations need to change policies, systems, and visions for developing this region.

Public Private Partnerships through a mutual partnership program could be one way of accelerating the development in KTI. On the one hand there are some direct and positive consequences of this new vision, for example, the private sector sharing their knowledge, skills, funds, management and enhanced utilisation of market mechanisms to support the government in the development process. On the other hand there are many limitations to the approach such as government often accepts greater risk than is warranted, dangers of corruption and cronyism which may attend more intensive in long-term relationship and contracted services resulted in corruption and secret business influence in government. According to Transparency International, Indonesia remains one of the most corrupt nations internationally.

Unless strategies are put in place to address systemic and endemic corruption and Public Private Partnerships are well managed, then the model for Public Private Partnership will only serve to exacerbate the problem. Systemic corruption also effects trust amongst stakeholders, which needs to be hand-in-hand with strategies to address ‘demoralisation’ for developing prosperity.

Government is becoming more responsive to the private sector’s needs by providing a conducive environment for investment, entrepreneurship and innovation. Public Private Partnerships could be a means to balance power between public, non-government and private sectors if there is more capacity building to enhance the competency and responsibility of the players.

No development solution can come about by working with only the public or the private or the community sectors or just non-government organizations. This study makes a strong case that the ‘*solutions need to be found in Partnerships*’. However, in exploring the complexity of the social capital of trust-based networks between people (but which also unfortunately exclude others) which are important for partnerships and, correspondingly, with partnerships being important for social capital, the researcher finds that there is no neat or simplistic partnership that can produce miraculous results. Some partnerships can be corrupt, some can lead to better life chances for local citizens, but the merits of each case need to be considered contextually. Widespread change is only likely when there is systemic change across governance arenas (public, private and non-government) and with consideration of social, cultural, political, economic and environmental factors. Instead of blaming development problems on insufficient participation or the lack of capacity of the ordinary people, the problems lie equally with the state, big business and non-government organizations. More effective managerial skills and efficient processes are needed in the governance of all these organizations while the role played by civil society is essential in making this governance accountable. Better partnerships can provide models that could inspire others to follow.

Overall this study describes the complex problems created by poor policy making from above. The ‘gaze’ (in the sense used by Foucault)¹ is shifted from the ‘non-participating and incapable’ citizens to the ‘ineffective and inefficient’ powerful.

¹ Foucault and Gordon (1980)

Why are ordinary people so often studied to find answers to societal or systemic problems? The thesis argues that this is because they are easier to ask, more tolerant of the researcher, more resigned to answering a number of questions, or perhaps think it is easier to answer questioners in order to ‘get rid of them’.

Instead this thesis probes the viewpoints of the powerful. Researcher who is interested in understanding how the state operates in Eastern Indonesia could ‘trawl through this material’ in order to develop a greater understanding of the dynamics of power.

To conclude, the researcher is first and foremost a practical person, who wishes to find solutions by creating the conditions for better partnership arrangements. Instead, she found that the decision makers are part of the problem. For transformation in governance to occur, stronger civil society cooperation through ‘communities of practice’ is needed. This would be in the interests of all sectors of society if a regionally more balanced sustainable future is to be achieved.

ACKNOWLEDGMENTS

First of all, blessed be God that I may continuously live in happiness and achieve this stage of knowledge to be shared with other people.

Thank you to my principal supervisor, Dr. Janet McIntyre, for her excellent guidance, precious assistance, and her commitment to making this thesis a reality. Also, thank you to my co-supervisor, Dr. Elizabeth Morrell, for her wonderful suggestions and meticulous evaluation of my work.

A special acknowledgment to my former principal supervisor, Professor Bruce Guerin, who gave me priceless guidance. I thank him for his patience, kindness, friendly, caring and inspiring approach., and for sharing his knowledge and experiences on establishing Public Private Partnerships in South Australia with me. Also, warm thanks to my former co-supervisor, Professor Colin Brown, who assisted me and always gave his time to discuss my work critically. Unfortunately, both of them left Flinders University before I finish my thesis.

This thesis would not be finished without contributions from many others. My special thanks to all of my interviewees, especially for those of them who gave up their busy time to participate in my interview session.

Finally, I would like to thank to my family, Hapidi, Khalisa Tiaramakiris Lamon and Ajisaka Nureza Mecquso for sharing intellectual, and emotional experiences to make our lives in Adelaide and my work on this thesis so enjoyable.

DECLARATION

I certify that this thesis does not incorporate without acknowledgement any material previously submitted for a degree or diploma in any university; and that to the best of my knowledge and belief it does not contain any material previously published or written by another person except where due reference is made to the text.

Date: July 25, 2005

Mardiah Thamrin

SUPERVISORS' DECLARATION

I believe that this thesis is properly presented, conforms to the specification for the thesis, and is of sufficient standard to be, prima facie, worthy of examination.

Date: July 25, 2005

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