



**Public Governance of
Public-Private Partnerships**

Towards a High Performance
Government in Indonesia

A GovLab Report
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Achieving a High Performance Government

In recent years, governments are increasingly facing the challenge to build effective bureaucracies to deliver quality public services. This is a complex task as citizens' expectations for economic and social well-being put governments under immense pressure not only to perform, but also to minimise costs. To meet the rising expectations, some government leaders have overcome these obstacles and achieved remarkable results by dramatically increasing the value of the services they provide and becoming High Performance Governments.

In this report, we will address what it means to be a High Performance Government, and present a framework to define and understand some of the key features of a High Performance Government. We will then apply this framework to Indonesia's context to conduct a high level review of its public service's governance structure. Specifically, we will examine three of its functional areas – Public Finance Management, Infrastructure Development, and Public-Private Partnerships – and provide a number of high-level recommendations for the way forward.

Figure 1: A three-step approach to facilitate Indonesia to build a High Performance Government



Step 1: Develop framework

In this step, we develop a framework to define what it means to be a High Performance Government. This involves examining examples of High Performance Governments that exhibit superior performance in various public governance indicators, and identifying the common qualities that they share in order to define the key features of a High Performance Government, as well as their respective drivers.

Step 2: Apply framework to identify key issues and opportunities

This step focuses on applying the framework to the three key functional areas – Public Finance, Infrastructure Development, and Public-Private Partnerships – in Indonesia to identify key challenges and reveal opportunities. To validate this framework, interviews were conducted with relevant stakeholders, including academics, government officials, and representatives from donor agencies.

Step 3: Analyse and provide recommendations

For this final step, we will analyse the findings and develop high-level recommendations to address the identified challenges and to enable Indonesia to build its own High Performance Government.

These three functional areas were chosen for a number of reasons. Firstly, strong Public Finance Management systems are essential for effective and sustainable economic management and quality public service delivery. Apart from strengthening accountability and transparency, they also play important roles in poverty reduction, and are crucial for effective governance, economic stability and the efficient use of available resources.

Secondly, putting in place reliable infrastructure is a crucial foundation for sustainable and inclusive economic development, as it facilitates the delivery of public services and job creation. In particular, having the right infrastructure can go a long way towards helping the government connect rural and urban markets, and better integrate Indonesia's market with the world's. During turbulent economic periods, it can also help the government to maintain a certain level of macroeconomic and fiscal stability.

Finally, effective public-private partnerships enable the government to improve access to public services, such as education, electricity, and transportation, through collaborations with the private sector. Through these partnerships, the government can leverage the expertise and efficiency of the private sector, raise funding for large capital projects, and share risks with private sector participants over the life of the project.

To validate the applicability of this framework and the proposed high-level recommendations to Indonesia's context in these three functional areas, interviews were conducted with relevant stakeholders across a variety of functional areas. However, a deep dive assessment of the respective enablers will be required to develop detailed transformation roadmaps to implement these recommendations.

We also took a closer look at Indonesia's Public-Private Partnerships to support Indonesia in maximising its potential in this area. Specifically, we found that although much has been done by the government to reduce the financing gaps between project owners, donor agencies, and the private sector through fiscal and risk management, some avenues for improvement remain. These include closing certain talent gaps to equip officials with the right skillset to handle multi-disciplinary and multi-stakeholder projects, as well as better alignment of central and local government policies.

While this report was primarily intended for public sector officials in Indonesia, particularly those in ministries and institutions with responsibilities for public finance management, infrastructure development, and public-private partnerships, we believe that donor agencies, academics, and other private and public institutions supporting the public sector's transition towards becoming a High Performance Government may also benefit from its use.

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