LOCAL GOVERNMENT’S ROLE ON PUBLIC PRIVATE PARTNERSHIP (PPP):
A Case Study of Toll Road Manado-Bitung

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Abstract  Innovative and active involvement of local governments—province, district, and municipality—into the implementation of public and private partnership (PPP) project is a main key success to develop and manage the project in the region. Strong participation of local governments involved directly on funding for land acquisition and clearing, and prepared all prerequisite documents of infrastructure project become the main lure to the national government and private sectors. However, limited experiences on preparing the project that will promote to be a model of Public Private Partnership (PPP) make the local governments have to put commitments and make the project can be executed. The study as apart of pre-project planning had made based on experiences prepared the project of toll road Manado-Bitung, North Sulawesi.

INTRODUCTION

Decentralization has opened and encouraged for local governments to be more innovative to make strategic planning for developing and improving basic infrastructure in the region as means to accelerate local economic development. Limited resources of fund for building infrastructure had pushed local governments to develop strategic partnership with national government—Public Work Department—to collaborate with private sector through the model of Public Private Partnership (PPP) to develop and to manage the toll road. Realizing the land for infrastructure is the most difficult part of the project, local governments (province, municipality, and district) work in partnership taking responsibility for land acquisition and clearing that funded by local budgets.

Governments—national, province, district and municipality—are main actors taking responsibility to develop basic infrastructure. However, governments are always facing with limited resource of fund to develop infrastructures. An alternative to solve the problem is governments need to take initiative to collaborate and work with private sector to develop and manage the project through the model of Public Private Partnership (PPP).

2) Local governments are referred to provincial, district, and municipality governments.
Experiences of some provinces in Java and Sumatera Island the main obstacle of building toll road is about land clearing. Trans-Java Toll Road project connecting Jakarta-Surabaya that consists of 9 toll road projects had reached 58.9 % out of 5 150.53 ha in September 2013. Trans-Sumatera that consists of 5 toll road projects, so far only Medan-Kuala Namu Toll Road project which is about 72.67% of 17.6 km the land had cleared for the project as reported by Minister Public Work (*Bisnis Indonesia*, 2-3 October 2013). According to Rochman (2013) Head of Indonesia Toll Road Association that average cost for land acquisition and clearing is around 5 %-10 % of total investment.

So far, it is limited information and studies had been done related to local governments’ initiatives to involve into Public Private Partnership model for building toll road. Some on going development of toll road projects that designed through PPP model in Java and Sumatera, the initiator of the project is mainly came from national government through Minister of Public Work.

The paper explores the case study of the initiative and experience of provincial government to prepare all prerequisite tasks to plan and develop toll road Manado-Bitung project in which the project can be able to be qualified project to propose to the scheme of Public Private Partnership (PPP). The toll road Manado-Bitung project has 39 km length and located in Minahasa Utara District and Bitung City.

The paper explores the limited experiences of provincial government prepared all prerequisite tasks for toll road project. Introduction of the paper describes the initiatives of provincial government to prepare for developing toll road Manado-Bitung as a case study, summarized experiences of provinces in Java Island prepare the land for road, followed by explaining the objective and the structure of the paper. Second section explores some local government initiatives in the early stage of preparing the proposal of the project. Third, discussed some planning documents as prerequisite of the project. Fourth, described the early surveys of vehicles, and develop base line data as sources to develop pre and feasibility study. Fifth, described development of Local Acts, Regulations, Decisions, and establishing local committees. Sixth, explained the implementation of land for acquisition and clearing have been doing by provincial, district, and municipality governments. Seventh, explored funds allocation for land acquisition and clearing through local budgets. End of paper closed with some conclusion.

**LOCAL INITIATIVES**

Ideas and concepts to develop toll road that will connecting two growth centres (Manado City and Bitung City) had initiated by provincial government specifically

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3) **Manado** as a capital city of North Sulawesi and concentrated of trade, services, government administration activities, and located the International Airport, and **Bitung** City as a centre of industrial activities and located the International Hub Port and Special Economic Zone (SEZ).
through the provincial think-tank institute of The Board of Integrated Economic Development Zone (IEDZ) Manado-Bitung, where the board chaired directly by Governor.

In 2001, the concept was simply written into a small report to governor based on existing data taken at provincial Public Works Agency and Transportation and Communication Agency. At the same year started the toll road Manado-Bitung concept had taken and presented to related national departments such as Public Work, National Development Planning Board, Finance, and national and international infrastructure seminars, workshops, and exhibitions facilitated by National Board of IEDZ at Department of Public Works presented by Manado-Bitung IEDZ Board.

In some formal meetings with national departments related partners, raised some basic questions such as number of vehicles passed through to existing road Manado-Bitung, land acquisition and clearing, and document of pre-feasibility study. All questions and comments had addressed to the proposed projects of toll road Manado-Bitung was not feasible compared to some similar projects located in Java and Sumatera.

However, all comments became good sources of feedback to revised and improve data base, and encouraged provincial government to find out alternative solution that can be proved to make the toll road project turn out to be feasible to develop by both governments collaborate with private sector.

The alternative solution to make more attractive to private sector to develop the project is about to amalgamate the toll road project into Integrated Infrastructure Development of Manado-Bitung corridor. The toll road will directly connected and integrated to Global Hub Port Bitung, Special Economic Zone (SEZ) Tanjung Merah Bitung, dry ports container yard, some locations of real estate, and in the future it will connected directly to International Airport of Sam Ratulangi.

The concept of integrated infrastructure development Manado-Bitung corridor has got directly response from some private sectors and national banks where they are showing interests to collaborate and to develop the project of toll road Manado-Bitung.

At the same time, provincial government had taken initiatives to identified all requirements needed and established strategic plan that included prepare project requirements and develop the concept gradually, and develop the concept of the basis for project budget, in order to make the toll road project become feasible both to governments, private sectors, and financial institutions.
PLANNING DOCUMENTS

All infrastructure projects plan that will develop in the region have to be stated on the provincial, district, and city Spatial Planning and Long and Medium Term Development documents. Specifically, it has to be stated also on Strategic Planning and Working Plan documents of all related local governments’ agencies.

Provincial government had taken initiative to make coordinations with local governments and to revised spatial planning documents of provincial, regencies, and municipalities. The revision of spatial planning documents have to be approved by local councils and become local regulations (Peraturan Daerah).

District and municipality governments socialized to all agencies, associations, NGOs, CBOs, informal leaders, and communities about revised spatial planning documents. More detail broadcasting the trace of toll road as it would be detailed documented on definitive plan of toll road. Dissemination and open dialogue in early stage of project plan with all stakeholders specifically local communities. It will develop general understanding and educating people to persuade them to be a part involving and supporting to develop the project together with governments and private sectors.

SURVEYS, DATA, AND DEVELOPING PRE-FEASIBILITY STUDY

In 2003, under coordination of provincial government through Integrated Economic Development Zone (IEDZ) of Manado-Bitung Board, had started taking initiative to make plan of surveys about traffics on existing road of Manado-Bitung, alternatives new trace roads, social, economic, institutional, and environment aspects. Studies had designed to collaborate and develop a teamwork with transportation and communication agency, public work agency, and development planning board, and environmental board respectively.

The data had been used to develop preliminary study of a possibility to develop toll road Manado-Bitung. The result of study presented to Governor and all provincial government related agencies. Those data used as references by related agencies to make short and medium term plans and integrated plan for internal agencies that coordinated by Provincial Development Planning Board.

The results preliminary studies had used as data base and further research to develop a pre-feasibility study. In 2005, revised with some additional updated data the document became the first feasibility study. The study had done by consultant facilitated by provincial publik work agency. Document of feasibility study had proposed by Provincial Government to Minister of Public Work and related Minister in Jakarta. The document had been revised and up dated with new traffics and macro data for three times, and the last document had revised in 2012.
LOCAL ACTS, REGULATIONS, DECISIONS, AND ESTABLISHING LOCAL COMMITTEES

All infrastructure projects plan that will develop in the region had to be stated on the provincial, district, and municipality Spatial Planning and Medium Term Development Plan documents. Provincial government had taken initiative to make coordinations with districts and municipalities, and revised spatial planning documents of provincial, regency, and municipality in which the revision of spatial planning documents have to be approved by local councils. During discussion and process adjustment of spatial planning documents at local councils became a part of communication and socialization of the toll road project to the council members.

All local governments activities to deal with land acquisition and clearing for infrastructure had set up based on acts and regulations. In order to do that the local governments created district and city official decision letters for local committees those consist of staffs from several related agencies such as Land Board, Public Work, Law, and Economic Affairs, Subdistricts, and Villages.

Two land acquisition and clearing committees had established and directly in charged by Minahasa Utara District and Bitung Municipality, and coordinated by provincial government. The committees are simultaneously working in the field for socialization, lobby, and negotiate, about the land acquisition that belongs to local people. Meetings of committees with local communities are mostly held in villages hall and subdistricts hall, and ended the meetings at the site field of project planned. Directly open communication used existing map in the site field will transfer knowledge and information to local people about the location of project planned.

Governor creates document of the Decision of Development Project Location Toll Road Manado-Bitung (Surat Penetapan Pembangunan Lokasi Proyek [SP2LP] Jalan Toll Manado-Bitung) Number 10, 23 of March 2012. Prior to issued that decision letter, the Governor had set up a team of provincial infrastructure development. The team consists of all provincial leaders such as Police, Army, Marine, Airforce, High Court, and Judiciary. The team coordinated directly by Governor and have regular meeting once a month. Agenda of the meetings are mostly related to challenges and action to be taken by local governments for developing infrastructure and regional security matters. The purposes of the team meetings are mostly in anticipating potential problems raise and advance action taking, and control regional security.

Local regulations (Peraturan Daerah [PERDA] are included PERDAs of Local Budget and Local Budget Revision of Minahasa Utara District and Bitung Municipality. When local budgets allocation for land have planned to allocated 3-year in the row included into the medium term financial planned (MTFP), it makes secured to local
governments that the project of land acquisition and clearing have confirmed to get fund from local budgets proved by local councils.

**LAND ACQUISITION AND CLEARING**

For local people land has contained some basic values of culture, social, economic, and in some points land become political and environmental issues because it related directly with livelihood of local communities. Due to that fact, the most challenging to build basic infrastructure is to make available the land for infrastructure.

Land for infrastructure is most important and prerequisite to develop basic infrastructure in the region. However, most of infrastructure projects that needed land have problem in the early stage of project development. Because in fact the land has not clear and available yet. Most of the cases the land is not own by governments.

Both local and national governments have not put into the priority agenda that the land for infrastructure have to prepared by local governments and some specific project local governments collaborated with national government. Specifically, when the project infrastructure in charged directly by the authority of the national government such as national roads, dams and irrigations, ports, airports, and telecommunication.

Most of local governments do not have such a land bank for building basic infrastructure. Conservative local bureaucrats have a though that the cost for funding land for infrastructures will always included into the total budget of physical project value. It is implied that the land will prepared prior to the physical infrastructure started. In other words, local governments have a limited knowledge about land bank for infrastructure. Even though, most of them well understood that basic infrastructures needed in the future, as state on the medium term development planning and spatial planning documents.

Many cases that failed to execute the land in the region due to the fact that local governments (province, district, and municipality) had ignored by implemented projects controlled by national government to directly involved local governments into the early stage of implementation of land acquisition and clearing.

Learned from the experiences from some provinces in Java and Sumatera building toll roads, some projects have to postponed due to unable of governments—mostly in charged by national government—to prepare land for building roads (Bisnis Indonesia, 2-3 October, 2013). Some obstacles had faced by project management such as local people do not want lost their land and property, agreement on land price can not be reach by both parties, transparancy on land price was not obvious, and limited involvement of local governments on land acquisition and clearing.
Experiences in Java and Sumatera, become push factor and motivate provincial government taking initiative to lead and make coordination with districts and municipalities to develop commitment together. Particularly, to in charge for land acquisition and clearing the trace of toll road Manado-Bitung with length of 39 km as stated on definitive plan document.

Various problems faced by local committees such as land documents, land status, land ownership, conflict land ownership, price, village and governments land, raised during the implementation of land acquisition. Overcome problems, local committees improved regular meetings with local people and stakeholders related two times a week. Through meetings can mediating and channeling information to all stakeholders related, more time listening people’s requests, and more transparent the land acquisition management. As consequences, need more time for meeting and delaying action for land acquisition. However, agreements between local people and committees can easily be reached.

Commitment of local governments to solve the problem of land for toll road has clearly indicated on their local budget. Each local government has variously allocated some fund for land acquisition and clearing based on the agreement with provincial government. Local funds for land have obviously stated on local budget for 2012, 2013, and in coming local budget 2014.

**FUND ALLOCATION THROUGH LOCAL BUDGETS**

Sharing funds for land acquisition and clearing through local budgets that get supported and approved by local councils are the most best alternative to get land for infrastructure such for toll road. Both local governments and councils develop commitment together to solve the main problem of preparing land for infrastructure in the region.

Proportional local budget allocation for infrastructure is not easy to be realized due to limited budget available for many services to be delivered by local governments to fulfill the implementation of local autonomy. Planners have struggled to get some funds from limited local budget. In order to get a little big portion of fund, needed strong reasons to confined both members of Provincial Budget Team and Legislative Budget Board (Badan Anggaran Dewan Provinsi).

Getting a piece chunk of fund from provincial budget required a strong commitment of provincial’s budget team to convince Legislative Budget Board. Rational and simple explanation is needed to deliver to Legislative Budget Board that fund required for land acquisition to build road as a long term government investment and later on it will spreading benefits to the local people in the future.

At least two main forum of the battle fields that have to be passed to get budget allocation for developing basic infrastructures. First, discussion on the provincial budget team. The early discussion of the forum will bring on the table the most
priority program and activities which are as main targets to be achieved based on yearly plan and medium term provincial plan (RPJMD).

The discussion shaped directly to physical projects that in charged directly by Public Works Agency (Dinas Pekerjaan Umum) such as roads, bridges, dam and irrigation, and land acquisition and clearing. At the same time, physical projects of education, health, communication and transport will discussed and decided by the provincial budget team.

This session is a crucial moment to convince head and members of budget team that allocating some amount of fund for land acquisition that belongs to local people is a prerequisite to build a new road such as toll road Manado-Bitung.

All proposed projects will bring to the table to discussion with Governor and Vice Governor, prior to propose that budget project proposals included on General Budget Policy (KUA-PPAS) to provincial legislative, exclusively to provincial legislative budget board.

Second, the provincial legislative budget board have meetings with Provincial Team Budget after the document of General Budget Policy had delivered directly by Governor through general assembly of provincial legislative. In the legislative budget meetings, priority issues are about even distribution of physical projects of basic infrastructure, education, and health to all districts and municipalities—where they are represented at the house. Those projects have to be stated clearly on General Budget Policy.

Meetings between provincial budget team and legislative budget board are the most interesting field of discussion about priority budget allocation for basic infrastructures, education, and health facilities. Later on issues about some important sectors such as agriculture, fishery, tourism, trade and industry. The role of provincial budget team is very crucial to clarified why allocating some significant amount of provincial fund for land acquisition and clearing for new roads is become priority will be done by provincial government.

Bring simple rational explanation is an effective strategy to response questions that raised by some members of council who are positioning as oppose to the proposal proposed by provincial government. Some cases will take few days discussing about budget allocation. In some points, members of provincial team will make lobbies to some opponents members prior to enter to meeting room to continue the discussion. Informal approach through lobbies are more efficient than to bring that issues into the formal meetings.

In the end, legislative budget board have agreed that funds for land acquisition allocated three years in the row both on main local budget—where it always discussed closed to the end budget year mostly during September to November and
local budget review that always bring to the table to discussed both budget team on August.

Provincial government had made agreements with district and municipality (Minahasa Utara and Bitung) where the toll road is located, about sharing fund that needed to allocated to their own local budgets for land acquisition and clearing in each of their own region. Three years in the row—especially during September to November where the time of local budget plan discussion—provincial government have always remained to district and municipality about share funding that have to be clearly allocated to their own local budgets. Those documents will send to provincial government for getting approval after discussing with local council board.

DEVELOPING PROVINCIAL-OWNED ENTERPRISE (POE)

Provincial-owned enterprise (POE) consists of some Local-Owned Enterprises (Districts and Municipalities) has initiated established by provincial government. The provincial-owned enterprise represents the local governments that will collaborated with private sectors to develop and/or to manage and operate the project of toll road Manado-Bitung.

Provincial-owned enterprise (POE) or BUMD can create some companies—depends on how many projects that local enterprise have plan to work together with private sectors—based on Act or Undang-Undang Perseroan Terbatas (PT).

The share of provincial enterprise collaborated with private sector could be in the form of share equity such as land and finance. The resources can be tap from local budget that approved by local councils. Provincial government can take initiative to mediate regional bank (bank daerah such as Bank Sulut) working together with Regional Bank Association to involved and take a part directly to finance the project.

Transfer knowledge and technology from private sectors to local enterprises such as how to manage the project with the principles of good governance and later that POE can be able to share some revenues to local governments as apart of local own revenue resources are the main purposes of local governments involve into the public private partnership (PPP) model.

CONCLUSION

Initiative and active involvement of local governments in the beginning of the Public Private Partnership (PPP) such as toll road Manado-Bitung project is a key element towards the project can be successfully implemented. The project had designed in the early 2001 by provincial government through the Board of Integrated Economic Development Zone Manado-Bitung. With limited experiences, the board had started to develop some prerequisite documents and institutions required for the
project such as planning documents, surveys and build up pre-feasibility study, established local acts, regulations, decisions, and committees, executed land acquisition and clearing, allocated funds for land through local budgets approved by local councils, and developed a Provincial-Owned Enterprise (POE) that will collaborate and work with private sector to develop and manage the toll road.

Prepare the land for infrastructure is the most challenge that have to be deal with local governments. Required some times to convince related national government institutions that the project is feasible to develop in the region when the project not to compared to similar projects located in Java and Sumatera Islands. However, the project has attracted some private sectors and banks, when declared the land taking care by local governments and the project had designed to integrate into Special Economic Zone (SEZ), Global Hub Port Bitung, and International Airport of Sam Ratulangi.

Action plan have been doing by provincial governments in preparing project documents needed and plan of land clearing, all that early activities are recognized to become a part of the pre-project planning document. The document as an introduction towards the development of Public Private Partnership institution.

Local governments had realized that their roles are not limited to in charge for land acquisition and clearing. Prior to deliver the land for building road to national government specifically to Minister of Public Work, local governments have an obligation to allocate fund as financial sharing to the holding company—where included provincial-owned enterprise (POE).

The study has indicated that the land bank is crucial to be prepared by local government when they want to develop infrastructure. However, the concept of land bank is uncommon for local bureaucrats.

Dissemination the concept of land bank and Public Private Partnership (PPP) model to all stakeholders related is required to be done facilitated by both governments and private sector. At the same time, training to improve knowledge and skill of implementation PPP concept to the local governments’ staffs and private sector are become priority to be done by government.
REFERENCES


*Bisnis Indonesia*, 2-3 October 2013