

The U.K.'S LEP: A Model To Help Indonesia?

Part 1 of 2

Local Enterprise Partnerships developed in the U.K. might be a model to help Indonesia's development.

BY SCOTT YOUNGER

THE MASTER PLAN for Acceleration and Expansion of Indonesia's Economic Development (MP3EI) has set out a bold framework for developing the archipelago, including a key role for regional governments and the private sector in this plan. Bold plans are fine—implementing them is another matter. Thus some thought needs to be given as to how this ambitious plan is going to be achieved.

It is understood that regional development will only succeed with the drive coming from the regions themselves; a centralized focus would not be able to achieve the significant annual rates of growth required, nor as easily build the local support needed to get the project off the ground. While some regions are showing positive signs of improvement, in general much remains to be done.

Just to recap, the MP3EI highlights 22 different economic areas, including education, human resources development, infrastructure, agriculture, mining, tourism and so on. Much attention has rightly been given to infrastructure since a large part of the performance of the regions is clearly related to their interconnectivity. In England the need for focusing on decentralized regional development was recognized several years

ago, and in response Local Enterprise Partnerships (LEPs) were created. These LEPs have replaced the previous regime of regional development agencies (RDAs). The role of LEPs in fostering development in the U.K. might provide some useful lessons to Indonesia for its own development plans under the MP3EI.

LEPs are interesting entities. They are voluntary partnerships between local governments and private businesses and were put forward by the central government in 2011. These LEPs help determine local economic priorities and lead growth and job creation within the given area of any particular local government. The central government by this move has clearly recognised that the private sector has a vital role to play in nationwide development and this view matches that of the objectives stated within the MP3EI.

The U.K. government invited the formation of LEPs across the country and, from over 50 proposals received, accepted an initial batch of 24, which was announced in October 2010. This number has increased to 39 since September 2012. LEPs are catalysts, responding to needs and seeking to broker collaboration to create new jobs, support new businesses and sustain the growth of existing businesses.

They must be seen as cogs in a bigger wheel comprising many partners responsible for innovation in a national and government context.

An LEP has two charters—a planning and development charter, aimed at streamlining the planning and development process, and a regulatory and business partnership charter, which is agreed upon by the local government and the business community of the LEP.

A typical structure of an LEP, which is chaired by a private sector voluntary appointee, includes a number of local government representatives from the various jurisdictions within the LEP's geographic area as well as representatives of various business, professional, community and academic interests. Each LEP must identify its mission and set out in detail how its objectives might be achieved. Any decisions made by the LEP must include input from private and public sector viewpoints, and with due consultation from relevant boards, committees and of smaller community groups.

In November 2011, arguably for the first time, infrastructure was recognized as a significant factor requiring major and wide participation in implementation by the private sector. The U.K. government through the

Treasury published a comprehensive document outlining the country's needs over the ensuing five years. Delivery would also require the active involvement of the public and private sectors at a regional level. Needless to say, it is proving very difficult to establish realistic procedures, enquiry mechanisms, financial structures and technical details to implement the various projects that would be included in a portfolio of average national spending of \$75 billion per annum. Surmounting this delivery hurdle is something that we well understand here in Indonesia: public grumbling, albeit mostly ill-informed, is also on the rise.

The MP3EI recognises the differing key development features of each of the six corridors set out in the plan, although fundamentals such as education, human resources development and infrastructure in general terms are common to all of them. The MP3EI also clearly recognizes the vital role that the private sector must play in achieving regional economic growth targets.

There are, of course, striking differences in the sizes of the areas covered by the LEPs in U.K., from very large to small, and the huge areas that comprise the provinces and regencies of Indonesia. Hence any adaptation to Indonesian conditions would have to fully recognise the differences and be matched to the scope of each of the six economic growth corridors of the MP3EI. But the principles and structures set out in the LEPs for having the private and public sectors working together should still hold and merit the attention of any enterprising local government. Indications are that the U.K. central government is pleased so far with the way that LEPs are contributing to development, thus implying continued support from the government in the years ahead. ¹³

Note: This article is in two parts. The second half will appear in the next issue.

PUTTING WORCESTERSHIRE TO WORK

One good example of an LEP is in the area of Worcestershire which comprises the Worcester-shire County Council and six surrounding district Councils, including Worcester City. The Worcestershire LEP is located in the heart of England in a relatively lush part of the country with rolling downs and excellent agricultural land, but it is also home to thriving small and larger industries. The population within the area is 655,000. The main center of the LEP is the royal town of Worcester, which boasts a long and interesting history and is a major tourist attraction.

The Worcester LEP has set out four strategic objectives each with a set delivery plan to:

- Profile and promote the area, working with the private sector, local government jurisdictions and business chambers.
- Improve access to finance.
- Focus strongly on employment and skills development relevant to the area in a partnership between the educational and business communities to increase employability of the local workforce.

- Plan and develop infrastructure for the area with appropriate linkages to neighboring jurisdictions.
- Each objective is targeted with outcomes or outputs on how an initiative should be handled, timelines

and groups responsible for delivery. Income for the LEP is obtained from a number of sources but under three main groupings of businesses, local and central governments. Payroll and expenses amount to about 40% of the budget and project funding and training about 20%. The LEP also undertakes conferences and events and offers other support facilities.



**Worcestershire -
A central location**

The Worcestershire LEP is located in the heart of England in a relatively lush part of the country with rolling downs and excellent agricultural land, but it is also home to thriving small and larger industries.

