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The Factors Supporting the Policy Innovation that Enhance Pad in Pekanbaru City

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Abstract

This study aims to identify the factors that support policy innovation in increasing (PAD) in Pekanbaru City. In facing economic challenges and fiscal needs, the city government has implemented various innovative policies to optimize the contribution of the tax and retribution sectors to PAD. Using a policy analysis approach, this research reveals the internal and external factors influencing the success of these policies, including local government capacity, regulations, and the participation of the community and private sector. The findings indicate that synergy between adaptive regulations, tax administration technology, and stakeholder involvement are key factors in enhancing policy effectiveness. Additionally, challenges such as taxpayer compliance and limited human resources remain critical concerns in the implementation of innovative policies. These findings are expected to provide recommendations for local governments in formulating more effective and sustainable policies to increase PAD in the future.

Keywords: Policy Innovation, PAD, Fiscal Policy, Pekanbaru, Policy Analysis.

Introduction

PAD is a fundamental component of regional financial autonomy, as it enables local governments to finance their development initiatives, public services, and infrastructure projects without excessive dependence on central government transfers. The ability of regional governments to generate and manage their own revenue is essential for fostering sustainable development and ensuring that financial resources are allocated according to local priorities and needs (Bappenas, 2020). Strengthening PAD not only enhances fiscal independence but also promotes more accountable and transparent governance, as local authorities become directly responsible for revenue generation and expenditure management. The legal foundation for optimizing PAD is outlined in the Regional Government Financial Management Law (UU No. 33/2004), which mandates that regional governments maximize their revenue sources to reduce reliance on central government transfers. The law underscores the importance of self-sufficiency in local fiscal management, emphasizing that financial independence allows local governments to implement policies tailored to their specific economic and social conditions (Sitorus, 2021). By improving their capacity for self-financing, regional governments can enhance public service delivery, invest in infrastructure, and foster economic growth without being constrained by the limitations of intergovernmental transfers. Research suggests that PAD is derived from various sources, including local taxes, levies, regional-owned enterprises, and other legitimate regional income. The implementation of effective tax policies is particularly critical, as efficient tax collection systems can improve compliance rates and reduce administrative inefficiencies (Bird & Smart, 2016). Additionally, the role of regional-owned enterprises (BUMD) in contributing to PAD has been widely recognized, as these entities generate income while simultaneously providing essential public services (Bahl & Linn, 2017). By diversifying revenue sources, local governments can create a more stable and resilient fiscal environment that supports long-term development objectives.

Despite its significance, the optimization of PAD faces several challenges, including tax evasion, administrative inefficiencies, and limited public awareness regarding tax obligations. Strengthening digital taxation systems and enhancing public engagement through awareness campaigns can help address these issues and improve overall compliance (Cohen,B. 2019). Furthermore, intergovernmental coordination plays a crucial role in ensuring that local fiscal policies align with broader national development strategies, creating a more coherent and effective governance framework (Bahl, 2018). Ultimately, PAD is a key determinant of regional financial autonomy, directly influencing the ability of local governments to implement sustainable policies and address the needs of their communities. By maximizing revenue sources and improving fiscal management practices, regional authorities can achieve greater economic self-sufficiency while fostering development and prosperity at the local level. The emphasis on self-financing, as outlined in Law No. 33/2004, highlights the necessity of optimizing PAD as a strategic approach to strengthening regional governance and ensuring long-term financial stability. Policy innovation plays a crucial role in enhancing PAD (Pendapatan Asli Daerah or PAD) in Pekanbaru City, a region that faces economic challenges while striving for fiscal sustainability. As the capital of Riau Province, Pekanbaru occupies a strategic position within Indonesia's economic landscape, serving as a hub for trade, industry, and resource-based economic activities. However, the city's dependence on the natural resources sector, particularly oil and gas, has made its economy vulnerable to price fluctuations and declining reserves, resulting in unpredictable revenue streams (Rahman, 2018). This economic volatility has prompted the local government to explore innovative fiscal policies to diversify income sources and reduce reliance on extractive industries. One of the key strategies in strengthening PAD involves optimizing local taxation mechanisms. Efficient tax administration and digitalized revenue collection systems have been recognized as essential tools in improving compliance and reducing revenue leakages (Bird & Smart, 2016). By leveraging technology, Pekanbaru has sought to modernize tax collection processes, minimize corruption risks, and enhance efficiency in public financial management. Additionally, the introduction of incentive-based tax policies encourages voluntary compliance among businesses and individuals, fostering a more sustainable and predictable revenue base (Bahl & Wallace, 2017). Another significant policy innovation in Pekanbaru's revenue strategy involves the expansion of non-tax revenue sources. The local government has focused on optimizing income from regionally owned enterprises (BUMD), which play a dual role in generating revenue and providing essential public services. Strengthening the governance of these enterprises, ensuring profitability, and diversifying their business operations have been instrumental in increasing their contribution to PAD (Cohen,J. 2019). Furthermore, the promotion of public-private partnerships (PPPs) has allowed the city to mobilize private sector investments for infrastructure projects, thereby reducing the financial burden on local government budgets while enhancing service delivery (Andrews, 2018).

Tourism and urban development have also been identified as alternative revenue sources to enhance local fiscal resilience. Recognizing the potential of tourism as a sustainable economic driver, Pekanbaru has implemented policies to develop cultural attractions, improve urban infrastructure, and attract both domestic and international visitors. These efforts not only generate direct income from tourism-related activities but also stimulate local businesses, increasing overall economic activity and tax revenue (King et al., 1998). Additionally, policies aimed at improving land and property tax management have proven effective in ensuring a stable and equitable revenue stream, particularly in rapidly urbanizing areas (Sitorus, 2021). Despite these advancements, several challenges remain in optimizing PAD through policy innovation. Limited public awareness regarding taxation, administrative inefficiencies, and resistance to new fiscal policies continue to hinder the effectiveness of revenue-enhancing strategies. Addressing these issues requires continuous public engagement, capacity building among government officials, and stronger regulatory frameworks to ensure compliance and transparency in revenue management (Bappenas, 2020). Moreover, regional autonomy presents both opportunities and challenges, as local governments must balance the need for financial independence with alignment to national fiscal policies and development goals (Bahl, 2018). Consequently, Pekanbaru has been exploring new and innovative ways to boost PAD through policy reforms. One key strategy is policy innovation, which involves adopting new approaches and methods to improve revenue generation, optimize public service delivery, and stimulate local economic growth. Policy innovations can take various forms, from tax reform to digitalization of services, each aimed at increasing the efficiency and effectiveness of local government systems.

Policy innovation plays a crucial role in enhancing local government revenue by addressing inefficiencies in traditional fiscal mechanisms. According to Widodo (2019), the implementation of digital tax collection systems, improved public participation, and transparent budgeting processes have been instrumental in increasing PAD (PAD) in various Indonesian cities. Digital tax collection, for instance, minimizes leakages and improves compliance rates by automating processes and reducing human intervention, which has been a significant issue in tax administration (Suryanto & Wicaksono, 2020). Furthermore, public participation in fiscal decision-making fosters accountability and trust, leading to greater willingness among taxpayers to comply with local tax policies (Putra & Santoso, 2021). Transparency in budgeting processes also ensures that revenue allocations are efficiently managed, reducing corruption risks and optimizing the utilization of collected funds (Rahayu et al., 2022). In the context of Pekanbaru, such policy innovations are particularly relevant given the city's growing economic demands and fiscal needs. The integration of technology in tax administration, coupled with stronger governance frameworks, has been observed to yield positive impacts in similar urban settings (Hidayat & Prasetyo, 2021). However, challenges such as resistance to change, limited technical expertise, and inadequate digital infrastructure must be addressed to ensure sustainable policy outcomes (Ismail & Nugroho, 2020). The introduction provides background on the significance of PAD for Pekanbaru's development and sets the stage for discussing the factors that contribute to successful policy innovations aimed at improving revenue generation. Pekanbaru's PAD is heavily influenced by a combination of traditional and innovative tax systems, local regulations, and the active involvement of the business community. For instance, the introduction of technology in tax collection (e.g., e-tax systems and online payment platforms) has simplified processes and increased compliance (Andriani, 2020). Additionally, there have been efforts to optimize non-tax revenues, such as parking fees, business licenses, and local tourism revenue, all of which are critical to improving the financial health of the city (Kusumawati & Sari, 2022).

The significance of PAD for Pekanbaru lies not only in its ability to reduce reliance on central government transfers but also in its contribution to creating a more sustainable local economy. Fiscal sustainability is a critical factor in long-term development, as it ensures that local governments can continue to provide public goods and services, improve infrastructure, and foster economic growth without being beholden to external fiscal sources.

Literature Review

1. Inovasi Kebijakan dalam Pemerintahan Daerah: Definisi dan Kerangka Pemahaman

Inovasi kebijakan dalam konteks pemerintahan daerah didefinisikan sebagai pengenalan kebijakan baru atau modifikasi signifikan terhadap kebijakan yang sudah ada guna menjawab tantangan baru, meningkatkan kualitas pelayanan publik, dan memperkuat efektivitas tata kelola (OECD, 2021). Dalam praktiknya, inovasi ini mencakup penerapan teknologi digital, kemitraan publik-swasta, serta tata kelola yang lebih transparan dan partisipatif (Harris & Kaplan, 2017). Keberhasilan inovasi kebijakan sangat bergantung pada beberapa faktor kunci, seperti kemauan politik, kapasitas organisasi, keterlibatan pemangku kepentingan, serta kemampuan untuk belajar dari pengalaman sebelumnya (Meyer & Löffler, 2018). Inovasi sering kali didorong oleh kebutuhan untuk meningkatkan efisiensi, memperbesar Pendapatan Asli Daerah (PAD), serta merespons tantangan sosial dan ekonomi yang terus berkembang.

2. Sejarah dan Inovasi dalam Pengelolaan PAD di Pemerintahan Daerah

Secara historis, PAD di kota-kota Indonesia bersumber dari pajak daerah, retribusi, serta dana transfer dari pemerintah pusat. Namun, desentralisasi fiskal dan meningkatnya tuntutan pembangunan mendorong pemerintah daerah untuk mencari sumber pendapatan alternatif (Yustika & Firmansyah, 2019). Inovasi digital seperti sistem pembayaran pajak online dan integrasi data fiskal telah terbukti meningkatkan efisiensi, akurasi, dan kepatuhan wajib pajak (Suhendri, 2019; Rahman, 2018). Selain pajak, pemerintah daerah juga mulai mengoptimalkan pendapatan non-pajak melalui retribusi parkir, perizinan usaha, dan pungutan dari sektor pariwisata. Sistem pembayaran digital dan model tarif dinamis dalam pengelolaan parkir, misalnya, tidak hanya menambah pendapatan, tetapi juga membantu mengatur lalu lintas kota (Gómez-Ibáñez & Meyer, 2020). Di sisi lain, penyederhanaan proses perizinan usaha melalui platform digital telah meningkatkan jumlah pelaku usaha yang terdaftar secara resmi dan memperluas basis pajak daerah (Bahl & Bird, 2018). Sementara itu, sektor pariwisata juga menjadi sumber pendapatan strategis, terutama melalui pajak hotel, tiket masuk objek wisata, dan kerja sama dengan pihak swasta dalam pengelolaan destinasi (Hall, 2019; Andrews, 2018).

3. Analisis Komparatif: Inovasi Kebijakan di Kota Surabaya, Bandung, dan Bali

Beberapa kota di Indonesia telah menunjukkan keberhasilan dalam meningkatkan PAD melalui inovasi kebijakan, khususnya dalam pemanfaatan teknologi digital. Surabaya dan Bandung merupakan dua contoh menonjol yang telah mengimplementasikan transformasi digital dalam sistem perpajakan dan perizinan. Di Surabaya, sistem e-Tax memungkinkan pembayaran pajak secara elektronik dengan integrasi database antarlembaga, sehingga meningkatkan efisiensi, transparansi, dan kepatuhan pajak (Hidayat & Nugroho, 2020). Inovasi seperti faktur elektronik juga mengurangi potensi penggelapan pajak. Bandung, melalui inisiatif *Smart City*, mengembangkan layanan e-government termasuk sistem OSS (Online Single Submission) untuk perizinan usaha, yang mempercepat proses perizinan dan memperbesar potensi penerimaan daerah (Santoso & Prasetyo, 2019). Penggunaan big data dan kecerdasan buatan untuk analisis kepatuhan pajak juga membantu pemerintah mendeteksi praktik penghindaran pajak (Cohen, 2019). Bali menonjol dalam optimalisasi sektor pariwisata sebagai sumber PAD melalui pengenaan pajak wisata dan kerja sama publik-swasta dalam pengembangan destinasi. Strategi ini tidak hanya menambah pendapatan, tetapi juga mendukung pertumbuhan ekonomi lokal (Bali Tourism Board, 2021). Perbandingan ini menunjukkan bahwa keberhasilan inovasi kebijakan sangat bergantung pada komitmen politik, kesiapan teknologi, dan keterlibatan masyarakat. Meskipun Pekanbaru mulai menerapkan beberapa strategi serupa, masih terdapat tantangan dalam memperluas skala implementasi. Pembelajaran dari kota-kota tersebut dapat menjadi dasar penguatan strategi inovatif di Pekanbaru, terutama dalam diversifikasi sumber pendapatan dan digitalisasi tata kelola.

Methods

The research utilizes a mixed-methods approach, which combines qualitative and quantitative techniques to gather rich, context-specific data and ensure the validity and depth of the findings. This methodological approach allows for a more holistic understanding of the factors influencing PAD generation in Pekanbaru, especially in relation to policy innovations. Mixed methods are particularly useful when exploring complex, multifaceted phenomena, such as public policy impact, as they provide a fuller picture by integrating both numerical data and personal experiences (Creswell, 2014).

4. *Qualitative Analysis: Interviews with Key Stakeholders*

The qualitative analysis is an essential component of the research, as it allows for an in-depth exploration of the perspectives of local government officials, policy experts, and community leaders. Interviews are a valuable tool for understanding the underlying factors that drive policy decisions, the challenges faced during implementation, and the perceptions of various stakeholders on the effectiveness of innovations. Interviews with local government officials provide crucial insights into the decision-making processes, political will, and administrative capacity that drive the success of policy innovations. According to Flick (2018), qualitative interviews help uncover the underlying motivations and constraints faced by policymakers, shedding light on the practical challenges of implementing innovative governance strategies. Local government officials play a key role in navigating bureaucratic complexities, ensuring regulatory compliance, and mobilizing resources to support policy innovation (Hood, 2020). Their perspectives reveal how institutional structures, leadership commitment, and interdepartmental coordination influence the effectiveness of new policies. Beyond government perspectives, policy experts offer a broader analytical framework for understanding innovation in local governance. They contextualize local policies within national and international trends, identifying best practices that have been successfully implemented in similar settings (Osborne & Brown, 2013). Their insights contribute to a more systematic understanding of how factors such as regulatory flexibility, technological advancements, and stakeholder engagement shape policy outcomes. By drawing from comparative case studies, expertshelp bridge the gap between theory and practice, offering evidence-based recommendations for refining local strategies (Ansell & Torfing, 2021).

Community leaders provide an essential bottom-up perspective by highlighting how policy innovations affect local businesses, residents, and social dynamics. Their lived experiences offer valuable feedback on the practical implications of new policies, ensuring that governance reforms are responsive to public needs (Putnam, 2000). Involving community stakeholders fosters greater transparency and trust, ultimately enhancing the legitimacy and sustainability of policy innovations (Nabatchi & Leighninger, 2015). This qualitative data is often analyzed using thematic analysis, where recurring patterns and themes are identified from the interview transcripts. Thematic analysis is widely used in policy research to highlight how different groups interpret policy initiatives, which can then inform recommendations for future policy improvements (Braun & Clarke, 2006).

5. *Quantitative Analysis: Examination of PAD Trends*

The quantitative analysis in this study focuses on examining trends in PAD (PAD) over the past decade, particularly assessing how specific policy innovations have impacted revenue generation. This method is critical for understanding the measurable effects of policy changes and innovations on local finances. The research examines secondary data on PAD trends, collected from official government reports, fiscal statements, and public records. By analyzing PAD data from multiple sources, the study tracks year-on-year changes, identifying periods where significant revenue increases or declines occurred. This is complemented by an analysis of policy changes during those periods to assess any correlations between new policies and shifts in revenue.
Key variables examined in the quantitative analysis include:

1) Revenue sources (e.g., taxes, retribution, non-tax revenue)
2) Impact of policy changes (e.g., digital tax systems, increased business licensing fees, tourism taxes)
3) Economic indicators (e.g., inflation, economic growth, changes in population)

The data is analyzed using statistical methods, such as regression analysis, to assess the significance of various policy changes in driving PAD growth. Regression models allow for the identification of causal relationships, providing evidence on the effectiveness of specific policy innovations (Field, 2013). Additionally, time-series analysis can be used to track PAD performance over time and predict future trends based on current policy changes.

Results

2. Key Factors Supporting Successful Policy Innovations in Pekanbaru

The results from the data collection and analysis highlight several key factors that have contributed to successful policy innovations in Pekanbaru, specifically in terms of increasing PAD (PAD). These factors include political willingness**,** technological advancements**,** public awareness and participation, and collaboration with the private sector. Below, we explore these findings in more detail.

1. *Political Willingness: Strong Leadership Commitment to Implementing New Policies*

1. One of the critical factors behind successful policy innovations is *political willingness*—the commitment of local government leaders to drive policy changes and allocate necessary resources for their implementation. Political will is particularly essential in decentralized governance systems like Indonesia, where local leaders play a pivotal role in shaping policy agendas and executing reforms (Lall, 2020).

2. In Pekanbaru, strong leadership from the mayor and key government officials has been instrumental in pushing for policy innovations in the area of revenue generation. The research found that the political commitment to enhancing PAD was reflected in the adoption of digital tax systems, reforms in local tax regulations, and the prioritization of fiscal sustainability in the city's development plans.

Political willingness also facilitates policy continuity, ensuring that innovations are sustained over time and not subject to frequent changes with each new leadership (Meyer & Löffler, 2018). The political commitment of Pekanbaru's leadership ensured the successful introduction of new policies, such as e-taxation systems and the restructuring of tax collection methods, which were pivotal in improving the PAD system.

2. *Technological Advancements: Use of Technology in Tax Collection and Payment Systems*

3. Technological innovation has been a key driver of policy success in Pekanbaru. The use of technology in *tax collection* and *payment systems* has greatly improved the efficiency and transparency of revenue generation. The introduction of *digital tax payment platforms*, online business registration systems, and *mobile payment solutions* have streamlined the revenue collection process, making it easier for residents and businesses to comply with tax obligations (Rahman, 2018).

4. These technological innovations not only reduce the administrative burden on local government officials but also *improve tax compliance* by making it more convenient for taxpayers to pay their taxes. Moreover, the digitalization of tax systems reduces the potential for corruption, as it limits human intervention in the collection process, ensuring that the full amount of taxes collected is accounted for (Suhendri, 2019).

5. The shift to technology-driven revenue collection also supports the *modernization of public administration*, which is increasingly recognized as a best practice for improving public service delivery and enhancing PAD generation (OECD, 2021).

3. *Public Awareness and Participation: Efforts to Engage the Public and Raise Awareness of the Importance of PAD*

6. Effective policy innovation requires not only top-down efforts but also strong *public awareness and participation*. In Pekanbaru, the local government has invested in *public campaigns* to raise awareness about the importance of PAD and the role that residents and businesses play in supporting the city's development through their taxes and fees.

7. The findings indicate that *public education campaigns* have played a crucial role in improving citizens' understanding of local taxation systems and encouraging their active participation in paying taxes. These campaigns included the use of *social media*, local events, and public service announcements to reach a wide audience, explaining the benefits of tax payments and the connection between revenue generation and urban development (Tayibnapis et al., 2020).

8. Additionally, *community engagement* in the decision-making process helps to foster a sense of ownership over local policies, making residents more likely to comply with tax regulations. Studies have shown that when citizens are well-informed about the impact of taxes on local services and infrastructure, they are more likely to view taxation as a positive civic duty rather than an obligation (Tritschler, 2021).

4. *Collaboration with the Private Sector: Partnerships with Businesses to Enhance Revenue Collection and Improve Service Delivery*

9. The *collaboration with the private sector* has also been identified as a key factor in supporting policy innovations in Pekanbaru. By forming *public-private partnerships (PPPs)*, the local government has been able to tap into the expertise and resources of private companies to improve both revenue collection and service delivery.

10. One successful example of this collaboration is the *business licensing system*, where private sector partners helped digitize the process, making it easier for businesses to register and pay their taxes. Furthermore, the private sector has been involved in *tourism-related revenue generation*, with businesses playing a key role in collecting tourism taxes and supporting the city's tourism development efforts (Bali Tourism Board, 2021).

11. Private sector involvement also extends to *infrastructure development*, where companies are contracted to build or manage public facilities, often generating additional revenue streams for the local government. The private sector can also bring *efficiency* and *innovation* to public service delivery, ensuring that projects are completed on time and within budget (Pemerintah Kota Pekanbaru, 2021).

Discussion

3. Discussion: Interpreting Results and Broader Implications

The Discussion section focuses on interpreting the results of the research on the factors contributing to successful policy innovations in Pekanbaru, particularly in increasing PAD (PAD). The findings highlight several key drivers, including political willingness**,** technological advancements**,** public awareness**, and** private sector collaboration, but also point to significant challenges in policy implementation, such as resistance from stakeholders, bureaucratic inefficiencies, and budget constraints. By contextualizing the findings within theoretical frameworks, the discussion aims to explain these successes and challenges and offer recommendations for other cities in Indonesia that might seek to replicate Pekanbaru's approach.

1. *Political Willingness: Overcoming Resistance and Ensuring Policy Continuity*

The importance of political willingness in the success of policy innovations cannot be overstated. Pekanbaru's leadership played a pivotal role in pushing through reforms, including digital tax systems and restructuring tax collection mechanisms. Political will, as demonstrated in Pekanbaru, is essential for ensuring policy continuity and sustained implementation (Meyer & Löffler, 2018). However, implementing new policies often meets resistance from political opponents, bureaucratic entities, and interest groups who might feel threatened by changes that disrupt established systems (Bardach, 2012)

1. In the case of Pekanbaru, although leadership was crucial, resistance from some sectors of the local government and the public was an obstacle, especially among those who were not well-versed in the new digital systems. Studies on public policy reform consistently emphasize that political support is necessary but not sufficient; overcoming resistance requires *effective communication*, *consensus-building*, and *engagement* of all relevant stakeholders (O'Toole, 2018). Resistance can also stem from a *lack of trust* in government or skepticism about the efficacy of new systems, as shown in cases from other regions in Indonesia, such as in Surabaya, where similar innovations were initially met with backlash from local businesses (Lall, 2020).

2. *Technological Advancements: Addressing Bureaucratic Inefficiencies*

2. Technological innovation, particularly in *tax collection* and *payment systems*, played a key role in Pekanbaru's revenue enhancement efforts. The introduction of *digital tax payment systems* and *online registration platforms* has streamlined processes and increased efficiency, making it easier for both government employees and taxpayers to navigate the system (Suhendri, 2019).

3. However, while technology has brought significant improvements, challenges remain, particularly in terms of *bureaucratic inefficiencies*. The transition to digital systems often requires overcoming institutional inertia and resistance within government departments that are accustomed to traditional ways of working. As noted by *Bertelli and Smith (2009)*, *bureaucratic resistance* to change is a common barrier in many public sector innovations, and overcoming this resistance requires not only technical training but also a cultural shift within government institutions toward embracing new ways of working.

4. Moreover, budget constraints can make it difficult for local governments to fully fund the necessary technology infrastructure. This is a common issue in Indonesian cities, where limited fiscal resources constrain the ability to invest in large-scale technological upgrades (OECD, 2021). The challenge for Pekanbaru—and for other local governments—lies in balancing the need for *technological upgrades* with *fiscal constraints*, often requiring *creative funding solutions* or *partnerships* with the private sector.

3. *Public Awareness and Participation: Engaging Citizens for Sustainable Change*

Raising public awareness about the importance of PAD and encouraging citizen participation are key strategies for improving tax compliance. In Pekanbaru, efforts to engage citizens through campaigns, social media, and community outreach programs proved to be effective. These efforts were critical in informing the public about the importance of PAD in financing public services and infrastructure, thereby fostering a sense of civic responsibility and ownership.

5. The theoretical framework of *citizen engagement* in public administration emphasizes the idea that *active citizen participation* enhances both *policy legitimacy* and *policy compliance* (King, Feltey, & Susel, 1998). By involving the public in decision-making processes and informing them about the benefits of tax revenue, governments can increase *trust* in the system and *voluntary compliance*.

6. However, achieving widespread public participation remains challenging. Issues such as *low political literacy*, *economic disparities*, and *lack of trust* in local authorities can hinder engagement efforts (Cohen, 2019.J). Public participation is not just about informing citizens but also ensuring that they feel that their voices are heard and their concerns are addressed.

4. *Collaboration with the Private Sector: Enhancing Service Delivery and Expanding Revenue Streams*

7. Collaboration with the *private sector* has been another key success factor for Pekanbaru. Public-private partnerships (PPPs) have enabled the local government to leverage private sector expertise and resources to improve both *service delivery* and *revenue generation*. This is especially evident in sectors like *tourism, business registration,* and *infrastructure development*, where private companies help streamline operations and enhance the local tax base (Bali Tourism Board, 2021).

8. While PPPs can be highly effective, they are not without challenges. *Private sector involvement* in public governance often raises concerns about *transparency*, *accountability*, and *equity*. Critics argue that privatization of public services can lead to *profit-driven motives* that may not align with public interests (Flynn, 2018). Ensuring that PPPs are managed with appropriate safeguards and oversight mechanisms is crucial to maintaining public trust and ensuring that the benefits of these partnerships are shared equitably.

4. Implications for Other Cities in Indonesia

The findings from Pekanbaru provide important lessons for other Indonesian cities seeking to enhance PAD through policy innovations. One of the most critical factors identified is the role of strong political leadership in driving policy change. Effective leadership ensures that innovative fiscal policies are prioritized, adequately funded, and implemented with clear direction (Svara, 2013). Political commitment also helps overcome institutional inertia, aligning government agencies toward common revenue-enhancing objectives (Ansell & Torfing, 2021). Without strong leadership, even well-designed policies may face implementation delays or resistance from bureaucratic structures (Osborne & Brown, 2013). Another key takeaway is the strategic use of technology in improving PAD collection. Digital tax administration systems, e-governance platforms, and automated payment mechanisms have been shown to significantly reduce leakages, increase compliance, and streamline bureaucratic processes (Moynihan et al., 2018). However, as Pekanbaru's experience demonstrates, technological advancements must be accompanied by capacity-building efforts to ensure that government officials and taxpayers can effectively utilize these new systems (Dunleavy et al., 2006). Additionally, addressing digital infrastructure gaps and ensuring data security remain ongoing challenges (Meijer, 2015). Public engagement is also crucial in the successful implementation of revenue-enhancing policies. Cities that actively involve residents and businesses in policy discussions tend to see higher levels of tax compliance and public trust (Nabatchi & Leighninger, 2015). Pekanbaru's approach highlights the importance of transparency in budgeting and revenue allocation, as well as the role of participatory mechanisms such as public consultations and community feedback loops (Putnam, 2000). Engaging stakeholders helps to mitigate resistance and fosters a sense of shared responsibility for local development (Fung, 2006). Furthermore, public-private partnerships (PPP) offer a promising avenue for local governments to expand revenue sources and fund large-scale infrastructure projects. PPPs allow cities to leverage private sector expertise and investment, reducing the fiscal burden on local governments (Grimsey & Lewis, 2007). In Pekanbaru, collaborative initiatives between the government and private entities have facilitated improvements in urban services such as transportation, waste management, and tourism-related infrastructure (Pemerintah Kota Pekanbaru, 2022). However, successful PPPs require well-defined contracts, regulatory oversight, and mechanisms to ensure fair risk-sharing between public and private actors (Hodge & Greve, 2017).

Despite these opportunities, challenges remain in implementing policy innovations for revenue enhancement. Resistance from various stakeholders—including government officials, businesses, and citizens—can slow down reforms, particularly when changes disrupt established practices (Christensen & Lægreid, 2007). Bureaucratic inefficiencies, such as lengthy administrative procedures and rigid regulatory frameworks, also pose significant barriers (Pollitt & Bouckaert, 2017). Additionally, limited financial resources constrain the ability of local governments to invest in long-term innovation strategies (Peters, 2018). In summary, the lessons from Pekanbaru emphasize the need for a multifaceted approach to policy innovation in PAD generation. Strong leadership, technological adoption, stakeholder engagement, and strategic partnerships are essential components of success. However, addressing resistance, improving bureaucratic efficiency, and ensuring sustainable financing are equally critical to achieving lasting impact. Other Indonesian cities can draw from these insights to develop tailored strategies that align with their unique fiscal and governance contexts. Cities looking to replicate Pekanbaru's successes must tailor these strategies to their own local contexts, taking into account factors such as the political environment, administrative capacity, and economic conditions. Furthermore, it is essential to adopt incremental approaches to change, ensuring that innovations are sustainable and that their long-term impact is continually evaluated and adjusted as necessary.

Conclusion

The research on Pekanbaru's success in increasing PAD through policy innovations provides important insights into the dynamics of effective governance and revenue generation. The paper concludes with several key points that offer actionable recommendations for other cities in Indonesia and beyond. These conclusions are based on the research findings and the theoretical frameworks explored in the discussion.

1. *The Importance of Innovative Policies*

    1. The primary takeaway from the research is the critical role of *policy innovation* in enhancing PAD. Innovative policies in Pekanbaru, such as digital tax systems, new business incentives, and improved public participation mechanisms, were pivotal in overcoming the challenges associated with traditional revenue collection methods. In Indonesia, where many local governments are struggling with fiscal deficits, embracing innovation is essential for improving *financial autonomy* and ensuring *sustainable development* (Sirohi, 2020).

    2. Policy innovations, especially those that incorporate *technological advancements* and *streamlined bureaucratic procedures*, are shown to increase efficiency, reduce corruption, and improve tax compliance (Feld & Frey, 2007). However, as the research shows, innovation alone is not enough—these innovations must be continuously adapted to meet the evolving needs of local communities and the broader economy. The government must be proactive in integrating *feedback loops* and *evaluation mechanisms* to assess the effectiveness of these policies over time.

2. *Strong Governance and Leadership Commitment*

    3. The research also highlights the importance of *strong governance* in successfully implementing innovative policies. In Pekanbaru, political will and *leadership commitment* were key to overcoming institutional inertia and resistance to change. As noted in the findings, *political willingness* was a critical enabler of reform, allowing for the sustained implementation of new tax systems and public engagement strategies (Meyer & Löffler, 2018).

    4. Strong governance involves not only political commitment but also a well-functioning bureaucracy capable of executing these policies efficiently. This is especially important in the context of *local government management*, where the *quality of governance* is often a determinant of a city's ability to mobilize resources and serve its population effectively. Studies have shown that cities with strong governance structures are better able to implement reforms that contribute to *financial sustainability* (Kaufmann et al., 2010).

    5. Additionally, *bureaucratic efficiency* plays a crucial role in ensuring the *smooth implementation* of new policies. Ensuring that local government agencies are well-trained and have the capacity to adapt to new systems is crucial for the success of revenue-enhancing strategies.

3. *Continuous Adaptation and Public-Private Collaboration*

    6. A key conclusion from the research is the need for *continuous adaptation* in response to changing economic, social, and technological conditions. Policy innovation is not a one-time event but an ongoing process that requires regular updates, evaluations, and adjustments based on *empirical evidence* and *citizen feedback* (Kingdon, 2010). In Pekanbaru, the local government's ability to adapt and improve upon the digital tax systems, public outreach efforts, and public-private partnerships demonstrated the city's commitment to *sustained development*.

    7. The collaboration between the *government* and the *private sector* has been instrumental in expanding revenue sources and improving service delivery. Private sector involvement in *tax collection systems* and *business registration* processes has led to increased *operational efficiency* and improved *tax compliance* (Andrews, 2018). Public-private partnerships (PPPs) can play a pivotal role in addressing infrastructure and service delivery challenges, which in turn can lead to greater *economic growth* and *increased tax revenues*.

    8. However, the research also underscores that the success of public-private collaboration depends on careful *regulation*, *transparency*, and the *alignment of interests*. Collaboration should focus on areas where both the public and private sectors can bring complementary strengths to the table. Ensuring *accountability* and *transparency* in PPPs is essential to avoid conflicts of interest and maintain public trust (Savas, 2000).

4. The Role of Public Awareness and Participation

9. The research also highlights that *public awareness* and *participation* are vital to the success of PAD generation efforts. In Pekanbaru, efforts to engage citizens through outreach programs, social media campaigns, and public consultations helped to increase understanding of the importance of PAD and fostered a sense of *civic responsibility* (Cohen.B, 2019). Engaging the public in the decision-making process not only improves *policy legitimacy* but also increases the likelihood of compliance with new policies (King et al., 1998).

10. Cities that fail to engage their citizens effectively risk creating a sense of *alienation* or *distrust*, which can undermine efforts to increase revenue. Ensuring that citizens understand the direct benefits of tax payments—such as improved infrastructure and public services—is essential for building a *positive feedback loop* between government and the public.

5. Implications for Other Cities

The conclusions of this research provide valuable lessons for other cities in Indonesia and beyond that aim to enhance their PAD generation strategies. Key takeaways include:

1. The importance of embracing innovation while being prepared to adapt policies over time to ensure long-term success.
2. The need for strong leadership and governance to drive policy reforms and overcome resistance.
3. The role of public-private partnerships in expanding resources and improving service delivery.
4. The critical need for public awareness and engagement to foster a sense of shared responsibility in revenue generation**.**

For cities seeking to replicate Pekanbaru's success, these elements must be tailored to local conditions, keeping in mind the political, economic, and social context. Innovation, leadership, and collaboration are all essential components for achieving financial sustainability and economic resilience in the long term.

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