

# Collaborative Governance Based Post-Fire *Pasar Klewer* Management from Private Sector Perspective

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**Abstract.** The post-fire *Pasar Klewer Surakarta* has raised complex and critical problems, which need many stakeholders. In order to solve these problems a collaborative governance based management is necessary. This study aimed at assessing the post-fire management of *Pasar Klewer* with collaborative governance from the perspective of private sector. The collaboration implemented by the private sector consisted of investment and alternative funding. The study performed a qualitative approach with a case study approach. The case study is a research strategy in which researcher study the program, event, activity, process, or group of individuals. Research finding of this study was tripartite collaboration between government, civil society, and private sector. Business interests and social awareness had motivated the private sector to collaborate. It contributed financial aid to accelerate the construction of a representative emergency market and to provide a newly renovated market. It also loosened the policy on loan application to the merchants. Furthermore, the private sector also provide management training for the merchants in collaboration with the government and to mediate the relations between the merchants and their suppliers with guarantee from the government. Investment and alternative funding had a significant effect on the efficiency of the management of the post-fire *Pasar Klewer*.

**Keywords:** Collaborative, Governance, Private Sector.

## 1 Introduction

Traditional market is an open space where selling and buying transaction takes place [1]. It is the center for community economics, where individuals from all levels of society collide to market crop and poultry and cattle products, handicrafts, and small industrial products. From cultural point of view, a traditional market is a public area in which social interaction occurs.

The typical condition of the traditional markets in Indonesia is way beyond perfection since they have been characterised by slumps, traffic jams, and crime scenes, including the markets situated in Surakarta Municipality. A report published by the Center for Social, Economic, and Environmental Research and Development of the Ministry of Public Works (*Kajian Puslitbang Sosial, Ekonomi dan Lingkungan Departemen Pekerjaan Umum*) [2] document findings that the traditional markets in Surakarta Municipality are in poor conditions and their growth even go beyond the predetermined area, invading places, therefore, disturbing other activities. By doing so, the traditional markets tend to cause traffic jams and inconvenience of the customers, have high risk of catching fire, and contribute to negative image for the city and its surroundings.

The high fire risk has been proven as one of the traditional markets in Surakarta, *Pasar Klewer*, caught great fire on 27 December 2014. The fire caused a massive destruction of most parts of the market. In addition to economic, this incident also had social and cultural impacts. The direct economic impacts were the loss of income and employment of thousands of local people. It would take time before an emergency market had been provided to guarantee their daily livings. In addition, the post fire market visitors decreased in numbers.

*Pasar Klewer* fire causes complex problems, either economic, social, or cultural ones. The market is the leading spot for textile industry, which contributes significantly to the income of Surakarta citizens. Due to the fire, textile industry suffered a big loss. An immediate action from the authorities is expected to help recover the loss. However, local government can not undergo the post-fire market recovery alone because problems become more complicated. The Municipal Government of Surakarta had a limited capacity to manage the post-fire market due to the complex problems. Therefore, a collaboration is necessary so that the government is no longer a stand-alone player. Instead, the effort needs contribution from other sectors, i.e. private and civil society, in order to provide effective and efficient outputs. The post-fire *Pasar Klewer* needs proper and decent management. In this case, collaborative governance is believed to qualify to solve many problems. The collaborative governance is phenomenological in nature proposed in this study.

Government-private-civil society collaboration fulfills the need for the post-fire market management. multi-sectoral collaboration, i.e. government, private sector, and civil society, is expected to create a better management of the post-fire market based on current necessities by providing modern facilities while sustaining traditional values. The selling and buying process is not only a business transaction, but a medium for social interaction and cultural arena for everyone who participates within.

The collaborative governance approach to the post-fire *Pasar Klewer* management greatly focuses on local wisdom by promoting it among stakeholders. The provisional program in the form of emergency market while restoring the post-fire location does not only relate to physical aspects. The non-physical aspects also embody within the recovery process, in particular those concerning individual behaviors. Effort should be made to sustain virtues and great values, which have been inherited and celebrated for generations. The collaborative governance approach to the post-fire management will result in a social order, which stresses on role distribution and responsibility among the concern parties. Accordingly, positive implications will inevitably emerge on the post-fire market recovery.

## 2 Literature Review

Governance is celebrated as a concept of and an approach to how to manage because it stresses on the facts that the government is no longer a stand-alone player. The government needs help from private sector and civil society in order to establish stronger democracy and economy [3]. Discussions concerning the likely approach to the governance concept has become more intensive, in which governance is defined as rule, process, and behavior that affect the mechanism of authority or of power, in particular that of advocating openness, participation, accountability, effectiveness, and coherence [4].

In the perspective of co-operation between stakeholders, collaboration is a concept of relation between organisations and between governments, as well as multi-organisational strategic alliance and networks [5]. Collaboration contains a definition of working group that

collaborate to obtain mutual objectives. The group works across borders in a multi-sectoral interrelationship [6]. Ansell and Gash [7] define collaborative governance as follow:

“A governing arrangement where one or more public agencies directly engage non-state stakeholders in a collective decision-making process that is formal, consensus-oriented, and deliberative and that aims to make or implement public policy or manage public programs or assets”.

According Sranks [8], collaborative governance refers to institutions that advocate interaction between actors from either government or non-government domains in an equal status free from monopoly and domination in the decision-making and policy-making processes.

The success of the collaborative governance depends on the creation of a deliberative climate, which stresses on trust, mutual commitment and accountability, and eagerness to contain any risk. The eagerness of one stakeholder to trust the other, the commitment to resources, and the collaborative target-setting for beyond the individual interests, the “profound shift”, are embodied within trust to open and eligible process. The stakeholders must be assured that the process is free of any behind the scene manipulation and that the disproportional checking by strong stakeholders remains on guard.

### **3 Research Method**

This study applied a qualitative approach with a case study. The case study is a research strategy in which researcher study the program, event, activity, process, or group of individuals [9]. In-depth interviews were performed with reliable informants with adequate experience concerning the post-fire Pasar Klewer management.

The study focused on the collaborative governance as a basis for the post-fire *Pasar Klewer* management on the perspective of private sector. Research aspects indications used for the further research measurements were as follows: investment aspect consisting of motivation and business development indications; and alternative funding aspect consisting of funding effort and efficiency indications.

The research data were subject to data and source triangulation, thereby comparison and cross-checking for degrees of trust of information. Once the data triangulation took place, the data were then subject to credibility test on technique of data collection and data sourcing.

### **4 Results And Discussion**

Private sectors under the observation were banking (Bank Jateng, Mandiri, BCA, BNI, BTN, BRI) and suppliers (Sritex). The fire at *Pasar Klewer* had a significant impact on transaction and income of the private sectors. The post-fire situation the banking sector had a significant contribution to the post-fire recovery by allocating the funding for the emergency market and issuing an exclusive policy on loan rescheduling and capital loan scheme.

#### **4.1 Investment Aspects**

The primary motivation the private sector pursued in the collaboration was business interest. Financial circulation at *Pasar Klewer* was considerably high. In addition to economic factor, the social factor also had a significant effect. The private sector awareness was so high provided that the fire cost great losses, in particular material aspects.

The government incorporated private sector and merchant union in designing the emergency market and the new market under the consideration that the private sector had efficiency ability and marketable feature. Its contribution by providing ideas for the representative emergency market design in the form of semi-permanent buildings. The new *Pasar Klewer* was designed by a combination of classic and modern that promoted integration, efficiency and representativeness. By doing so, the market was expected to function optimally with adequate facilities and spaces towards an efficient system mechanism while sustaining traditional aspects.

In terms of finance, the private sector contribute up to 45 percent of the total funding for emergency market construction. This financial contribution helped release the burdens of the public budget and accelerate the market activities recovery. In addition to finance, the private sector also helped improve the merchants' skills by providing management training in collaboration with both Municipal Government of Surakarta and the merchant union. The management training was purely initiated by the private sector. The government supported the initiative by providing training facilities and infrastructures. Whereas, the merchant union contributed in socialization and education of the importance of the management training. The training was planned to be held annually.

#### **4.2 Funding Aspects**

The private sector played a vital role in helping the merchants relieving their misery caused by the fire by launching loan schedule. The merchants are given opportunity to suspend their debt return. Such policy helped the merchants put themselves together again after the fire. An exclusive scheme of capital loan (the special rate) was also provided in affordable interest and conditions to facilitate the capital loan proposals. The capital was very useful for the merchants who were in supply shortage due to the fire.

The post-fire condition was so devastating that the most appropriate policy to apply was debt relief. The loan clearing was made possible under the Decree of Supreme Court No. 409K/Sip/1983, which requires that in the emergency situation due to disasters or sufferings which is unavoidable or unpreventable the policy will apply. The previous legislation, Decree No. 24K/Sip/1958 also requires that force majeure has prevented any possibility for those affected by the force majeure to fulfill any contract. Furthermore, the Central Bank of Indonesia Decree No. 10/39/PBI/2008 states that the loan will be nullified if the debtors are incapable of returning their debts or loans. The debt relief opportunity is in the hand of the government and the popular support within the non-governmental organisations (NGOs) under the frame of welfare state. Both government and NGOs did not have initiative in performing the negotiations with the bank about the debt relief.

The capital loan special rate system with low interest helped the merchants recapitalise themselves and recollect the supplies. This policy was important to promote the merchants to reactivate the business in the emergency market.

In addition, the private sector also performed a mediating role between the merchants and the supplies to encourage the suppliers to supply the goods and necessities with temporal

return, not cash money mechanism. The government supported the effort by providing guarantee with its authority on nullifying the Rights on Facility Use (*Surat Hak Penempatan, SHP*) in case of legal abuse. The initiative of the Municipal Government of Surakarta reflected a collaborative governance because it created a collaboration in which the government played a regulating role, whereas the private sector played an implementing role [10].

Promotion and publication are working together with mass media and advertising agency. Promotion and publication such as advertisement, billboard, and banner need big expenses, however working together with private sector who give attention to traditional market like *Pasar Klewer* would give discount or special price even advertisement in mass media billboard and banner are charged for free, advertisement agency only ask for the cost production, while government gives free taxes.

## 5 Conclusion

The private sector was incorporated into the collaboration to contribute the financial and managerial aids by which it qualified. The private sector funded the emergency market to help it operate as soon as possible. Ideas contribution from the private sector were proven by design initiative for representative marketplace albeit in emergency nature. The role of private sector in the rebuilding of new market was providing ideas of modern facilities. The modernisation was necessary for competition with other modern markets across *Surakarta Municipality*.

Banking business contribution by issuing policies on loan return suspension, capital loan special rate, and mediating the merchants and the suppliers under the guarantee of the government did a considerable job to the future of the merchants in recovering their business.

The private sector perspective on the collaboration through investment and alternative funding aspects did not only contain profit-seeking, but also social motivations. The private sector contribution in the collaborative governance resulted in an efficient post-fire *Pasar Klewer* management.

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