

The Challenges of Public Private Partnership in Indonesia: Case Study in Makassar City, South Sulawesi Province

A Hans¹, H Munsu², S Fatimah³, AM Fahrul⁴

^{1,2,4}Universitas Hasanuddin, Makassar

³Universitas Yapis Papua, Jayapura

¹amril.hans@unhas.ac.id, ²hardiyantimusi@gmail.com, ³fatimah.halim67@gmail.com,

⁴amfj100@gmail.com

ABSTRACT

This study wants to analysis public private partnership (PPP) between the government and the private sector. public private partnership is a form of cooperation that has an equal position between two parties, both the government sector and the private sector that bind themselves to establish mutually beneficial relationships in order to improve public services in the form of services and goods. This research was conducted in Makassar City with a case study study at The Rinra Hotel Makassar. This research is a type of descriptive study using qualitative methods, where primary data is obtained from the results of in-depth interviews with informants or informants who are key informants. Besides that, the data also came from documents and observations made at the research location. The data analysis technique used is using qualitative analysis. In my research, I proved that the principle of a partnership from this collaboration did not materialize. In the principle of a partnership between the government and the private sector, there should be no party in charge of the other party and both benefit and take risks together. Even though in this partnership the government did not spend a dime fund to finance the construction of the Rinra hotel building. However, the partnership generated in the development did not bring benefits to the Government of South Sulawesi Province. The government suffered losses from this partnership because the government had not yet received income.

Keywords: *Partnership, Public Goods, Sulawesi Selatan Government*

1. INTRODUCTION

In the context of decentralization, local government has a number of agendas and programs that must be achieved, but has limited resources to support each program. The best way is to collaborate with parties outside the government such as with the private sector, NGOs, or with the community to jointly implement a program so that government programs can be successful. Such cooperation according to Savas is one form of privatization called Public Private Partnership [1].

Generally for reasons of limitations and government financial deficits, the government is encouraged to involve the private sector in the management of regional resources. The involvement of the private sector has a strong reason because in addition to considering that the private sector has a more efficient operational and management capacity compared to public sector organizations, they also have experience in markets and innovative creativity where the government is very difficult to do so.

The current management of the government is generally considered to be very outdated, lagging behind the progress of the times, so that the services carried out by the government do not make it easier but rather burden the community / citizens. This is evident from the use of the majority of public funds for their own interests. Therefore, it is not excessive if Ingraham and Romzek state that the government sector must learn from the successful private sector [2].

public private partnership (PPP) is a breakthrough that can be done to support the implementation of development. The involvement of the private sector in development is in line with the principles of good governance which has become a new paradigm in the administration of government.

Public Private Partnership (PPP) is the concern of stakeholders in Development in Indonesia. Kumorotomo explains that the partnership relationship between the government and the private sector in Indonesia has long been developed [3]. One of the fields that is often carried out in partnership with the private sector is infrastructure, such as toll roads, drinking water networks, electricity, sea and air ports, health services and education, many have used this scheme [4].

The essence of PPP is Public Goods implemented by the private sector, because it is a very important aspect of politics, this is because it involves the lives of many people, such as opportunities to earn income, employment, public services and others [5].

This partnership is not only carried out by the government at the central level, but also has begun to be implemented in the cultivation of projects in the area. As conducted by the Makassar City Government with the private sector in the revitalization of public spaces (karebosi field in Makassar City) [6]. Then the newly formed partnership is the collaboration of the South Sulawesi Provincial Government with PT Makassar Phinisi Seaside Hotel in hotel development. South Sulawesi provincial government assets in the form of land in cooperation with the private sector to build a hotel. The interesting thing about this collaboration is whether the collaboration is included in the PPP domain or not? although it is stated in the cooperation agreement that the partnership principle is Built-Operate-Transfer. Then how are the results obtained by the South Sulawesi Provincial Government and the community from the collaboration? Iskandar explained that the development carried out would be better if it could provide a broad positive for the increase in community activities [7]. This is what made researchers analyze this collaboration.

2. RESEARCH METHOD

This research is a type of descriptive study using qualitative methods, where primary data is obtained from the results of in-depth interviews with informants or informants who are key informants. Besides that, the data also came from documents and observations made at the research location. The data analysis technique used is using qualitative analysis.

3. RESULTS AND DISCUSSION

3.1 The Process of Public Private Partnership in Makassar

The South Sulawesi Government has assets in the form of vacant land located in the Losari Beach area of Makassar City. This area is known as a business district because of its strategic location. This area has been built 2 government-owned buildings, namely the Exhibition building which is managed by the UPTD Center for Cooperative and SME Product Promotion at the Office of Cooperatives and SMEs in South Sulawesi Province, and the Ballroom building that is managed by UPTD Logistics at the South Sulawesi Provincial Trade Office. The existence of these two buildings, the location is known as the Celebes Convention Center (CCC).

The CCC area has a land area of around 6 Ha, while the CCC building area is only around 1 Ha. The South Sulawesi government is aware that the CCC area can generate regional income if the vacant land in the CCC area can be used for economic and social activities. Besides that, it can integrate the Exhibition and Ballroom buildings so that both buildings become active. However, the Government of South Sulawesi is limited in terms of financing to revitalize the area.

Based on this the South Sulawesi government formed an asset utilization team in the CCC region with the task of conducting comprehensive discussions and studies which then resulted in consideration that the utilization of these assets was in the form of Build-Operate-Transfer (BOT). This decision is based on the Minister of Home Affairs Regulation No. 19 of 2016 concerning Technical Guidelines for Regional Property.

After establishing the form of cooperation, the BOT, the assessment team was formed again by the value of third party contributions to the use of land owned by the South Sulawesi provincial government. From the assessment team the value of the contribution determined the decision that the government of the province of South Sulawesi contributed 19.45% while for partners it amounted to 80.55%.

After obtaining the estimated value of the public private partnership between the South Sulawesi government and the private sector related to the use of vacant land in the CCC region, the government formed the South Sulawesi Government Land Use Auction Committee.

The auction process began in 2011, precisely in November. The auction process got 5 investors who were interested in investing in the area and then won by PT. Makassar Phinisi Seaside Hotel. The company won the auction because it gave the highest bid compared to other investors, 20% was borne by the government of South Sulawesi and 80% was borne by PT. Makassar Phinisi Seaside Hotel. As the focus of the company is in the hotel sector, the company offers the government to build a 4-star hotel.

This form of cooperation for a period of 30 years as stipulated in government regulation number 6 of 2006 concerning Management of state / regional property. All costs incurred in partnership between the South Sulawesi provincial government and the private sector will be borne by PT Makassar Phinisi Seaside Hotel as an investor.

3.2 Changes to the Cooperation Agreement (Addendum)

The hotel development process that was agreed at the beginning of the cooperation agreement encountered obstacles in its completion related to the management of the Certificate of Management Rights (HPL) and Building Use Rights (HGB), the removal of electricity cables and substations PLN, the issuance of Building Construction Permits (IMB), changes in Environmental Impact Analysis (AMDAL), as well as changes in the work area. Therefore, based on the agreement, the proposal from the private sector offers the government to change the cooperation agreement (addendum).

Addendum to this cooperation agreement carried out up to three times. This makes the government unable to do anything and obey all wishes of the private sector to addendum. So in the third addendum, the private sector added a cooperation agreement clause regarding the addition of hotel support facilities. The intended facilities include shopping centers, cinemas, parking lots, offices, ballrooms, entertainment. The existence of these additional facilities resulted in losses received by the government of South Sulawesi which was originally to support the Government's Exhibition and Ballroom building.

3.3 Implications of Partnerships for Public Goods

1) Physical Aspects

The partnership results of the CCC Region partnership have implications for the physical appearance of the region. From observation through observation, the face of the CCC region has shown a very different change from before. The public space is stretched again after the improvement of public facilities in the area. This physical change then influenced the function of the CCC area as a public space for the citizens of Makassar. The existence of hotels in the CCC region supports government activities such as meetings, incentives, conventions and exhibitions in South Sulawesi, especially in Makassar City.

2) Social Aspects

Public Private Partnership between the Government of South Sulawesi and PT. Makassar Phinisi Seaside Hotel provides a wide range of social impacts for Makassar residents. The real impact on the community is the opening of business fields and employment so that it helps reduce unemployment in the city of Makassar and many employment options available in hotels and shopping centers

3) Economic Aspects

Since the public private partnership between the South Sulawesi provincial government and PT Makassar Phinisi Seaside Hotel was signed, the government should have felt the results in 2016 but until now the government has not received any contribution from the agreement.

4. CONCLUSIONS

Public private partnership is a form of cooperation that can produce positive outputs. However, in implementing the concept of partnership, the South Sulawesi provincial government is in a position that can be controlled by the private sector. The problem that arose in the process of implementing the partnership was the performance of the government which seemed unable to negotiate. This can be seen when the Provincial Government of South Sulawesi in developing partnership agreements, the capacity of the government in negotiations with the private sector is often weak and becomes a disadvantaged party. Therefore, the principle of a partnership from this collaboration did not materialize. Supposedly, in the principle of partnership between the government and the private sector, no party is in charge of the other party and shares the same benefits and bears the risk together.

REFERENCES

- [1] E. S. Savas, *PRIVATIZATION AND PUBLIC-PRIVATE PARTNERSHIPS*. New York: CHATHAM HOUSE PUBLISHERS SEVEN BRIDGES PRESS, LLC NEW YORK,

- 2000.
- [2] B. S. Romzek, Patricia W. Ingraham., *New paradigms for government—Issues for changing public service*. San Francisco: Jossey-Bass Publishers, San Francisco, CA, 1994.
 - [3] W. Kumorotomo, “Kemitraan Usaha Sebagai Alternatif Dalam Pembiayaan Sektor Publik di Daerah,” *J. Sos. dan Polit. Univ. Gadjah Mada*, vol. 3, no. 1, pp. 80–108, 1999.
 - [4] E.R.Yescombe, *Public-Private Partnerships : Principles of Policy and Finance*, 1st ed. 30 Corporate Drive, Suite 400, Burlington, MA 01803, USA Linacre House, Jordan Hill, Oxford, OX2 8DP, UK: Elsevier Ltd, 2007.
 - [5] M. B.-S. & G. Dewulf, *Strategic Issues in Public-Private Partnership : An International Perpectives*. Blackwell Publishing Ltd, 9600 Garsington Road, Oxford OX4 2DQ, UK: Blackwell Publishing, 2006.
 - [6] A. Hans, “KEMITRAAN ANTARA PEMERINTAH DAN SWASTA DI KOTA MAKASSAR (Studi Kasus Lapangan Karebosi),” Universitas Gadjah Mada, 2012.
 - [7] U. Iskandar, “Program kemitraan antara Pemerintah Daerah dan Perusahaan Swasta dalam pemanfaatan sumber daya alam :: Studi mengenai kesiapan Program Pemberdayaan Masyarakat melalui Kemitraan Swadaya Kebun Sawit antara Pemerintah Kabupaten Kotawaringin Barat dan PT Astr,” Universitas Gadjah Mada, 2007.