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# Public Private Partnership as a Public Service Dilemma

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**Abstract.** The change in the paradigm of governance currently demands the government to provide better service for the society. The availability of this service faces issues regarding limited government abilities, limited financial resources, and limited human resources management. This research was conducted on a Public Private Partnership between the Bandung City Government and PT Marga Tirta Kencana on their development and construction of the Cicadas Traditional Market. This study used a qualitative method. Informants were obtained by means of a purposive method through snowball technique. Research results indicate that this partnership is not mutually beneficial. This is due to a problem in the implementation of the partnership itself such as delays in development.

**Keyword:** public, private, partnership

**Abstrak.** Perubahan paradigma pemerintahan saat ini menuntut pemerintah agar memberikan layanan yang lebih baik untuk masyarakat. Akan tetapi, ketersediaan layanan tersebut mengalami berbagai permasalahan seperti keterbatasan dalam kemampuan pemerintah, keterbatasan sumber finansial, dan keterbatasan pengelolaan sumber daya manusia. Penelitian ini dilakukan untuk mengulas Kemitraan Pemerintah Swasta (KPS) antara Pemerintah Kota Bandung dan PT Marga Tirta Kencana dalam pembangunan dan perbaikan Pasar Cicadas. Studi ini menggunakan metode penelitian kualitatif. Informan diseleksi melalui purposive method dengan snowball technique. Hasil dari penelitian ini menunjukkan bahwa kerjasama ini tidak menguntungkan bagi kedua belah pihak. Ini diakibatkan masalah dalam implementasi kerjasama tersebut seperti penundaan pembangunan.

**Kata kunci:** kemitraan, pemerintah, swasta

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## INTRODUCTION

Good Governance has resulted in more open forms of governance. The public has demanded the government to provide optimum service. However, the government has limitations in its ability to provide public service such as limitations in financial resources, human resource management, and administration. The solution for this issue is Public Private Partnership (PPP), which is a provision for capital investment by private sectors for public services.

Local governments can use Public Private Partnership as an attempt to improve public services, one of which is the Bandung City Government. The Bandung City Government, through the Perusahaan Daerah Pasar Bermartabat (PD. Pasar), has implemented this approach in the traditional market service sector. PPP was selected because of the limitations PD Pasar has in technical management and human resource availability. In terms of infrastructure, as many as 21 out of 38 traditional markets in Bandung are in poor condition.

The management of Public Private Partnership in the market aims at revitalizing government services through improved infrastructure and market management

(Rukmana, 2006). This partnership is manifested by fixed assets (the market) which was loaned by a third party, yet is still legally owned by PD. Pasar. PD. Pasar's cooperation with third parties controls nine out of 38 markets. One of which is Cicadas Traditional Market. Cicadas Traditional Market is the third largest market that has the most development potential.

Cicadas Traditional Market has formed a PPP with PT. Marga Tirta Kencana, as stated in agreement number 511.2/055-HUK/2006. This cooperation includes the formation of a Build Operate Transfer (BOT) and Build Transfer Operate (BTO) for the basic management of traditional markets. This agreement has a term of 20 years. In this partnership, the Bandung City Government provided a capital of Rp 72,751,219,000 which includes; (1) Cidadas Market land at Rp. 62,465,000,000; and (2) Cidadas Market building at Rp. 10,286,219,000. Meanwhile, PT. Marga Tirta Kencana financed the framework for the construction of the Cidadas Market at Rp. 132,588,674,360.

After a six year partnership between PD. Pasar with PT. Marga Tirta Kencana in the management of Cicadas Traditional Market, there have been indications that the partnership is not mutually beneficial. Benefit of assets, an

increase in the coverage of services for the Government and the profit to the private companies has yet to be optimized. Traders in Cicadas Traditional Market do not trust PD. Pasar. This was manifested in rejection of the plan that was to be implemented with private sectors. Meanwhile, the private sector has not received sufficient profit from this partnership because the Cicadas Traditional Market only has an occupancy rate of 55 percent and has a tendency to lose its customers.

Generally, the Government, represented by PD. Pasar as the leading sector, has a weak bargaining position in negotiations with private parties because PD. Pasar does not yet have a clear concept about the partnership as an effort to revitalize the traditional market. PD. Pasar is highly dependent on the design offered by private parties. According to PD. Pasar itself, only one market is running smoothly out of the nine that have cooperated with third parties. As a result, when the design applied by the private sector is unsuccessful, its partnership with the Cicadas Traditional Market becomes mutually unbeneficial and has yet to realize its purpose.

In order to reach a consensus, the management partnership for Cicadas Traditional Market requires a certain mechanism that is mutually beneficial and at the same time, generates a positive impact for the traders. The impact of the partnership for the traders can be assessed both positively and negatively (Purwoko, 2006). In a positive light, market revitalization is not only limited to changing the infrastructure but it also manages the market professionally. However, the negative aspect reveals the uncertainty the post revitalization such as the location and the high prices of stalls in the new place.

The partnership intends to use a communication as a tool to achieve consensus, but in reality, it is merely a formality. For example, a Tripartit meeting was held on 1<sup>st</sup> October 2007 should have included by PT. Marga Tirta Kencana, the Bandung City Government, and representatives of traders. However, the traders refused to attend the meeting because they received the invitation suddenly. As a result, the traders regarded this meeting as merely a formality. The rejection of the senior market traders in attending this meeting reflects on how the partnership is not viewed as a legitimate coupling. Data in 2010 revealed that Traditional Markets in BTM built 1,830 units by the number of stalls. However, only about 1,000 units were used as stores while the remaining were left empty because the traders refused to move and opted to survive in temporary shelter markets.

There are indications of injustice in this partnership. Based on the cooperation agreement, private parties and traders are to work together in determining the cost of the stalls/ units. However, in reality, the traders were not

involved in determining the cost of the units. In other words, there is an imbalance in this scheme because the private sectors determine the cost of the units and the traders, who use the units, have difficulties paying for the units. The private parties set the price at Rp. 9,000,000 per square meter for a kiosk, Rp. 7,000,000 per square meter for a table (desk for the stall), and Rp. 6,000,000 per square meter for space (*lapak*). Meanwhile, traders can only afford Rp. 4,000,000 per square meter for a kiosk, Rp. 3,000,000 per square meter for a table (desk for the stall), and Rp. 2,000,000 per square meter for space (*lapak*). As a result, around about 570 out of 964 traders opt to remain in shelters and temporary markets in the area surrounding Santo Yusuf hospital because they cannot afford such high prices.

All three problems are present in this partnership between Bandung City Government and PT.Marga Tirta Kencana. There are indications that this partnership is not mutually beneficial, whereas the criteria used must comply with the principle of equality, meaning that those who use and receive benefits from the use of the infrastructure must pay both operational and maintenance costs. In addition, there is no form of communication to accommodate the interests of these different groups in order to build a consensus. There is also an imbalance between the traders and private sectors in determining the cost of the units. The government should take responsibility for providing the best infrastructure and public service during the period of the partnership.

## RESEARCH METHODS

This study used a qualitative method. Informants were obtained by means of a purposive method through snowball technique. Expressed as a qualitative research study utilizing interviews and construct a view in detail (Moleng, 2009). Source of data obtained from primary and secondary data. The primary data in this study were obtained from interviews. Meanwhile, secondary data derived from the literature study reprocessed.

## RESULT AND DISCUSSION

What is meant by public service in this research is public service provided by the bureaucracy. The function and of the state is to provide public service to the public. Public service by the bureaucracy is aimed at providing welfare for the people and maintaining the welfare of the state. Public service provided by the state should not be aimed at increasing consumption or customer loyalty. There are two situations of public service. First, the government monopolizes the supply of several types of

public service and customers are required to use these services (such as regulatory services). On the other hand, the opposite also occurs where the service prefers the use of these public services to be reduced (such as health and social services) (MORI, 2002).

Recent changes to the current administration paradigm have influenced the pattern of governance resulting in it becoming more open. The new pattern of governance is recognized as Good Governance (Batubara, 2006). The government is expected to provide better services for their society. A demand increase is a big issue in almost all regions. This is due to the limited government abilities either concerning limited financial resources, human resource management and or administration. The government's limited ability can lead to infrastructure inequality regarding the needs of the community.

Whether or not the changes are as massive enough to be coined a revolution may be subject to debate. Some of the changes have been carried out yet some have been proved difficult to implement. However, we accept that the nature of public service management is changing and we will argue that while some changes are aimed at strengthening, others create major problems because they involve the adoption of models based on the private sector—and often over simplified private sector models—without any regard to its respective purpose, conditions, and duties of the public sector. (Stewart and Walsh, 1992).

A new approach appeared as a solution to provide better public services. This approach included the implementation of good governance, namely the government, and the involvement of private sectors and the society. One of the forms of this approach was Public Private Partnership. This partnership was formed in order to aid the collaboration of these three entities. Public Private Partnership is where the private sector provides a significant capital investment in the management of large-scale infrastructure provision (Soesilo, 2000).

The characteristics of Public Private Partnership include the distribution of the investment, risk, responsibility and reward between the government and private sectors. With this partnership, there will be advantages for both government and the private sectors. The roles and responsibilities of the partnership may vary. The government may have more of a role in the partnership than the private sector or vice versa. However, the government still needs to maintain its role of being effective in making policies. The government should be accountable for ensuring the quality of public services. Public Private Partnership is a form of privatization, since in its basic principle the strategic government's accountability toward public services is being transferred to parties other than the government.

PPPs provide benefits in the form of efficiency and effectiveness in the provision of quality public services. However, on the other hand, the role of the private sector in funding (investing) in service facilities does not remove the Government's responsibility in formulating regulations that guarantee service standards and affordable costs for all users of the service. The government sets the basic rules for determining the PPP model according to society's needs. Government control is reduced in some types of PPP, but in fact, the government still plays an important role in ensuring the quality of services provided by the private sector (Paskarina, 2007).

Traditionally, the infrastructure of public service is planned, operated, and maintained by the Government. This perception is driven by the concept that economic infrastructure is a public good (public goods). A mixture of public goods and private goods is named a quasi-public good. This mixture is defined as a good that has two characteristics at once, has restrictions, and is liable to competition. When a person consumes more, others will consume smaller amounts.

The public service, it seems, can only retain legitimacy by changing the way that it is managed, or appears to be managed, to reflect ideas about what constitutes good management, which will typically be based on private sector ideas. In many cases, as argued by Meyer and Rowen (1977), the change will be ritualistic. Moreover, because it is difficult to measure the performance of the public service objectively, there is a tendency to imitate organizations that are seen, whether rightly or wrongly, as effective (Dimaggio and Powell 1985). The result is that change is not introduced to solve specific problems, but to express ideological commitment. The use of market and private sector management methods has been identified as a general solution to public sector problems (Stewart and Walsh, 1992).

Generally, trust, openness and fairness are the fundamentals of successful PPP in providing public service. A partnership should be mutually viewed as an opportunity rather than a threat and loss of control ([www.catenbury.ac.nz](http://www.catenbury.ac.nz)). If the fundamentals of PPP are incomplete, there will be a dilemma in providing public service. This context, while recognizing the immense complexities in working across sectors with different strategic and operational realities, should focus on identifying common goals, delineating responsibilities, negotiating expectations and building consensus including common working practices and specific reporting and all required record keeping.

Attention needs to be according to developing mechanisms—structures, processes and skills—for bridging organizational/interpersonal differences and nurturing

communication and coordination. Resource availability of both parties should be ascertained primarily to ensure that they understand the purpose and need for each other. Actually, the foregoing is difficult to achieve, especially related to differences in the organization. It is then a dilemma for public service itself (Jamali, 2004).

Casanova in 2011 ([www.bcda.gov.ph](http://www.bcda.gov.ph)) describes the essential guide in measuring the success of a partnership, which include; (1) Equity, a project in Public Private Partnership should be fair, which means those who use and get benefits from the use of the infrastructure have to pay the cost of both operations and maintenance in accordance with the use; (2) Effectiveness, refers to financial matters, oversight of income, quality of service and maintenance to ensure that the infrastructure and public services are the best provided within a period of partnership. Government as the leading sector in public sector infrastructure development needs to be proactive to the needs of the society; (3) Efficiency, PPP in the provision and maintenance proved to be more efficient. The private sector has a good capability in adapting technology, so the efficiency of the service can be achieved; and (4) Exportability, refers to the risk allocation shift from the government to the private sector. The government does not have to bear the loss for giving guarantees to the private sector. However, the private sector should provide a reasonable profit, transparent and flexible customized financing mechanisms and the associated risks borne (Kumorotomo, 1999).

Cicadas Traditional Market is one of the potential sizable markets to be developed. The potential is associated with the traditional market as one of the driving forces of the economy. Cicadas market was established in 1977. Initially, this market was located at Cikutra Street, Cikutra Village, and Cibeunying Kidul Regency. Over time, the market extended to Ibrahim Adjie Street. Cicadas market is the third largest market in the city with an area of 19,220 m<sup>2</sup>.

In 2004, there was an availability of 1,086 units that could be used for traders. However, there were only 964 existing traders. The presence of Cicadas Market was enlivened by the many street vendors who sold their goods around the market area and Cicadas. In the same year, the number of street vendors in the area reached 365 units in Cicadas tents ([www.okezone.com](http://www.okezone.com)).

Based on interviews with an informant from the Cicadas Market Traders Association, the condition of the market in that year was broken-down and filthy. On a rainy day, the market becomes muddy and uncomfortable for shopping. The Head of the Cicadas Market also expressed the same point of view by saying that the existing market conditions were battered and shabby and interfered with

the beauty of the city itself. The condition of the market, which was not practical and could not accommodate a large amount of traders, could hamper the achievement of market potential. It could effect both the traders and customers who come to the Cicadas Market.

The market potential of Cicadas as a traditional market should not be eliminated simply because not all communities have ability to continue to purchase goods at modern shops. If the condition of the Cicadas Market is not improved, it will have an impact on the economic growth of Bandung because it will increase the number of unemployment and cause the purchasing power of the middle to lower class to decline.

Cicadas Traditional Market was supposed to be managed by the Bandung City Government. The local government organization that was responsible for the management of Cicadas Market is the Department of Market Management, which was then altered Perusahaan Daerah Pasar Bermartabat (PD. Pasar) in 2008. As the demands of the market increased, PD. Pasar experienced issues of incompetence in managing the technical business aspect and human resource availability. This was confirmed by a statement from the PD. Pasar Head of Asset Management, who stated PD. Pasar still has a limited amount of human resources of PD. Pasar. Most of the officials of the PD. Pasar Markets are civil servants who are not experts in market management.

In addition to the limitations of human resources and the paradigm of change, during the year prior to the partnership, the Market Management Agency of Cicadas was in a dilemmatic position. As written in this research, the Evaluation of Market Management of the Bandung City Government experienced a dilemma. On one hand, the City Government is present to revitalize traditional markets because as many as 36 markets in Bandung City are a potential source of revenue. On the other hand, the city does not have the funds to revitalize these markets. The West Java Province and Bandung City Government have never allocated specific funds for market construction resulting in the government to involve developers in order to revitalize the markets. The Bandung City Government only allocates funds for minor rehabilitation cost, land purchases, and public and social facilities such as roads, toilets, drainage, health facilities, and others. In 2005, the Bandung City Department of Market Management obtained revenue of Rp. 4,557,750,000. The revenue came from market fees, toilets (MCK), Business Space Utilization Permit (SPTB), and contributions from private markets. The expenditure in the Market Management Department in 2005 reached more than 5 billion rupiah ([www.dedydamhudi.blogspot.com](http://www.dedydamhudi.blogspot.com)).

In order to overcome budget limitations in financing

market management, the City Government was supposed to search for a non-conventional funding source as an alternative (Rukmana, 1993). This lack of funding was one of the reasons why the Bandung City Government considered private parties to invest. Good synergy between the government and private sector would provide a way out in order to overcome the lack of funds for management and development. This is because private parties have great potential in funding for these markets, such as the Cicadas market which is funded by a private party.

After a six year partnership, several unfavorable issues appeared in the agreement between both parties. These problems were related to the implementation of the partnership which did not run as agreed such as delays in construction.

Developments were delayed because the number of traders and street vendors were always changing. These development delays resulted in an addendum to the cooperation agreement between the City Government and PT. MTK. Initially, the agreement stated that development will be constructed 12 months after the Building Construction Permit (IMB) is issued. However, it was then amended to 21 months after the permit is issued.

The construction delay was not aimed at violating the agreement but was in order to accommodate to the needs of the traders who were stationed in temporary shelters because they refused to cooperate with the Cicadas Market. As a consequence, PT. MTK suffered a financial loss and the market is still deserted. During the six years of partnership, 55 % of the market was occupied, or about 1,006 units from 1,830 units were used. In order to develop a consensus, the Cicadas Market partnership tried to gain trust from the merchants through communication. However, this tactic also failed in obtaining trust from the affected parties.

Communication failed because there were previous indications of the traders distrusting the Government. The 30<sup>th</sup> June 2005 edition of *Pikiran Rakyat* newspaper published a P3CB statement complaining about the attitude of the developer, PT. MTK. They were considered to have made too much effort in creating Temporary Shelters for Traders (TPPS) on Jalan Cikuta, projective measurements, and initial implementation of the Environmental Impact Analysis. Traders also claimed to be surprised by a circulating bulletin in April 2005 from the Bandung City Government signed by the Bandung City Department of Market Management. The bulletin stated that traders must submit a Business Space Utilization Permit (SPTB) because the revitalization was to be implemented in mid-2005. This resulted in the traders to distrust the City Government even more as there were indications that the government lacks concern

in the interests of the traders in the Cicadas Market.

One trader (P3CB) still surviving in the temporary shelters spoke of how the government backed down on their promises to the former traders of the Cicadas Market. At first, city government promised 700 traders that they are prioritized in the purchase and occupation of new units in the building according to their capabilities. However, the City Government now does not want to take responsibility. The compensation promised to the traders is even currently unclear.

Communicative mechanisms can be stalled if the reception is followed by one empirical statement doubting the sincerity of the man. As a result, an imbalance occurs as the traders who use the market have difficulties paying the costs and the private sector, that solely determines the cost of the units, experiences financial losses.

The impact of partnerships for traders can be positively and negatively assessed. The positive aspect is that market revitalization is not only limited to changing the infrastructure, but also aims at managing the market professionally. Meanwhile, the negative assessment relates to the uncertainty condition of post revitalization such as the location and the high prices of the stalls in the new place.

The Bandung City Government and PT MTK included points in their agreement aimed at overcoming negative impacts on the traders. The clause states that the cost of business spaces or units for traders are to be determined by both parties and the trader and acknowledged by the first party, in this case, PD. Pasar (Memorandum of Agreement, 2006). Another point in the agreement states that the second party shall prioritize business spaces/ units for senior traders and vendors located around the Cicadas Market, on Jalan Ibrahim Adjie, Jalan Cikutra, and Jalan Ahmad Yani at the traditional market's basement or elsewhere, as agreed by the first party and second party (Memorandum of Agreement, 2006).

Both points in the agreement were created as an effort to minimize negative impacts on traders in order to gain the traders' trust. If a conflict of interest between the two sides and the affected group arises, it is still understandable. The most important thing is how to respond to this conflict in order to be able to gain trust which can result in the consensus and the objective of the partnership to be achieved.

The Government and Private Sector both had different reasons for implementing Public Private Partnership. The government aimed at aiding the development of the Cicadas Market through revitalization by renovating the market building and improving the services for the traders and buyers. The private sector revitalized the Cicadas Market in order to make a profit through the sale of the

**Table 1. Estimated Average Trader Income In the Cicadas Market/ Day**

Unit	Estimated Income (Rp)
Kiosk 2x3m	75,000-120,000
Kiosk 2x2,5m	60,000-100,000
Kiosk 2x2m	55,000-95,000
Mid Kiosk 1,5x1,5m	50,000-85,000
Table 1,5x1m	30,000-50,000

**Table 2. Estimated Revenue for PT. MTK from Cicadas Market February 2008-February 2012**

Unit	Capacity (units)	Business Space Occupied (units)	Average Contribution/ day (Rp)	Estimated Revenue (Rp)
Kiosk 2x3m	680	198	35,000	9,979,200,000
Kiosk 2x2,5m	500	221	30,000	9,547,000,000
Kios k2x2m	300	265	25,000	9,540,000,000
Mid Kiosk 1,5x1,5m	200	180	20,000	5,184,000,000
Table 1,5x1m	150	142	10,000	2,044,000,000
Sum	1830	1006		36,294,200,000

units and management of the market.

Interviews with the Head of Product Development and Market Investment of PD. Pasar revealed that the good management of market service is portrayed by stakeholders who obtain advantages, consumers who can obtain their needs in an easy and comfortable way, and the goods are guaranteed to be hygienic. Traders will receive better infrastructure services, obtain more comfort and security, and gain more customers thus resulting in more income.

Judging from the above, the goals of the partnership within the Cicadas Market have not yet been realized due to several reasons. First, the benefits for the stakeholders, PD. Pasar and PT. MTK, have been delayed. PT MTK is still disadvantaged because the market is still quite desolated. Second, observations reveal that the customers are mostly gathered in the parking lot instead of the market. The area is usually filled with customers from 03.00 am to 06.00 am. Third, infrastructure services are not sufficient enough for the traders. They require better services in order have more security assurance and comfort. However, an increase in buyers as well as income has not been achieved in a significant manner yet. The following is a Table 1 of estimated trader income according to the rented unit.

Observations reveal that merchants at the center of the market lack customers because customers only come to the market at certain hours and tend to go to the traders selling goods outside of the market building. The customers were distracted due to the presence of the traders occupying the temporary shelters surrounding the markets. The Managing Director of PT. MTK revealed that the private sector has yet to gain profit due to the relatively desolated condition of the market. The concentration of traders in the market area is divided between Cicadas and TPPS

thus affecting PT. MTK's profit. Currently, only 55 percent of the units are occupied by traders. PT. MTK has continued to coordinate with PD. Pasar in order to uncover a solution for this issue. However, no action has been taken to overcome this problem aside from PT. MTK's willingness to adjust itself to the situation of the traders.

The private sector was set to gain profits from the income of operations and management in its partnership with the government. The partnership must be suitable for economic and technical production. It must generate revenues in order to cover expenses in addition to obtaining a reasonable profit. The following is the estimated revenue of PT. MTK based on Tabel 2, the occupied units in Cicadas Market.

In order to obtain benefits for all parties, the government should have a standard of operation for the partnership. This standard will be used to ensure that the best form of public service and infrastructure is provided during the partnership (Sidiq, 2006). Technical and service standards entail communication and monitoring. The private party will be more confident in performing its duties because it knows what target must be achieved.

Observations reveal that the government lacks these standards within its partnership for the Cicadas Market. It lacks technical guidance for implementation and service. The Head of Product Development and Investment for PD. Pasar stated that there are no technical and service standards for market cooperation. Technical and service standards should be applied through a local government regulation (Perda), which will then be executed by the Director of PD. Pasar. However, PD. Pasar only has a set of service standards managed by PD. Pasar itself. As for the cooperation between the government and the private sector, they only monitor how the private sector manages

the market.

Due to the lack of technical standards, the Bandung City Government, in this case as the leading sector for PD. Pasar, has a weak bargaining position in negotiations with the private party because it only depends on the design offered by the private party. This situation is made worse if the private party does not come from a retail business, like PT. MTK. PT. MTK, as the selected partner for the management and development of Cicadas Market, is a real estate business. The Traditional Market Manager of PT. MTK revealed that PT. MTK is a construction company with a core business in real estate for residential construction. The agreement states that in order to improve the ability of both parties in managing the market, the government must issue a Standard Operating Procedure (SOP) as a reference for the basic management of a traditional market, which was determined in collaboration with the second party (PT. MTK). Aside from that, PT. MTK is obliged to attend training programs, seminars, and training related to the management of a market / building (Memorandum of Agreement, 2006). However, after a six year partnership, a training program, seminar of training related the management of a market / building has never been held by either PT. MTK or the government.

In a partnership, if the core business of the private party does not suit the needs of the business and no programs or trainings were held in order to improve their abilities in managing the market that will certainly affect the course of the partnership. Many things need to be considered when determining the design of a market, thus making it a complicated matter. For example, booth layouts, customer comfort, hygiene, security, and fire prevention. Therefore, the private sector set to establish a partnership with the Government requires certain specialized skills. (Permatasari and Utomo, 2011).

For the past few years, the physical condition of Traditional markets in Bandung has been declining. In terms of infrastructure, 21 out of 38 traditional markets in Bandung are in poor condition. As the responsible party for these markets, PD. Pasar faces obstacles in the form of human resource and capability issues. Based on an evaluation on market management, the West Java Provincial Government and Bandung City Government never allocated funding from their budget for the revitalization of local markets. The government only allocated funding for rehabilitation from the regional budget. The regional budget was mainly allocated for land purchase, public and social facilities, such as roads, sanitation, drainage, health facilities, etc. As a result, the Bandung City Government partnered up with the private sector in order to revitalize the markets. By forming this partnership, the government hopes that costs and human

resources will be able to be efficiently achieved, as well as the construction and development of Cicadas Market.

Efficiency can have different definitions based on the perspective of the service providers, which are PD. Pasar and PT. MTK, users of the service, and traders. As for the government, the partnership was aimed at saving costs in attempting to revitalize the traditional markets. The Bandung City Government did not allocate any funding for resources. It only transferred its assets to the private sector in order for the private sector to manage and construct, thus enabling the government to save costs. Aside from that, by taking this action, the government was able to reduce risks yet still improve service levels and increase its revenue. As for the private party, efficiency can be viewed in terms of income from capital development and licensing.

The efficiency of resources by the private party has made them a bit confused. For example, the Managing Director of PT. MTK stated there are contradicting rules regarding the construction permit. On one hand, there are investment regulations for public facilities. On the other hand, there are regulations regarding the provision of public facilities, such as the market, by the government. As a result, the private party is unable to achieve optimal efficiency. In addition, it takes a long time to process a construction permit. The Bandung City Capital Investment and Integrated Permit Board (*Badan Penanaman Modal dan Ijin Terpadu Kota Bandung*) argues that a sole entity is not permitted to invest in something without permission. Aside from that, the Government is responsible for creating a conducive climate in order to encourage private sectors to provide public services.

PD. Pasar is still deemed inefficient because it still lacks human resources. The Management Head of PD. Pasar stated they still have a limited number of human resources and have no experts in the field of market management. As a result, human resource capabilities in the private sector are considered crucial. As stated in the Bandung City Law No. 12/2010, investors or private parties selected for cooperation with the government should have capabilities that suit the needs of the cooperation.

In this case, PT. MTK has a real estate background as opposed to the necessary retail business background. Therefore, issues in this partnership arise such as socialization with the traders. When the traders refuse to cooperate, PT. MTK is unable to communicate and explain their market building and restructure concept to the traders. After a six year partnership, most of the traders still refuse to cooperate. Only 55 % of the units in the Cicadas Market are occupied. This condition can lead to an unfavorable partnership. Therefore, the government must meticulously assess and be extremely scrupulous

when selecting a partner for a project.

Another reason the Government should form a partnership is the use of technology. Efficiency can be achieved through the use of technology. The existence of the technology can be utilized to help manage market electronically. The management of information technology-based markets can realize automation services in managing the market so it can facilitate monitoring activities more quickly and accurately (Prasetyo, 2011). This partnership, however, does not include any significant use of various technologies. PT. MTK merely provides escalators and automatic parking. Therefore, technological efficiency that can be achieved through a partnership has not yet been realized for this project.

The management and construction process of Cicadas Market began in 2006. Efforts in finding willing investors were conducted publicly. With the approval of the Legislative Council, the Bandung City Government selected PT. MTK as its partner to aid the development of the Cicadas Market. Their partnership was a joint effort aimed at revitalizing the Cicadas Market and providing better service for the traders and buyers. One of the crucial points in the agreement was about the rights and obligations of each party aimed at risk allocation. In order to achieve the goals of risk allocation, the government and private party aimed at placing a merchant on every floor of the building after construction was completed. However, in reality, this has not occurred. The Market Manager of PT. MTK stated that the government did not take responsibility in trying to overcome the issue of the traders refusing to occupy the market building. PT. MTK needs to work together with the government in order to successfully move the traders into the building because they remain in the care of PD. Pasar. Therefore, PT. MTK and PD. Pasar need to continue to coordinate and take action in order to encourage the traders to move to the building. Neither the government nor PT. MTK desires any complications in relocating the traders. However, PT. MTK needs the government to take action and help them relocate the traders.

In a partnership, the roles and responsibilities may vary indeed. The government may have a larger role than the private party in the partnership or vice versa. In the case of the partnership formed for the development of Cicadas Market, the private party ended up playing a larger role. However, the government still has a crucial role in making policies. The local government is accountable in ensuring the quality of the public service.

The case of the traders' refusal to relocate to the Cicadas Market building can be used as an example. The refusal of the traders and empty units are risks that PT. MTK may have to encounter. However, the role of PD. Pasar

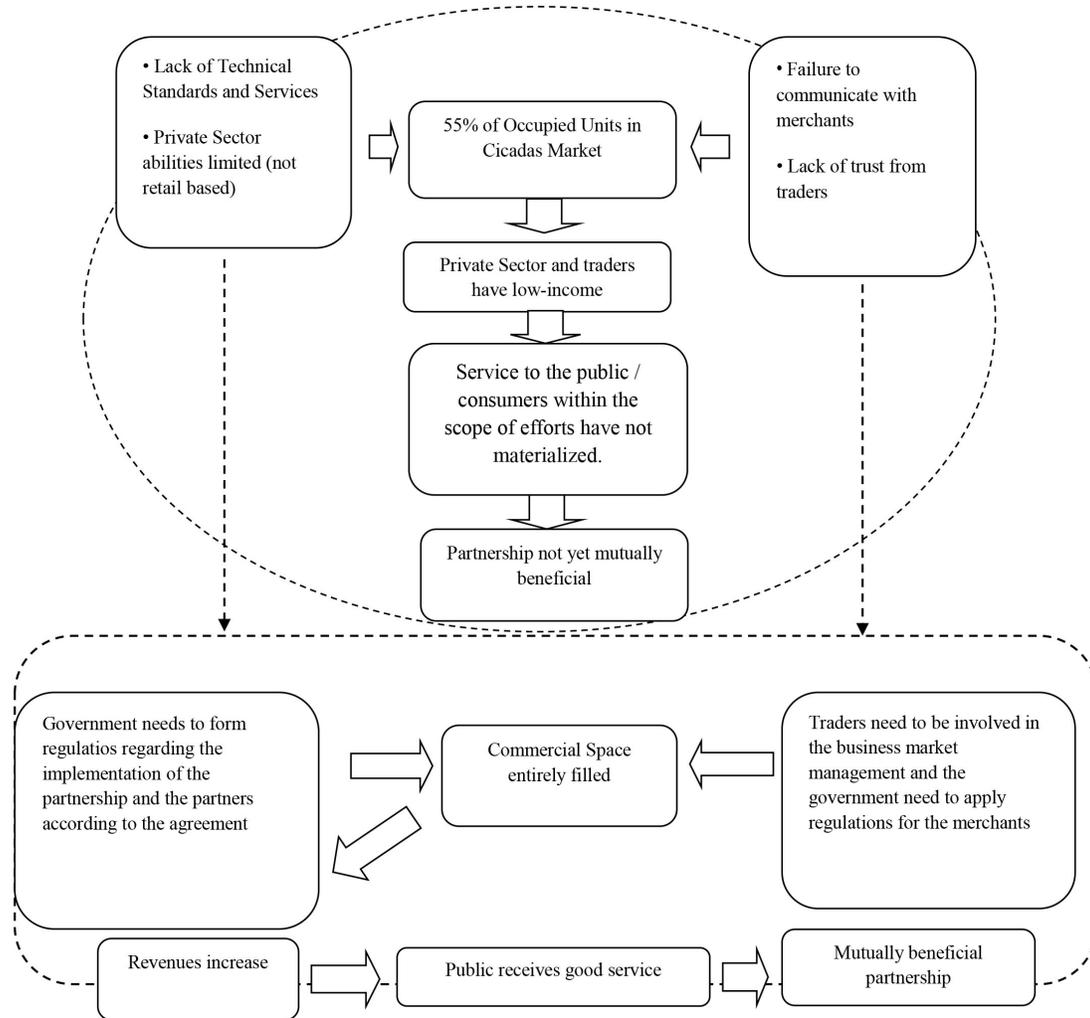
as the caretakers of the traders is still crucial. The empty units have a huge impact on this partnership. Therefore, the government has a big role in issuing regulations in order to support the facilities. The partnership must result in mutual benefits meaning they must obtain as much as they give. This is necessary in order for both parties to achieve their goals (Martawiprani, 2012).

One of the Local Government's authorities in this partnership is to monitor and evaluate the course of the partnership. Monitoring and evaluation were agreed to be carried out through direct control and periodic reports. The cooperation agreement clearly gives the government the authority to monitor the project. Paskarina (2007) stated that Government control has declined in the partnership, despite the fact that the Government still has an important role in ensuring the quality of service provided by the private party. Therefore, the Government still remains accountable for the project.

There is only one form of direct control in this partnership which is done by the Head of the Market. Periodic reports were never submitted. The Market Manager of PT. MTK stated that PT. MTK and PD. Pasar have an equal position, thus creating no need for PT. MTK to report their progress and activities to PD. Pasar. PD. Pasar has relinquished all cooperation processes to PT. MTK. The lack of monitoring in this project directly affects the private party's ability to resolve issues. As a result, both parties are not able to provide a solution to any problem, including the issue of the traders choosing to remain in temporary shelters.

Supervision is also required in terms for the financial aspect of the private party. Finances have become a severe issue in this partnership. As stated before, PT. MTK has not yet achieved optimal profit. These continual losses result in lack of finances. If this situation continues to occur, it can result in the private party to discontinue the partnership. Therefore, monitoring the financial aspect of this partnership is crucial in the implementation of this project.

The lack of financial supervision can also be a risk for the government. If PD. Pasar has knowledge of the financial condition of PT. MTK, they can work together and find a solution for the problem. As for PT. MTK, the lack of financial management could have an impact on the extension of the agreement contract. As explained by the Managing Director of PT. MTK, these losses occurred due to the minimum number of traders and occupied units in the market building. As a result, only few traders are able to pay the installments necessary. On the other hand, the private party must continue to cover the operational costs of the building. PT. MTK may request an extension of the contract in order to cover the costs. However, if this



**Figure 1. Analysis Scheme**

situation continues, tension between the two parties may arise. The local government may deny PT. MTK’s request because it does not comply with their initial agreement.

Traditional market assets owned by the government can be classified into a mix of public goods (quasi-public), which means items will not be depleted when consumed by a consumer, but consumers who do not pay can still be separated from the paying customers.

The consumers of a traditional market are traders who use the asset and customers who shop in the market. Public Private Partnership conducted in Cicadas Market has yet to satisfy the traders. This is due to the fact that the traders still refuse to occupy the units in the market building despite the improvements in the infrastructure. These traders refuse because they were not involved in determining the cost of the units and the lack of abilities of both parties. The following is an overview of the results of this study in Figure 1.

A partnership is formed as a joint effort in achieving goals. Although each party may not have the same

objectives, each party believes that through this partnership, their respective goals can be achieved. The basic principle of the partnership is a “win and win” situation and not a “win and loss” situation. In this sense, it can be said that no single party should feel a loss while the other party benefits in a partnership. As for the partnership between the Bandung City Government and PT. MTK in the development of the Cicadas Market, the Bandung City Government assigned PT. MTK a task. The objectives of both parties were to structurize and develop the Cicadas Market. However, their purpose differed as the government aimed at providing a service to the community and PT. MTK hoped to generate profit from this project.

After a six year partnership, it can be seen that Bandung City Government benefited more than PT. MTK. It was beneficial for the Bandung City Government saw infrastructure improvements whereas it was unbeneficial for PT. MTK because up until the time of this research, PT. MTK has not managed to obtain a revenue that will

cover the total cost operations and production.

As a public policy, Public Private Partnership has a purpose for public welfare. However, PD Pasar was unable to optimize its service. The refusal of senior traders in relocating to the new market building was an indication that PD. Pasar was unable to provide public service that is suitable to the needs of the public.

Providing public services through Public Private Partnership can be an alternative solution for the infrastructure of a market. Capital and resources from private parties can compensate for the limitations of the government without taking over the government's responsibility. In order to ensure that the interests of the parties involved in the partnership and the public are met and protected, without being unbeneficial to a certain party yet beneficial to another, the government should apply policies and use its authority to separate the interests of the private parties, consumers, and the government's own political interests.

## CONCLUSION

Public Private Partnership between the Bandung City Government and PT. Marga Tirta Kencana for the management and development of Cicadas Markets is not mutually beneficial. The benefits of the partnership for the city of Bandung have been achieved. The assets of PD. Pasar have been used and infrastructure improvements have occurred. However, in terms of service to the merchants, it can be said that it has not reached maximum potential. This is due to a lack of agreement among those affected by the partnership, such as the traders. The private party also has not managed to benefit from this partnership.

Results of this research reveal that the partnership has not been mutually beneficial because of issues in the implementation of the partnership itself such as delays in development. Although communication tactics have been implemented in order to gain the trust from the traders, the efforts failed because of the traders' distrust of the government. The lack of technical and service standards from the government was made worse by PT.MTK's background lacking experience in retail business. The aspect of monitoring was also not in accordance with the agreement. During the six year period of this partnership, no periodic reports have been made by PT. MTK and PD. Pasar never took any action regarding this matter.

There are three suggestions that may help PPP in government services become more beneficial and effective. First, the partnership model used should involve not only the private sector, but also the traders in traditional markets, such as the Public Social Private

Partnership Model. Second, in this partnership, local government intervention is needed in order to help PT. MTK gain a reasonable profit and make traders voluntarily or involuntarily allocate their businesses to the market building. For example, the government can issue a regulation that prohibits merchants from doing their business in temporary shelters (TPP). The government, as a policy maker, can participate and create conducive conditions in the implementation of this partnership. Third, the government should consider the background of the private sector before selecting a partner. This private partner should have a core business that is related to construction rather than real estate development in order to avoid any issues in implementation. The government should also consider partners that have better business skills in this area of expertise.

Public service must remain under the government's domain. One of the ways to improve public service is to alter the management of public service itself. Public-private partnership has been identified as a common solution for problems regarding public service. However, this solution proved to create new problems including conflict of interests and values. The private party was unable to adapt its working mechanism to the needs of providing suitable public service for the community. For example, in the case of the Cicadas Market, the profit oriented private party determined a high price for the community. As a result, the community had difficulties meeting the needs of the private party and chose not to participate.

Herein lays the dilemma of public service. On one hand, the government needs to cooperate with private parties in order to improve the quality of service. On the other hand, the private party cannot easily adapt its working mechanism to the goals and demands of the public service itself. One thing is for certain, public service should aim at the welfare of society.

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