

EXPLORING THE CONCEPTUAL MODEL OF PUBLIC PRIVATE PARTNERSHIP FOR LOCAL TOURISM DEVELOPMENT

Damas Dwi Anggoro

Faculty of Administrative Science,
University of Brawijaya, Malang
damasdwia@ub.ac.id

Hanifa Maulani Ramadhan

Faculty of Administrative Science,
University of Brawijaya, Malang
hanifaramadhan@ub.ac.id

Rispa Ngindana

Faculty of Administrative Science,
University of Brawijaya, Malang
rispangindana@ub.ac.id

ABSTRACT

The concept of Public-Private Partnerships (PPPs) has been accepted as one viable alternative to promote infrastructure development. Yet, recently some government institutions have applied PPPs for developing local tourism sites for their region. The situation is going to be more complex when the PPPs deal with some non-physical attributes and generate several shortcomings. Therefore the need for a specific model to cover PPPs as the concept and tourism development as its substance becomes essential. This research attempts to explore the model by using a specific review of the recent kinds of literature and theories. It is conducted by contextual approaches intended to adjust to Indonesian tourism development. The result of this research has described the specific model which is constructed from a series of literature discussions from previous studies. It has been designed to minimize the weakness and vulnerable points of PPPs for tourism development.

Keywords: *PPPs, Tourism Development, Infrastructure, Literature Review*

A. INTRODUCTION

In recent years, the notion of local development has been shifted from the structural based orientation into the dynamic based orientation. It leaves several classical features such as rigid structure, complex bureaucracy, or dominant role organization, and inject the dynamic principles such as organization network or performance based assessment. Under this circumstance, the role of government is no longer served as a single actor to promote the development. In local level, several cases have proven that good network among local government and private organization may generate effective progress toward local development.

The strong network among these actors may enable them to promote cooperation, coordination and collaboration effectively, which is later it has generated into the Public-Private Partnerships (PPPs). The emergence of PPPs are reshaping the responsibilities and boundaries of government, particularly through privatization, public service reform, or injecting market principles into public administration discipline. Since its first emergence, the PPPs concept has been widely accepted by many governmental institutions in many countries. The application of PPPs concept for infrastructure development has been commonly known as viable illustration to foster the development when the government entities find their lack of financial resources.

The data from project ware and EPEC describe the escalating trend for PPPs application during last two decades as shown in the following Figure.

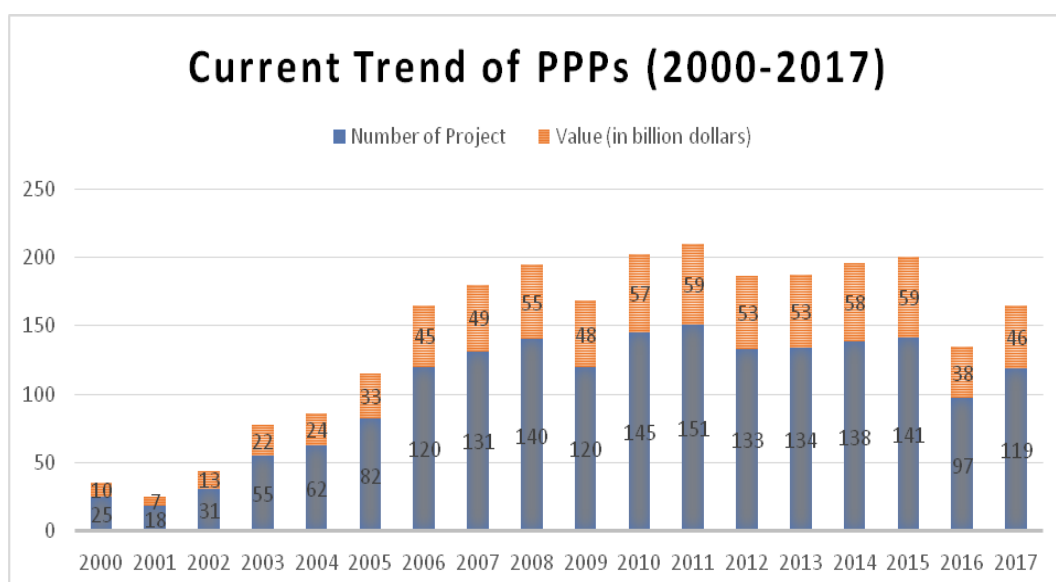


Figure: Current trend of PPPs (2000-2017)

Source: Yescombe and Farquharson (2018)

Yescombe and Farquharson (2018) conveys, most of PPPs cases has been applied to cover social infrastructure development, transport facilities, or environmental based project. However, recently it has been adopted into several sectors such as local tourism development or other profitable government projects. In tourism sector, the application of PPPs is not only limited to infrastructure development but also involve the other development areas such as tourism destination, marketing, industry as well as institutionalism. Thus, the constellation of interest between public and private organization might be entered to the next complexities level.

The additional attributes beyond the physical infrastructure development have commonly omitted from the PPPs ordinary coverage area. For instance, when an asymmetric information between multiple actor in private sectors for multiple non-infrastructure projects or when there are back-loading commitments

before and during the execution process. These kind of problems might commonly lead to the failure of PPPs implementation and generate various risks. It is slightly different from the physical infrastructure based PPPs where the model or pattern has been settled theoretically (Yescombe, 2007; Yescombe and Farquharson, 2018). Regarding these complexities, the project initiator needs to illustrate on how the concept of PPPs blended with tourism development as its substance. Therefore the existence of specific model facilitating both PPPs and local tourism development is highly demanded.

Smith (2011) in his study attempts to build a preliminary proposal before describe the general model of PPPs in tourism development. They are using fixed variables including infrastructure development, attraction development, enhance productivity, community development, cultural heritage and environmental protection. The result of this inquiry states that the PPP is powerful tool for tourism development. However there should be various model for various tourism destination. In other words, it is difficult to establish one single model for all tourism sites.

A similar study also conducted by Franco and Estevas (2010) to explore the fixed model and its sustainability from numerous factors correlated with PPPs and tourism development. Although this study seems successfully generate a fixed model, however there are no evidences that this model would survive on implementation phase. Particularly when the model is dealing with specific regulation and local tourism culture. Therefore, additional adjustment to this model will become inseparable aspect. Completing this research, Rhama and Setiawan (2020) in their study questioned about the possibility to conduct the PPP model in a fixed regulation of Indonesia by using qualitative approach.

The research from Rhama and Setiawan (2020) resulted a pivot point which is 'the PPPs are applicable to be implemented as a mechanism but still facing several difficulties to be settled as a single model'. The evidence on their paper stated that some of tourism destination will accept the PPPs mechanism precisely, but the rest of them will neglect PPPs or lead to its failure. Derived from the series of these evidences, this research build it notion to explore the model commenced by identify the weakness of PPPs and generate the solution.

B. MATERIAL AND METHODS

This article is derived from the literature study approach that is conducted through desk review toward set of recent literatures from the relevant topic. Schwade and Schubert (2018) describes the design of literature review methodology that is should cover at least five general processes, it comprised of definition of review scope which is become the starting point of the inquiry. Then followed by the conceptualization of specific topic that is important to provide the context of the study. Furthermore the identification of database and publication outlets will be the next phase before the literature search. Then finally the study will be concluded by literature analysis.

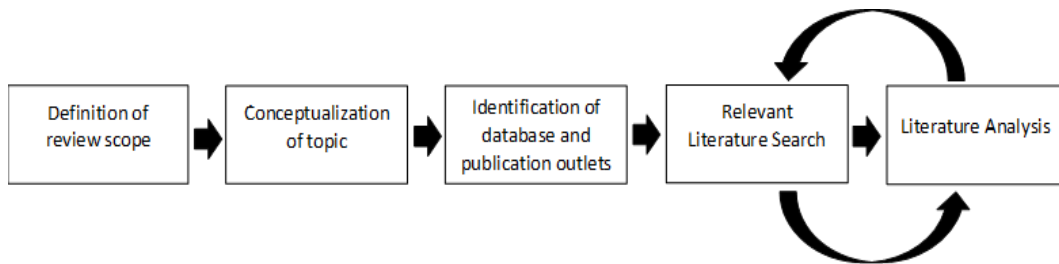


Figure: Literature analysis phase
Source: Schwade and Scubert (2018)

In line with the research design above, this study attempt to collect the data from various reputable journal and article discussing about management of PPPs in tourism development. Furthermore, the data also collected from comprehensive analysis including reading and recording books (Ilahi and Ruslan, 2019) notes, literature, and various types of reports that offer solutions to the problems of digitizing PPPs in the tourism sector.

Limitation of Study

Although PPP has become the primary subject in this research, however this study will not discuss about the core of its substance. It means, this paper will ignore the mathematical discussion such as net present value, investment analysis or sharing cumulative interest between public and private entities. In addition, the detailed technical discussion of digital technology will not also be covered on this article. Yet, this article will mainly discuss the systematic approaches regarding PPP application in tourism sector, particularly how to deal with local constellation, regulation and local value of decision making.

In a more detailed look, this article also tries to elaborate the model of PPPs for tourism development by identification the weakness from the previous study such as Smith (2011); Franco and Estevao (2010); and Rhama and Setiawan (2020) and try to seek viable option based on theoretical scheme. Under this circumstance, the PPPs concept will be composed alongside with tourism development as it substance. This conceptual model is adjusted with the nature of PPPs and tourism development in Indonesia as the nature of this study. Therefore, although this research may include the PPPs and tourism development from international perspective but the local value from Indonesia will still be associated. By this combination this study is expected to generate a fixed model to be applied in Indonesia or other countries with similar characteristics.

C. RESULT AND DISCUSSION

The Current Implementation of Public Private Partnership in Local Tourism Development

Sustainable national development promotes the optimization of social, economy, and environment at the sub-national and national level (UNESCO, 2018), to enhance the national development as deciphered in the preamble of the 1945 Constitution of the Republic of Indonesia (Isnaini and Nawangsari, 2018). Tourism industry as one of the sustainable managements contributes to the future growth in Indonesia which expected to improve the economy of the local

residents, increase the community's welfare and development, and enhance regional income through the local revenue.

To meet the goals, each region needs to fully exploring the potential of their area. Based on Law of the Republic of Indonesia Number 10 of 2009, tourism defines as a variety of activities that is supported by various facilities and provided by the community, businessmen, government. Tourism development also requires the interaction of several parties including tourists, local community, government, private sector, and stakeholder to maintain the tourist satisfaction and to guarantee a valuable experience for the tourist (UNWTO, 2021). As a result, high level of tourism arrival will benefit to raise the national income.

Public Private Partnership (PPP) is proven to be an effective way in the tourism development. PPP defines as a series of relationships between public and private sector in infrastructure and other scopes (Said, et al., 2017; Said, Wahidiyat, et al., 2017) According to Utama (2010), PPP is a sustainable linkage/synergy (long-term cooperation contract) to improve public services, which includes several subjects, namely: 1) the government, or local government as a regulator, 2) the bank/ consortium as the funder, and 3) the Private Party (e.g., State-owned enterprise (BUMN) or Local government-owned Corporate (BUMD) that is responsible for projects implementation containing of design, construction, maintenance, and operation.

To accomplish the tourism development, the cooperation between the government and the private sector is a necessity, which includes (Ikram, 2018); 1) the private sector runs several government functions for a certain time; 2) the private sector receives compensation for the implementation of this function; 3) the private sector is responsible for the risks arising from the implementation of this function. 4) the government facilities, land, or other assets can be utilized by private parties during the contract period. As, the PPP is mostly associated with infrastructure projects (Hellowell and Vecchi, 2015), there are three main considerations for the government to participate into PPP, which are: 1) to attract private investment, 2) to use natural resources more effectively; and 3) to undertake sector reform through allocation of roles, incentives, and accountability (Felsing et al., 2008). The cooperation between the government and the private sector was implemented due to limited government funds, inadequate of infrastructure, and insufficient of technology (Utama, 2010). Private sector provides tourism products, facilities, and essential services, such as accommodation, transportation, restaurants, retail, and attractions Tonge and Myott (1996) cited in (Lacy et al., 2002).

Ministry for Economic Affairs of the Republic of Indonesia (2010) mentioned several stages of PPP implementation, which are: 1) project selection used to attract private partners and prioritize PPP infrastructure taking into account government policies, resources and project readiness, 2) public consultation used to gather advice from the community, investors and lenders, 3) feasibility study used to assess the practicality of a proposed plan or method, 4) risk consideration used to identify the risks in the project to prevent the losses, 5) form of cooperation (e.g., BOT (Build, Operate, Transfer), BOO (Build, Own, Operate), BROT (Build, Rent, Operate, Transfer), KSO (Joint Operation/Joint

Operation), and joint ventures), 6) government support used to determine the profit potential in a project, 7) procurement is carried out in three stages, including project preparation, tender pre-qualification and evaluation, and negotiation of signing contracts, 8) implementation is carried out when the project is signed until the target time, including the establishment of a project company and project operation, and 9) supervision to ensure that project operations follow regulations and fulfil the agreements.

The implementation of the Public-Private Partnership (PPP) Project in Indonesia is accomplished through a cooperation agreement (contract) involving the Government as the Person in Charge of the Cooperation Project (PJPK) and Business Entities. The collaborative infrastructure will be transferred to the PJPK after the cooperation period has ended.

Presidential Regulation No. 67 of 2005 (Perpres No. 67, 2005) legislate the cooperation between government and private sector through PPP. By implementing this partnership, risk is allocated to parties who are able to control, manage, and prevent the consequences. PJPK may be represented as institutions or agencies. While the business entity may be represented as State-Owned Enterprises, Regional-Owned Enterprises, incorporated company, foreign legal entities, or cooperatives.

The Business Entity is responsible for the financing, design, construction, operation, and maintenance of the PPP which will determine the next collaboration. PPP agreements generally have a relatively long period of time (more than 15 years) to allow a return on investment from the Business Entity.

There are other parties who are also involved to the PPP project. These parties include sponsors, banking/financial institutions, contractors, and public users. The sponsor known as an expertise to run an infrastructure project. The financial institutions/bank provides the loans for the projects. The contractor is responsible for construction, operation and maintenance.

In a preliminary case, PPP model only limited to economic infrastructure including transportation infrastructure, road infrastructure, irrigation infrastructure, drinking water infrastructure, waste water infrastructure, telecommunications and informatics infrastructure, electricity infrastructure, and oil and gas infrastructure. However, in 2005, the collaboration with Business Entity has been expanded to cover social infrastructure.

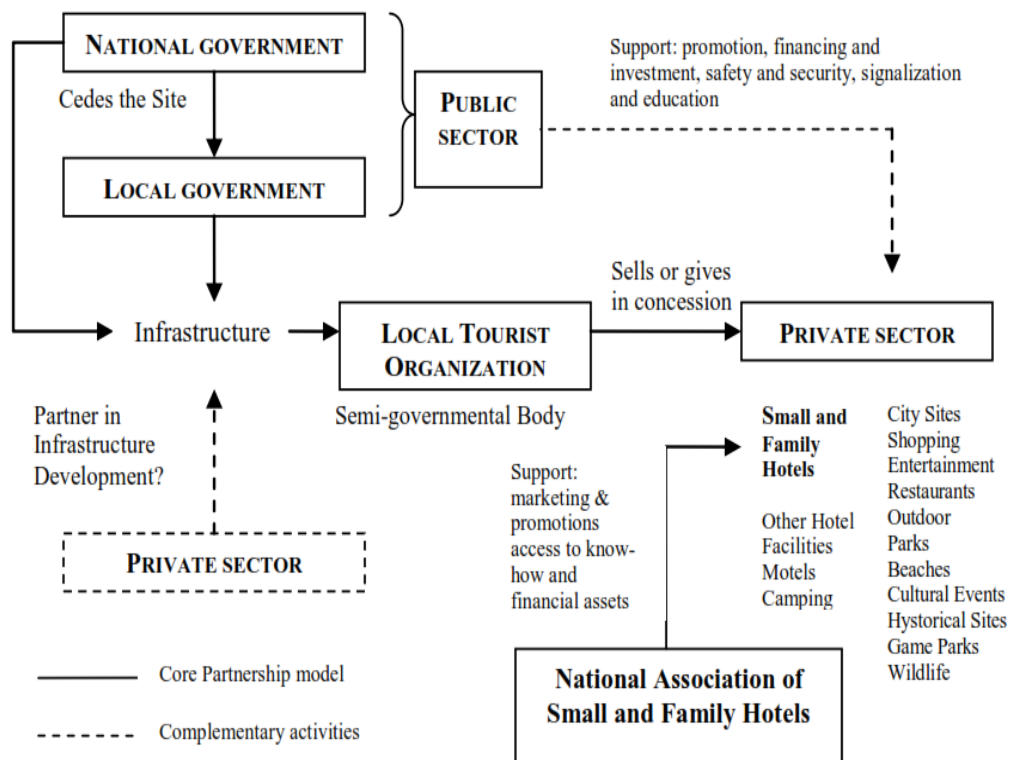
A Prominent Weakness

Despite the high attention for PPP in tourism development, the neglect of considering the effectiveness and efficiency leading to an adverse effect on cooperation between the government and the private sector, and is likely to results in a process of isomorphism (Zapata and Hall 2012). In this context, isomorphism refers to the entrapment in the legitimacy of laws and policies that must be prosecuted in accordance with applicable legal standards. Thus, PPP is only functioned as a tool in the organizational reality. Similar to the Spain study, the collaboration process has stagnated in service processes and productivity in practice (Zapata and Hall 2012). The applicable law does not necessarily adapt to the growth of development needs and market demands, especially in the tourism sector. Dependence on normative policies is believed to hinder the progression for

both parties (government and private). Moreover, innovation and creativity in field of services and products are simultaneously decreasing.

The PPP has acknowledged as a rational myth where the business actor may neglect the rules with no comprehensive and holistic consideration of the internal and external issues. The analysis of internal and external factors will experience decrement, such as an analysis of the weaknesses and strengths of management, and external factors such as threats and opportunities in the collaborative project management (Zapata and Hall 2012).

The Proposed Model



D. CONCLUSIONS

Based on the previous discussion, it can be concluded that the PPPs model for tourism development is essentially needed to accelerate the growth of tourism destination, marketing, industry and institutionalism. The proposed model on this research is established by examining several drawbacks of previous study and illustrating a viable solution within the model. At the first glance, this model might be seems to be able to facilitate both interest between public and private sector. However, in a broader context this model need to be tested to ensure its performance and correlation for PPPs to develop the tourism sector.

REFERENCES

Franco, M. and C. Estevao, *The Role of Tourism Public-Private Partnerships in*

- Regional Development: A Conceptual Model Proposal*, Cad. EBAPE.BR, 2010. <https://doi.org/10.1590/S1679-39512010000400003>
- Franco, M. and C. Estevao, *The Role of Tourism Public-Private Partnerships in Regional Development: A Conceptual Model Proposal*, Cad. EBAPE.BR, 2010. <https://doi.org/10.1590/S1679-39512010000400003>
- Hellowell, M., & Vecchi, V. *The Non-Incremental Road to Distate? A Comparative Policy Analysis of Agency Problems in the UK and Italy*. *Journal of Comparative Policy Analysis*, 17(5), 519–532. 2015.
- Ikram, M. *Public Private Partnership Dalam Pengembangan Potensi Wisata di Kabupaten Kuantan Singingi Tahun 2011-2015*. *Jurnal Online Mahasiswa Fakultas Ilmu Sosial Dan Ilmu Politik (JOM FISIP)*, 5(1), 1–8. 2018.
- Isnaini, A. J., and Nawangsari, E. R. *Peran Badan Usaha Milik Desa (DUMDES) "Usaha Mandiri Sejahtera" Dalam Pengelolaan Himpunan Penduduk Pemakai Air Minum (HIPPAM) Di Desa Kesamben Wetan Driyorejo*. *Dinamika Governanec: Jurnal Ilmu Administrasi Negara*. Vol.8, No.2. 2018
- Lacy, T., De, B. M., Moore, S., and Noakes, S. *Public Private Partnership For Sustainable Tourism Delivering A Sustainability Strategy for Tourism Destinations July 2002 Asia Pacific Economic Cooperation*. APEC Secretariat. 2002.
- Rhama, B. and Setiawan F, *Assessing Public Private Partnerships in Indonesian Tourism, Policy and Governance Review Journal*, vol.4, no.3, 2020.
- Said, F., Akib, H., Salam, R., and Baharuddin, A. *An Analysis of Tourism Visit Trend*. *2nd International Conference on Education, Science, and Technology*. 2017.
- Schwade, F. and Schubert P., *Social Collaboration Analytics for Enterprise Social Software: A Literature Review*," *Multikonferenz Wirtschaftsinformatik, Luneburg, Germany, 2018*. Url: https://www.researchgate.net/publication/323639521_Social_Collaboration_Analytics_for_Enterprise_Social_Software_A_Literature_Review (Retrieved at 24 August 2021)
- Smith, A. L., *"Public-Private Partnerships (PPPs) for Sustainable Tourism. A document from Inter-American Development Bank*," Url: http://www.oas.org/en/sedi/desd/itc2011/pres/arthur_smith.pdf (Retrieved at 24 August 2021). 2011.
- Utama, D. *Prinsip dan Strategi Penerapan "Public Private Partnership" Dalam Penyediaan Infrastruktur Transportasi*. *Jurnal Sains Dan Teknologi Indonesia*, 12(3), 145–151. 2010.
- Wahidiyat, A., Andayani, D. D., Harifuddin, H., & Salam, R. *Development of Travel Attractions Through the Design of Google SketchUp Based Coastal Tourist Map (Pengembangan Daya Tarik Wisata Melalui*

- Perancangan Peta Wisata Pantai Berbasis Google SketchUp). Pekommas, 2(2).2017.*
- Yescombe, E. R. and Farquharson E., "Public-Private Partnerships for Infrastructure: Principles of Policy and Finance. 2nd Edition," Butterworth-Heinemann (Elsevier LTD) - Kindlington, Oxford. UK. 2018.
- Yescombe, E. R., "Public-Private Partnerships: Principles of Policy and Finance," Yescombe Consulting Ltd. London, UK. 2007.
- Zapata, M. J. and Hall, C. M., *Public–Private Collaboration in the Tourism Sector: Balancing Legitimacy and Effectiveness in Local Tourism Partnerships. The Spanish Case. Journal of Policy Research in Tourism, Leisure and Events*, vol. 4, no. 1, pp. 61–83, 2012. <https://doi.org/10.1080/19407963.2011.634069>.