

## **CHAPTER II**

### **LITERATURE REVIEW**

#### **A. Public Administration**

The word administration according to Pasolong (2008: 2) is etymologically derived from Greek which consists of two words namely "*ad*" and "*ministre*" which means "to serve" which means serving or fulfilling. Herbert A. Simon (1999) in Pasolong (2008: 2) states that administration is the activities of cooperation groups to achieve common goals. Meanwhile, according Siagian (2004) cited by Pasolong (2008: 3) public administration is the overall process of cooperation between two or more human beings based on certain rationalitas to achieve predetermined goals.

Conceptually, the science of administration is a means to achieve a goal that has been established through the group effort. According to Indradi (2008: 13), the science of public administration is one of the branches of administrative science that has a close relationship with other social science disciplines, as well as exact sciences, engineering and so on. Furthermore, The Liang Gie (1965) quoted by Indradi (2008:13) divides the branch of administrative science in Indonesia into 3 (three), namely: state administration, corporate administration, and social administration.

The concept of state administration (public) according to Nicholas Henry cited by Indradi (2008:12) is a complex combination of theory and practice, with the aim of promoting understanding of government in relation to the governed society, and also encouraging public policy to be more responsive to social needs.

Furthermore, according to Dwight Waldo quoted by Indradi (2008: 12) states that the public administration as the field of management and organization of humans and equipment to achieve government goals. Based on the opinion of these experts, it can be concluded that public administration is an activity to formulate, implement and manage decisions in public policy in government efforts to meet the needs of society to achieve government goals.

## B. Public-Private Partnership (PPP)

### 1. Definition of Public-Private Partnership (PPP)

Definition of Public-Private Partnership (PPP) or in *Bahasa Indonesia* known as *Kerjasama Pemerintah Swasta (KPS)* in book of *Pedoman Pelaksanaan Kerjasama Pemerintah-Swasta di Indonesia* (2013:5) represents a contract between a political body and a private entity, which will split assets and capabilities of each of the parties in operating a facility or service, in a fairly long period of time, for example 20-30 years or more. Here's a systematic map of the flow in a Public-Private Partnership (PPP) or *Kerjasama Pemerintah Swasta (KPS)*:



**Figure 3. Continuum Private Role in PPP**

Source: World Bank, Toolkit for *Public-Private Partnership* in Highways (2009: 15)

Public-Private Partnership in book of *Pedoman Pelaksanaan Kerjasama Pemerintah-Swasta di Indonesia* (2013: 6), and now this is a great instrument for macro-economic policy of the Government. However, in order for the policy to be succeeded, the public sector must create rules and institutions (framework of PPP) and figure out how to implement PPP projects ranging from the identification stage of the project, preparation (including the Affairs of the types of contracts), the best bidder procurement and supervision of projects, either during construction or operation time. Best practice in terms of legislation, the establishment of institutional, in financing, land procurement, fare of policy has been created, and formed the PPP in regulatory governance, risk management, including joint projects to reduce the risk of the project.

Kurdi (2004) in Aslamiyah (2014: 39) argues that the Public-Private Partnership (PPP) is a public-private partnership involving a substantial investment/capital intensive which the private sector to finance, build, and manage infrastructure and facilities, while the government as a partner which handles the setting of service, in this case remains as asset owners and controlling the implementation of the cooperation. Alfen, et al. (2009) in Aslamiyah (2014:39) adds that the PPP in infrastructure development involving the private sector participation in any or all phases of design, construction, financing and operation phases of the infrastructure of public utilities and services. Alfen, et al. (2009) in Aslamiyah (2014: 39) also argues that the PPP has four characteristics that PPP is a long-term contract, private

sector investment and the life cycle of the project is important for the private sector, innovation in the provision of services that do private parties and their advantages obtained either from the private sector and from the government side.

## 2. Principles of Public-Private Partnership (PPP)

Public-Private Partnership (PPP) is a tool to increase efficiency and improve the quality of products and service delivery. The joint goal to be achieved by using the principle of Public-Private Partnership (PPP) is to improve the quality of products and public services, and the distribution of capital, risk, and the competence or expertise of human resources together. According to Susanto and Berawi (2012: 95) Public-Private Partnership (PPP) also had success factors, namely:

- a. Kepercayaan dan kesetaraan antar para pihak*
- b. Komunikasi yang baik dan bekerjasama yang solid antar para pihak*
- c. Komunikasi dan dukungan yang kuat dari para pengambil keputusan*
- d. Seleksi para pihak berdasarkan kinerja dan keahlian*
- e. Benchmarking dan pengawasan yang berkelanjutan*
- f. Key Performance Indicator (KPI) yang jelas dan terukur*
- g. Pembagian resiko yang berimbang*
- h. Garansi pengambilan investasi*

- a. Trust and equality between the stakeholders
- b. Good communication and solid cooperation between stakeholders
- c. Communication and strong support from the decision-makers
- d. Selection of the stakeholders based on performance and skill
- e. Benchmarking and sustainable monitoring
- f. Key Performance Indicator (KPI) is clear and measurable

- g. Balanced sharing risk
- h. Guarantee of taking investment

Public Private Partnership is carried out with emphasis on shared responsibility. The concept of Public-Private Partnership basically want to create a form of cooperation between government and private sector better. Public-private partnerships that have distribution rights and obligations as well as the risk of making cooperation conducted into the full responsibility so defined goals can be achieved and provide benefits for the parties involved. Cooperation between the government of the city of Malang with the private sector in the implementation as one example of the implementation of Public-Private Partnership in Indonesia because this cooperation is based on several agreements to achieve the objectives that were set together and anchored to the principles contained in the Regulation of President of the Republic of Indonesia Number 67 of 2005 and the Indonesian Government Regulation No. 44 of 1997 about the partnership (*Peraturan Presiden Republik Indonesia Nomor 67 tahun 2005 dan Peraturan Pemerintah Republik Indonesia Nomor 44 Tahun 1997 tentang kemitraan*).

In a cooperation of Government and private of course there are the characteristics of what is contained in the cooperation. Characteristics of the pattern of Public-Private Partnership cooperation involving two or more parties where one is the Government, the cooperation includes long-term cooperation relationship between the parties by interacting on an ongoing

basis (Peters 1997: 44 in Milla). Each offender in such cooperation gives a share of material and non-material into a relationship so get their respective responsibilities towards the output of each of the activities conducted. There are four elements in this PPP (Anderson, 2004: 53), those are:

- a. *Kerjasama meliputi dua pihak atau lebih, termasuk pemerintah dan swasta;*
- b. *Kerjasama pemerintah dan swasta memerlukan partner kerjasama yang mampu berperan sesuai dengan kapasitasnya;*
- c. *Hubungan yang mempunyai kepercayaan yang terus-menerus. Hal ini dapat dilihat dalam kontrak kerjasama sebagai dasar negosiasi;*
- d. *Para pihak harus menginvestasikan sumber daya material dan non-material dalam kerjasama. Tiap bagian struktur organisasi akan menetapkan objek, tugas, finansial, dan tanggung jawab.*

- a. Partnership involves two or more stakeholder, including governments and the private sector;
- b. Government and private partnership requires partners who capable to take a role based on their capacity;
- c. Relationships that have continuous trust. This can be seen in the partnership contract as the basis of negotiation;
- d. The stakeholders have to invest material and non-material resources in partnership. Each part of the organizational structure will set the objects, tasks, financial, and responsibility.

### **3. The Forms of Public-Private Partnership (PPP)**

Cooperation between the government and private sectors have some form starting from fully public (government in charge) until fully private (private in charge), according E.S Savas (2000: 147-151) those are:

- a. *Government Department (Dinas Pemerintah)*  
*Merupakan metode lama dari pelayanan penyediaan infrastruktur yang dilakukan secara langsung oleh pemerintah. Dalam hal ini, pemerintah*

adalah pemilik fasilitas, yang bertanggung jawab untuk merancang, membiayai, membangun dan mengoperasikan. Di Indonesia misalnya pada perusahaan Listrik Negara (PLN) dan Perusahaan Tambang Minyak Negara (Pertamina).

b. *Public Authority (Otoritas Publik/Pemerintah)*

Didalam negara yang berkembang pada umumnya otoritas pemerintah adalah untuk pelayanan publik seperti pelayanan rekening air, listrik, transportasi, dan telekomunikasi. Dalam menuju otoritas yang optimal, saat ini dilakukan komersialisasi baik melalui segi manajerial, otonomi biaya maupun pemisahan anggaran pemakaian biaya. Keinginan untuk melakukan perubahan ini bertujuan untuk mencapai efisiensi, tanggung jawab, dan untuk melakukan kesatuan tindakan/kerjasama layaknya sebuah bisnis daripada sebuah kepentingan politis. Agar tujuan tersebut berhasil, otoritas pemerintah harus memiliki:

- 1) *Stabilitas dan manajerial yang handal dalam mid-management dan professional positions.*
- 2) *Penyandang dana, sesuai dengan tarif yang mencakup biaya-biaya yang dibutuhkan.*
- 3) *Menjalin hubungan baik dengan pelanggan*
- 4) *Menggunakan tenaga ahli dan modal dari pihak swasta, menjalankan sistem keuangan dengan benar, memberi gambaran dengan jelas peran pemerintah khususnya direktur dan manajemen.*

c. *Service Contract (Kontrak Layanan)*

Beberapa kontrak pelayanan infrastruktur saat ini telah banyak dilakukan antara pemerintah dengan pihak swasta, misalnya berupa pembangunan jalan, jembatan, tata kota, dan fasilitas umum. Lembaga pemerintah bertanggung jawab dalam pemeliharaan dan pengoperasian sistem, kecuali kontrak pelayanan tertentu yang dianggap merugikan. Kompensasi kepada kontraktor biasanya berdasarkan waktu, keseluruhan biaya, dan pembayaran yang telah ditetapkan. Kontrak pelayanan umumnya dilakukan dalam periode kurang dari lima tahun.

d. *Operations and Maintenance Contract or Lease (Pemeliharaan dan Pengoperasian Kontrak atau Sewa)*

Suatu Mitra usaha diharuskan mengoperasikan dan memelihara fasilitas yang dimiliki di bawah manajemen dengan mendukung pemerintah sebagai

pemilik fasilitas. Pengaturan ini serupa dengan kontrak pelayanan tetapi mitra swasta harus mempunyai tanggung jawab secara penuh untuk memelihara dan mengoperasikan sistem dan membuat keputusan yang tidak merugikan kedua belah pihak. Sasaran dari semua ini adalah untuk meningkatkan efisiensi dan efektifitas pelayanan.

e. *Cooperative*

Responsibilitas suatu pelayanan adalah sesuatu yang tidak mencari keuntungan, sukarela, dan dapat bekerja sama. Contoh nyata dari wujud cooperative misalnya pada Kenya, India, dan Cina yang berada diantara negara-negara yang sedang berkembang telah melakukan sistem manajemen pengairan/irigasi di berbagai tempat dan mengajak para pengguna air untuk lebih aktif untuk melakukan irigasi di setiap wilayahnya.

f. *Lease-Build-Operate (LBO)*

Pihak pemerintah menyewakan suatu fasilitas (publik) yang dimilikinya kepada pihak swasta dalam jangka waktu tertentu, dan ketika berakhir masa kesepakatannya, fasilitas tersebut dikembalikan lagi kepada pemerintah. Dalam hal ini, pihak swasta diperkenankan untuk mengambil keuntungan yang tentunya melalui proses kesepakatan dengan pemerintah.

g. *Build-Transfer-Operate (BTO)*

Pihak swasta sebagai penyandang dana dan pembangunan fasilitas melakukan pergantian kepemilikan dari fasilitas milik pemerintah. Pihak swasta menyewa fasilitas untuk melakukan pembangunan dalam jangka waktu tertentu, selama mereka dapat mengoperasikan fasilitas dan bertujuan untuk memulihkan investasinya sehingga akan mendapatkan keuntungan dari pengguna fasilitas.

h. *Wraparound Addition (Penambahan Prasarana)*

Pihak swasta sebagai perancang konstruksi dan penyandang dana memperoleh fasilitas publik yang kemudian dioperasikan dalam jangka waktu tertentu atau sampai mereka mendapatkan keuntungan dan hasil yang memuaskan sesuai dengan modal yang telah diinvestasikan.

i. *Buy-Build-Operate (BBO)*

Untuk menghasilkan pendapatan dari fasilitas publik adalah dengan menjualnya ke mitra swasta



*dalam suatu waralaba yang bertujuan untuk merenovasi atau memperluas dan mengoperasikannya. Dalam proses penjualan dapat dilakukan negosiasi terlebih dahulu, selama negosiasi pemerintah dapat membuat perjanjian waralaba yang digunakan untuk pengendalian harga, akses, keamanan, kualitas, dan perluasan kapasitas.*

j. *Build-Own-Operate (BOO)*

*Pihak swasta sebagai penyandang dana, pembangun, penyedia dan pengoperasian suatu fasilitas, mereka menjadi aktor pengatur biaya dan pengoperasiannya. Pihak swasta juga sebagai pemilik fasilitas dalam jangka waktu tertentu yang memberikan biaya insentif dengan menambahkan modal dalam suatu fasilitas yang telah diberikan.*

k. *Build-Operate-Transfer (BOT)*

*Pihak swasta diberikan kewenangan untuk membangun, mengoperasikan, dan memperoleh pendapatan dari suatu fasilitas selama jangka waktu tertentu yang disepakati dan setelah masa operasionalnya berakhir maka fasilitas tersebut diserahkan kepada pemerintah. Konsep ini tidak jauh berbeda dengan joint venture pada pola kompensasi.*

a. Government Department

An old method from providing infrastructure service that is carried out directly by the government. In this case, the government is the owner of the facility, which is responsible to design, fund, build and operate. In Indonesia, for example in the state electricity company (PLN) and the State Oil Mining Company (Pertamina).

b. Public Authority

In developing countries generally the government authority for public services such as water bill payment service, electricity, transportation, and telecommunications. Towards optimal authority, commercialization currently done through in the aspects of managerial, autonomy and budget split usage fee. The desire to make this change aims to achieve efficiency, responsibility, and to unity of action / partnership like a business partner rather than a political interest. In order to these goals be successful, the government authorities should have:

- 1) Stability and managerial which is reliable in mid-management and professional positions.

- 2) Funder, based on the fee that covers the costs required.
- 3) Having good relationships with customers
- 4) Using the expertise and capital fund from the private sector, the financial system running properly, giving a clear overview of government's role, especially directors and management.

c. Service Contract

Some of the infrastructure service contracts are currently being carried out between the government and the private sector, for example in the form of construction of roads, bridges, urban planning, and public facilities. Government agency responsible for the maintenance and operation of the system, except for certain service contract that is considered harmful. Compensation to the contractor is usually based on time, overall costs, and payments that have been set. Service contracts are generally conducted in a period of less than five years.

d. Operations and Maintenance Contract or Lease

A business partner is required to operate and maintain owned facility under management by supporting the government as the owner of the facility. This regulation is similar to the service contract, but the private sector shall have full responsibility to maintain and operate the system and make decision that is not damaging to both sides. The goal all of this is to improve the efficiency and effectiveness of service.

e. Cooperative

Responsibility of a service is something that is not for profit, voluntary, and can work together. A concrete example of cooperative form, for example in Kenya, India, and China that are developing countries have made water management systems / irrigation in various places and encourage water users to be more active to do irrigation in each territory.

f. Lease-Build-Operate (LBO)

The government rents owned facility (public) to private sector in a certain period, and when the agreement ends, the facility is returned to the government. In this case, the private sector is allowed to take advantage through an agreement with the government.

g. Build-Transfer-Operate (BTO)

The private sectors as funders and facility constructor doing transfer of ownership from government-owned facility. The private sectors rent facility to do the construction in a certain period of time, as long as they can operate the facility and aim to recover their investment so the users will get benefit from the facility.

h. Wraparound Addition

Private sectors as construction designers and funders obtain public facility then operated in a certain period or until they get satisfactory profits and results base on the capital invested.

i. Buy-Build-Operate (BBO)

To generate revenue from public facility is by selling it to a private sector in a franchise that aims to renovate or expand, and operate it. In the sales process can be negotiated previously, during the negotiations the government can make franchise agreements that are used to control the price, access, security, quality, and capacity expansion.

j. Build-Own-Operate (BOO)

Private sector as financier, builder, provider and facility operator, they become regulator and operator cost actors. Private sector as well as the owner of the facility in a certain period which provide incentives by adding capital costs in a facility that has been granted.

k. Build-Operate-Transfer (BOT)

The private sectors are given the authority to construct, operate, and earn revenue from a facility for a specified period of time as agreed and after the operation ends, the facility is handed over to the government. This concept is not much different from joint venture on compensation schemes.

#### 4. Purpose and Benefit of Public-Private Partnership (PPP)

Kurdi (2004) in Aslamiyah (2014: 41) stated that there was some purpose the participation of private parties in the PPP cooperation pattern are getting capital to resolve the problem of financing in infrastructure development, improving the management of natural resources and service

facility, technology transfer, importing services, expanding and developing the services to customers, improving operational efficiency. While the benefits of holding of PPP according to the European Commission (2003) in Aslamiyah (2014: 41) such as the acceleration of the provision of capital for infrastructure development, the transfer of responsibility for the design and construction to private parties and combined with financing by the Government, there was a reduction in unnecessary costs for the duration of the use made by the Government, the private sector allocation of the risk to the most competent to handle it. So that the private sector will improve the quality of its management and display based on international experience with PPP contract service quality is often better when compared to traditional procurement methods.

Private parties are expected to be able to generate additional revenue during the operation. So that government subsidies can be reduced. The government will thus act as a regulator and will focus its role in program planning and monitoring services as a result of the assignment of responsibilities for public service to the private sector. Moreover, in book of *Pedoman Pelaksanaan Kerjasama Pemerintah-Swasta di Indonesia* (2013: 6), PPP should be improved more because having potential benefits, like:

- a. *PPP bisa memberikan lebih banyak pelayanan di harga yang sama atau lebih murah dibandingkan pengadaan publik yang biasa. Anggaran yang pas dan juga ketepatan waktu pelaksanaan proyek merupakan keuntungan PPP;*
- b. *PPP menjamin adanya pemeliharaan jangka panjang dari sarana infrastruktur;*

- c. *PPP akan menyediakan lebih banyak jalan, pelabuhan dan kapasitas bandar udara, rel kereta, suplai air yang lebih banyak dan lebih baik, dan suplai listrik yang lebih besar. PPP dapat memberikan semua ini dalam kuantitas yang lebih banyak dan biasanya lebih cepat daripada apa yang biasanya diberikan oleh sumber pendanaan publik yang biasa;*
  - d. *Walaupun belum diijinkan dalam peraturan perundang-undangan yang sekarang, fasilitas dan pelayanan yang lebih baik dapat diberikan dalam sektor-sektor yang bukan infrastruktur seperti sekolah-sekolah dan rumah sakit, dan bantuan kepada industri dan pariwisata seperti zona ekonomi khusus dan taman-taman nasional;*
  - e. *Proyek PPP juga dapat memberikan pelayanan publik yang baru maupun penambahan kepada daerah-daerah yang berpenghasilan kecil;*
  - f. *PPP dapat memunculkan inovasi baru dalam teknologi, baik dalam fasilitas, pengelolaan maupun dalam penjualan pelayanan publik;*
  - g. *PPP dapat memunculkan persaingan di dalam sektor swasta, yang pada akhirnya dapat membuat pelayanan publik menjadi lebih murah dan lebih efisien.*
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- a. PPP can provide more services at the same price or cheaper than the usual public procurement. The appropriate budget and punctuality of project implementation is an advantage of PPP;
  - b. PPP guarantees the existence of a long-term maintenance of infrastructure facility;
  - c. PPP will provide more roads, ports and the capacity of airports, railways, water supply which is more and better, and greater power supply. PPP can provide all of this in bigger quantity and usually faster than usually provided by public funding sources;
  - d. Although not yet permitted in the regulation, the facilities and better services can be provided in sectors that are not infrastructure such as schools and hospitals, and support to industry and tourism such as special economic zones and national parks;
  - e. PPP projects juga dapat memberikan pelayanan publik yang baru maupun penambahan kepada daerah-daerah yang berpenghasilan kecil also can

- provide new public services as well as additions to low income areas;
- f. PPP can bring new innovations in technology, both in the facility, the management and the sale of public services;
- g. PPP can bring competition in the private sector, which in the end can make public services become cheaper and more efficient.

## 5. Public-Private Partnership (PPP) in Public Administration

Public-Private Partnership (PPP) is a public policy scheme in order to create good quality service. Public-Private Partnership (PPP) is a term used to describe the relationship between the public sector (government) and private parties in the context of infrastructure development and other services. PPP is a form of cooperation between development actors to be able to achieve success through the achievement of development investment. The actors of the PPP are consisted of governments, communities, investors/entrepreneurs and also NGOs. The actors have different tasks and functions.

Willian J. Parente from USAID Environmental Services Program said, the definition of PPP is:

*“... an agreement or contract, between a public entity and a private party, under which: (a) private party undertakes government function for specified period of time, (b) the private party receives compensation for performing the function, directly or indirectly, (c) the private party is liable for the risks arising from performing the function and, (d) the public facilities, land or other resources may be transferred or made available to the private party” (in Djunedi, 2007)*

PPP is a way to collaborate role for mutual benefit. The advantage to be gained from PPP is innovation; Ease of financing; Science and technology; efficiency; Spirit of entrepreneurship; Combined with social responsibility; Concern for the environment; Local knowledge and culture. PPP according Pio (2013), basically has three characteristics, which have contractual agreements that clarify roles and responsibilities for each; bear the risk together; reciprocal financially to the private sector commensurate with achieving the government wants. In designing the PPP, it is important to pay attention to a common goal, limit the scope of the legal / regulatory, institutional framework, financial needs and resources, and the interests of stakeholders.

PPP can be described as a contractual relationship in which the private sector is responsible for all or part of the functions of government. Basically, this is a contractual agreement between public sector agencies and private sector where resources and risks are divided for the purpose of providing public services, or to develop public infrastructure. Various measures, such as outsourcing, deregulation, privatization, and others, have been used by the government to improve the PPP. In any case, the goal is to combine the resources of the public and private sectors, in order to provide services at optimal levels to the community. The PPP is widely referring to long-term contract of partnership between the public and private sector institutions that specifically targeted for financing, designing, implementing

and facilities and service of traditional infrastructure operation provided by Government (Akintoye et.al., 2013: 31-32).

The community partners in the PPP are government entities, including ministries, departments, municipalities or state-owned enterprises. The private partners can be local or international, and also allows including businesses or investors with technical or financial expertise relevant. PPP may also include non-governmental organizations (NGOs) and/or community-based organizations that represent stakeholders directly. PPP aims to take advantage of the power of the public sector through a stable Government, the support of citizens and people from the private sector with greater operational efficiency improved, innovative technologies, managerial effectiveness so as to provide a higher service standard to the public with better value than money. Another important feature of a PPP is the best risk allocation to partner able to manage it so as to minimize costs while improving performance. The Government's contribution to the PPP can be either capital to invest (available through tax revenues), the transfer of assets, or other commitment or contribution in the form of supporting partnerships. The Government also gives social responsibility, environmental awareness, local knowledge, and the ability to mobilize political support. The role of the private sector in this partnership is to capitalize on the expertise in trading, management, operational, and innovation to run a business efficiently. The private partners can also contribute capital investment depend on the form of contract (Asian Development Bank, 2008: 1-2).



PPP is an argument between the Government and the private sector where private parties provide assets, services, or both, in Exchange for which is the payment. This contingent payments up to a certain age depending on long-term quality or other characteristics of the output that has been delivered. The success in the implementation of PPP program according to the World Bank is the existence of program that encourages the transactions respectively, who meet criteria such as:

- 1) Providing services needs of government
- 2) Offering value for money as measured against the provision of public services (where the value of money as measured by the net present value of lifetime costs, including the cost of specified).
- 3) In accordance with the general standards of good governance and certain government policies, such as:
  - a) Transparent and competitive procurement
  - b) The existence of fiscal policy
  - c) Comply with laws and government regulations that apply to the industry in which there will be a PPP.

Therefore, the definition should be broad enough so that the PPP applies to all countries, but the sector, size, and allocation of risks this transaction must include the specifications of each country (The World Bank, 2007: 13). In other words that the PPP was conducted with emphasis on shared responsibility. The basic principle in the PPP basically want to establish good cooperation between the Government and the private sector.

PPP has the distribution rights and obligations as well as the risks that make this cooperation process more accountable. Risk sharing is done with the aim that all parties can be held accountable by the activities that have been planned and specified in the contract agreement.

### **C. Corporate Social Responsibility(CSR)**

Local Government has a fairly broad authority to manage the region for the benefit of society. However, on the other hand, local governments also have limitations that this may lead to the development in some sectors is delayed or slow its development. Regional authorities through public policy can drive regional development by involving the private sector for the welfare of the community (Public-Private Partnership). There are several conditions that need to be noticed in this partnership, which are mutually beneficial conditions, data partnerships and others that is up to date, as well as development plans which are communicated both to the private sector. By knowing the development plan, it can be seen the development plan of public services needs that needed by the government as well as the qualifications and specifications, which in this case can be supplied by the private sector, through activities or CSR (Corporate Social Responsibility). So that through CSR approach, it should be adapted to the needs of development in the region. Therefore, through its authority, local government partnerships with the private sector to carry out development in the region through activities or CSR program.

Corporate Social Responsibility (CSR) is a concept or action carried out by the company as a form of responsibility to the social or environmental. Wibisono (2007:7) defines CSR as the private sector's commitment to continuously act ethically, operate legally and contribute to the improvement of the economy, along with an increase in the quality of life of employees and their families while also improving the quality of local communities and society broadly.

One of the CSR development put forth by John Elkington (1997) in Wibisono (2007:32) which is famous for "The Triple Bottom Line", which gives the view in the exercise of corporate social responsibility and focuses his attention to 3P: in addition to the pursuit of Profit, the company also should pay attention and be involved in the fulfillment of the welfare of society (People) and contribute actively in maintaining environmental sustainability (Planet). By giving attention to the surrounding environment, companies can participate in environmental conservation efforts for the sake of maintaining the quality of human life in long term. Corporate Social Responsibility will boost the company's image in the long span of time which then can increase a company's reputation.

The following are the benefits of CSR by *Innovative Government Awards* 2017 Ministry of Internal Affairs:

1. Improve the welfare of local communities and environmental sustainability;
2. Improve the maintenance of public facilities;

3. The construction of public facilities that are social and useful to society at large;
4. Supports Regional Government Budget.

Simple flow of CSR in Malang city:

1. Needs Mapping

Infrastructure to be built is mapped according to priority and prepares CSR proposal;

2. Corporate Business Initiatives

Some enterprises take the initiative to offer CSR;

3. Approval letter

Mayor agreed on the principle of Corporate CSR implementation plan;

4. Cooperation agreement,

Mayor and Leaders Enterprises sign,

CSR real role of Enterprises for the development of Malang City is within the last three years, there is an increasing role of Enterprises CSR in the provision of a number of infrastructure and facilities development program of Malang City, Park City and Reforesting Children's Games.

From the following description of the CSR, it can be concluded that CSR is the responsibility of companies that do not have direct economic value but it has a great influence for going concern and the company's existence. Feedback gained from CSR is not directly can be enjoyed once this activity begins. But it has long-term effects which are very important for the company, such as the support of the public place of business or customer loyalty to the company's

products. Generally various circles think that companies do CSR only for the purpose of acquiring the image and the short-term profit alone. But in fact there are four arguments that underlie the company's CSR programs, which is a moral obligation, sustainability (contribution to the solution of environmental problems and social), license to operate, and reputation.

Corporate Social Responsibility (CSR) has been listed in the Law No. 40 of 2007 on Limited Liability Companies Article 74 concerning social and environmental responsibility (*Undang-Undang No. 40 tahun 2007 tentang Perseroan Terbatas pasal 74 mengenai tanggung jawab sosial dan lingkungan*). It's important to be understood by all parties involved in Corporate Social Responsibility (CSR) that Corporate Social Responsibility is not a business just getting social license of the community to secure the company's operations or to reduce the environmental costs of its business activities, but further corporate social responsibility is an effort to improve the quality life of the stakeholders (in accordance with the priorities) in other words, improving the quality of life together, go forward together with all stakeholders. Corporate social responsibility is essentially aimed at the company's effort to integrate concern for social and environmental issues into their business activities and also into the way companies interact with the stakeholders of the company.

Basically, CSR describes a concept whereby companies integrate social and environmental concern in its business operations and the company's interaction with stakeholders in voluntary. Corporate Social Responsibility (CSR) has important implications for all economic players, social and government. From

some sense it offers a common, that the balance between attention to the economical aspects and attention to social and environmental aspects. It can be concluded that the company in its activities should also pay attention to three things: profit, people and the environment. All three must work synergistically and sustainable for the development of a region.

#### D. Synergy

##### 1. Definition of Synergy

In *Kamus Besar Bahasa Indonesia*, synergy means that the activities or joint operation. The synergy derived from the word Synergos which means working together. According Deardorff and Williams (2006) Synergy is a process where the interaction of two or more agents or forces will produce a combined effect greater than the influence of them individually. Thus, there is a synergy in the combined results from the two powers would result in mathematical equations as follows:  $1 + 1 = 3$

Synergies are mutually complementary differences to achieve results greater than the sum of parts. So, synergy is a cooperation of optimization results. The positive energy of the parties working together and merge into one covering the negative energy. Dictionary of American Webster Dictionary, the term synergies contained therein defined as “*cooperative interaction among group especially among the acruired subsidiary or merged parts of a corporation that creates an enhanced combined effect*” (interaksi yang kooperative antar kelompok, terutama diantara bagian-bagian yang

mengalami penggabungan demi menciptakan hasil yang maksimal) (Lubis, 2016).

According Hartanto as quoted by Sulasmi (2009: 224) states that synergy is a new idea, which is formed from a wide variety of ideas put forward by many parties to generate a new idea, which is based on the mindset or a new concept. In each working group in the organization, the quality of the synergy that is effective synergies in fact is the result of a process of fusion of the ways how to overcome problems and a mix of ideas that are run by parties who trust each other and be mutually supportive produced a novel idea that really give you the satisfaction of intrinsically for all parties. The incidence of new ideas and the satisfaction that follow will not be obtained without the effective cooperation of all parties.

Wahab (2002: 160) argues that the concept of synergy arises from the need to build and based on the rational thought, open and democratic. As a form of cooperation by Evans (1996) in Wahab (2002: 160) Synergy is defined as the mutually reinforcing relations between government and groups of engaged citizens, generally accepted by both parties. The basic of his thinking, still according to Evans (1996: 119) in Wahab (2002: 160), is an intimate interconnection and intermingling among public and private actors is combined with a well-defined complementary division of labor between the bureaucracy and loyal citizens, mutually recognized and accepted by both sides.

Conclusion of the definition of synergy is a partnership teaches the principle of respect for all differences and eliminate all weaknesses in order to create all the people to be more work and contribute in creating a high-level creative process to encourage more productive. Synergy is badly in need of a positive contribution in working to achieve a common goal that has been set.

## **2. Concept of Synergy**

The existence of interactions between these three stakeholders in addition is also required the existence of a synergy between these three stakeholders. Najiyati and Rahmat (2011), making sense of synergy as a combination or blend of elements or parts that can produce output better and bigger. So synergy can be understood as a joint operation or combination of the elements to produce a better output.

According to Doctoroff (1977: 5) the main requirement for the realization of synergies can be seen from the mutual trust, effective communication, rapid feedback and creativity. With the existence of a trust, then it can be created synergy because of parties who work together will be comfortable and do not cause suspicion. Likewise, the need for effective communication so that no messages are distorted or misunderstandings in the sense of the landscape. So too should the presence of a fast feedback so that the one with the others can get to know the other party's response quickly. Lastly, the creativity needed to strengthen the synergies that have been created and overcome the problems that votes can destroy the synergy itself.



Based on Susanto in Hermawan (2011: 28) a partnership could also create synergies if it fulfills several conditions, namely:

- a. *Adanya take and give. Take and give ini tidak peduli apakah yang dilakukan oleh orang yang memiliki level kedudukan yang berbeda ataupun setara. Hal ini dikarenakan sebuah sinergi tidak mungkin terjadi jika keuntungan hanya diperoleh oleh salah satu pihak saja atau sebagai pihak yang terlibat kerjasama. Harus ada kesadaran dan keyakinan dari berbagai pihak bahwa kemitraan yang dijalin mampu menjadi kemitraan yang sinergi*
  - b. *Adanya kejujuran (honesty). Tidak mungkin tercipta sinergi bila pihak yang bekerjasama saling curiga. Oleh karena itu, kejujuran dari masing-masing pihak sangat diharapkan dalam menciptakan kerjasama yang bersinergi.*
  - c. *Adanya sikap saling menghargai. Sinergi akan muncul manakala pihak yang terlibat dalam kerjasama bisa saling menghargai satu sama lain, duduk sama rendah, dan berdiri sama tinggi.*
- a. The existence of take and give. This take and give no matter if carried out by people who have different levels or equivalent position. This is because a synergy is impossible to occur if the advantage was only obtained by one of the party or as a party that involved the partnership. There must be awareness and trust from various stakeholders that a partnership is able to become a synergy partnership
  - b. The existence of honesty. It is impossible to create synergies if the parties that cooperate with each other are suspicious. Therefore, the honesty of each party are expected to create synergistic cooperation.
  - c. The existence of mutual respect. Synergy will appear while the parties involved in the partnership can be mutually respect each other, sat as low, and stand as tall.

### 3. Benefits of Synergy

A work team will give better results if everyone worked for the same purpose but individually. First of all a personal introduction with the stage and

fellow members, then there is a phase of conflict and dissent. Then occurred a process of mutual understanding and personal adjustment is continued with the ability to co-exist and synergize. When someone is feeling weak, then the other team members will be able to help. That's the advantage of a synergy in a work team.

Kusnadi (2003) said that based on research cooperation has several benefits, namely:

- a. *Kerjasama mendorong persaingan di dalam pencapaian tujuan dan peningkatan produktifitas.*
  - b. *Kerjasama mendorong berbagai upaya individu agar dapat bekerja lebih produktif, efektif, dan efisien.*
  - c. *Kerjasama mendorong terciptanya sinergi sehingga biaya operasionalisasi akan menjadi semakin rendah yang menyebabkan kemampuan bersaing meningkat.*
  - d. *Kerjasama mendorong terciptanya hubungan yang harmonis antar-pihak terkait serta meningkatkan rasa kesetiakawanan.*
  - e. *Kerjasama menciptakan praktek yang sehat serta meningkatkan semangat kelompok.*
  - f. *Kerjasama mendorong ikut serta memiliki situasi dan keadaan yang terjadi dilingkungannya, sehingga secara otomatis akan ikut menjaga dan melestarikan situasi dan kondisi yang telah baik.*
- a. Cooperation encourages competition in the achievement of goals and increase productivity.
  - b. Cooperation encourages the various efforts of individuals to work more productive, effective, and efficient.
  - c. Cooperation encourages the creation of synergies so that the cost of the operation will be lower which causes the ability to compete increases.
  - d. Cooperation encourages the creation of harmonious relationships among stakeholders involved and increase the sense of solidarity.
  - e. Cooperation creates a healthy practice and increases the spirit of the group.
  - f. Cooperation encourages participating to have the situations and circumstances that happened in the

environment, so automatically will involve to maintain and preserve the situations and conditions that have been good.

## **E. Open Green Space**

### **1. Definition of Open Green Space**

The open space is basically a media that can accommodate specific activity of people in such areas either individually or in groups. According to Law No. 26 of 2007 about the Spatial Planning (*Undang-Undang No. 26 tahun 2007 tentang Penataan Ruang*), open space is the space within the city or the wider region in the form of an area or region as well as in the area of the elongated shape/path where in the word more open which basically without buildings. While the open green space is an elongated area/line and or clumped that its use is more open, where growing plants, either naturally or deliberately planted.

In Regulation of Minister of Public Works No. 05/PRT/M/2008 about Guidelines for the Provision and Use of open green space in Urban Area (*Peraturan Menteri Pekerjaan Umum No. 05/PRT/M/2008 tentang Pedoman Penyediaan dan Pemanfaatan Ruang Terbuka Hijau di kawasan perkotaan*) open green space has several functions, those are:

- a. Open Green Space Implementation Objectives are:
  - 1) Maintain availability of land as a water catchment area;
  - 2) Creating urban planologis aspects through a balance between the natural environment and the built environment that are useful for the public interest;

- 3) Improving the urban environment harmony as the safeguards urban environment that is safe, comfortable, fresh, beautiful, and clean.

Functions of Open Green Space consist of:

a. Main functions (intrinsic) as ecological functions:

- 1) Giving assurance of procurement of open green space to be part of the air circulation system (lungs of the city)
- 2) Regulatory of microclimate so that the air circulation system and water can naturally work
- 3) As the shade
- 4) Producing oxygen
- 5) Absorbing rainwater
- 6) Providing the wildlife habitat
- 7) Absorbing media pollutants of air, water and soil, as well as
- 8) Windbreaks.

b. Additional Function(extrinsic) such as:

- 1) Describing the expression of local culture
- 2) Represents the communication media of urban society
- 3) Recreation
- 4) Place and objects of education, research, and training in the study of nature.

c. Economic functions:

- 1) The source of products that can be sold, such as flowers, fruits, leaves, vegetables,

2) It may be part of agriculture, plantation, forestry and others.

d. Aesthetic functions:

- 1) Increasing the comfort, beautify the urban environment both micro and macro scale.
- 2) The city as a whole
- 3) Stimulates creativity and productivity of citizens
- 4) Forming the architectural beauty factor
- 5) Creating an atmosphere of harmony and balance between developed and undeveloped area

In an urban area, four main functions can be combined according to the needs, interests, and sustainability of the city such as watershed protection, ecological balance and biodiversity conservation. The actors of Open Green Space management according to Sugandhy (2007:104) consist of:

- a. Pemerintah sebagai pengadaan pembangunan*
  - b. Swasta sebagai pelaku ekonomi tidak berkewajiban melaksanakan RTH*
  - c. Masyarakat sebagai pelaku pengembangan dan pemeliharaan, serta;*
  - d. Media sebagai pembentuk opini publik dan pengawasan.*
- a. Government as the procurement of construction
  - b. Private sector as economic actors are not obliged to implement open green space
  - c. Society as actors of development and maintenance, as well;
  - d. Media as formers of public opinion and monitoring.

In Regulation of Minister of Public Works No. 05/PRT/M/2008 about Guidelines for the Provision and Use of open green space in Urban Area (*Peraturan Menteri Pekerjaan Umum No. 05/PRT/M/2008 tentang Pedoman*

*Penyediaan dan Pemanfaatan Ruang Terbuka Hijau di kawasan perkotaan)*

explains that the quantity and quality of public open space, especially open green space is currently experiencing a significant decline and resulted in a decrease in the quality of urban living environment that impacts various aspects of life in urban areas include frequent flooding, increased air pollution, and declining productivity of society due to limited space available for social interaction. So according to the law in providing open green space in urban areas is as follows:

- a. The proportion of open green space in urban areas is at least 30% which consists of 20% of public open green space and 10% consists of private open green space.
- b. If extensive of open green space either public and private in the city have a total area larger than regulation or legislation, then that proportion must still retained its existence.

The proportion of 30% is the minimum size to guarantee the balance of the ecosystem of the city, a good balance of the hydrological system and the balance of microclimates, as well as other ecological systems that can increase the availability of clean air needed by the community, and at the same time can increase the aesthetic value of the city. Today the modern world, accompanied by the increasing human population, the existence of open green space narrowing is displaced by the development needs, especially in urban areas. It is bad for the survival of all living beings are no exception humans, due to reduced open green spaces reduce vegetation of trees to produce

oxygen, reduce rainwater infiltration into the ground which may result in flooding and other adverse effects. The construction area of open green spaces in urban areas is to reduce the degradation of environmental quality of life at this time. Purposes of *Ruang Terbuka Hijau Kawasan Perkotaan (RTHKP)* based on Regulation of Minister of Public Works No. 1 of 2007 article 2:

- a. To improve the quality of the environment, creating comfort, freshness, avoid the interference of environmental damage, increase prosperity and security in the context of sustainable development
- b. Meanwhile the benefits of open green space in urban area or known as RTHKP are:
  - 1) Facility to reflect the identity of the area;
  - 2) Facility of research, education and counseling;
  - 3) Facility of active and passive recreation and social relation;
  - 4) Improving the economic value of urban area;
  - 5) Fostering a sense of pride and improve the quality of the area;
  - 6) Facility of social activities for children, teens, adults and elderly;
  - 7) Facility for emergency evacuation chamber;
  - 8) Improve the microclimate, and;
  - 9) Increase the oxygen reserves in urban areas.