

Public-Private Partnership: An Effective Way to Promote Indonesian Tourism During The COVID-19 Pandemic

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Abstract

Tourism is a sector that plays a crucial role in supporting the economy of a country. In Indonesia, tourism had significantly contributed to the increased national foreign exchange in the past few years, improving the national economy accordingly. However, the emergence of the COVID-19 pandemic in early 2020 has hit this sector and weakened Indonesia's economy. To improve it, the government should make some innovations and involve the private sectors to achieve an optimal outcome. This public-private partnership can help to solve the tourism problems since it creates a mutual relationship between the public and private sectors. This research used the descriptive qualitative method and literature study, which aimed to examine the effectiveness of PPP to be implemented by the government to improve the tourism industry in Indonesia during the ongoing COVID-19 pandemic.

Keywords: *Tourism, COVID-19, Public-Private Partnership (PPP).*

1. Introduction

Indonesia is a great tourism destination because it is rich in natural resources and cultures. Nearly all districts in Indonesia have unique tourist destinations that are worth visiting. Tourism is a major sector that supports the Indonesian economy. As stated by Jaffe & Pasternak (2004), tourism has a significant role in increasing a country's economy, especially in reducing the unemployment rate and increasing the productivity of a country. In the past few years, the contribution of the tourism sector to the national economy had considerably increased. The increase in foreign exchange as a result of the improved tourism sector was also significant. According to the data provided by *Badan Pusat Statistik (BPS)* or the Central Bureau of Statistics of Indonesia, the amount of foreign exchange in 2016 contributed by the tourism sector was US \$11.206 billion, which increased to the US \$ 13.139 billion in 2017. The latest data in 2018 showed that the amount of foreign exchange from the tourism sector in Indonesia was US \$16,426 (BPS, 2020), which proved that the tourism sector in Indonesia had undergone significant development in the past few years. The chairman of *Persatuan Hotel dan Restoran Indonesia (PHRI)*, Haryadi Sukamdani, stated that the tourism sector in Indonesia is very promising. It is the core business of the country which largely contributes to PDB, foreign exchange, and job availability (Cahyu, 2018). The rapid development of the tourism sector in Indonesia can be seen from the increasing number of tourists visits every year. From January to April 2018, the number of foreign tourist visits to Indonesia reached 4.96 million, which increased to 5.12 million visits from January to April 2019 (BPS, 2020).

However, the emergence of the COVID-19 pandemic in early 2020 has affected the global economy, including the economy of Indonesia. Nearly all sectors in Indonesia have been affected, including the tourism sector. The data from the Indonesian Ministry of Creative Tourism showed that the number of tourist visits has decreased significantly from early 2020. The following figure from *kemendparekraf.go.id* shows the extent to which the decline in tourist visits in 2019 (pre-pandemic) compared to those of 2020 (post-pandemic strikes).

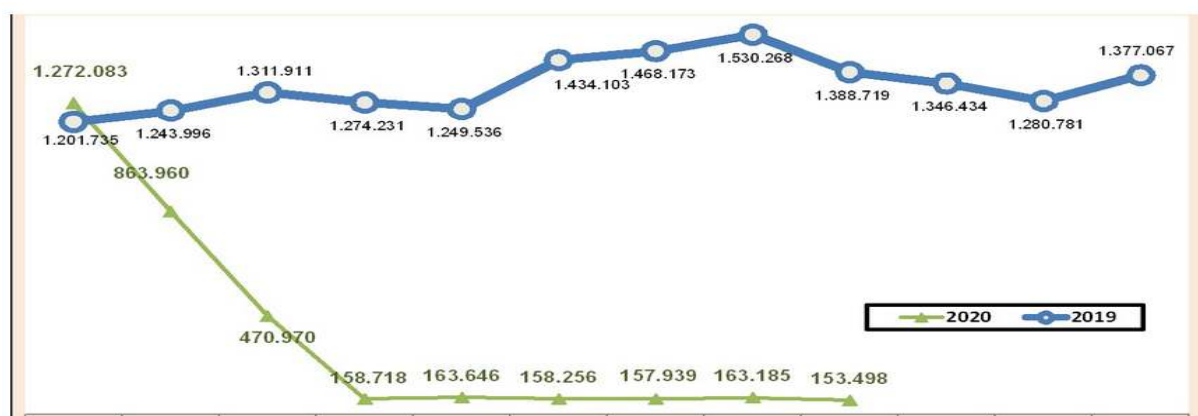


Figure 1.1. Tourist Visit Data 2020

The figure above compares the number of tourist visits to Indonesia in 2019 and that of 2020. In January 2019, the number of visits was 1,201,735, which slightly fluctuated over the following months and reached 1,377,067 in December 2019. In 2020, the number of visits in January was 1,272,083, which was then dropped significantly to 153,498 (88.85%) in September 2020. This is not a small figure, especially for a country whose economy largely depends on the tourism sector (*kemenparekraf.go.id*, 2020).

To revive the economy, the Indonesian government started making some innovation which was supported by local governments in the implementations. One innovation was the “virtual tour” initiated by PT. KA Wisata (Indonesia Trip, 2020; Localizedgs-indonesia.org, 2020). The “virtual tour” was conducted in Lawang Sewu and the Ambarawa train Museum as the pilot points. These tours surprisingly received highly positive responses from the community and encouraged PT. KA Wisata to collaborate with the local government and the private sector to expand the virtual tour areas. This public-private partnership has great potential to be applied in other regions of Indonesia to restore Indonesia’s economy.

One local government partnering with PT. KA Wisata is the provincial government of Yogyakarta. PT. KA Wisata created the “Virtual Tour: The Legends of Jogja” program, in which the tour was carried out around the city of Yogyakarta, especially in the Malioboro area, via live streaming. The virtual tour program did not only involve the Yogyakarta provincial government but also involved souvenir business vendors in Yogyakarta. In this tour, the participants can buy Yogyakarta-specific souvenirs and have them delivered to their addresses. This innovation through public-private partnership seems to be a promising solution to the current national and regional economic issues.

Public-private partnerships (PPP) can be broadly defined as a collaboration between the public sector and private entities that share costs, risks, and benefits in the planning and implementation of activities to achieve common goals (Spielman et al., 2010). Collaborative initiatives aim to overcome constraints, such as market failures, institutional constraints, and systemic weaknesses, to generate agricultural knowledge and technology (Spielman et al., 2007). Spielman et al. (2007) emphasize the importance of partnerships to clearly define the problems, solutions, and resources needed, and to effectively monitor the available decision-making and communication mechanisms. Likewise, Glasbergen (2011) stated that public-private partnerships should be a tool to promote sustainable development by reconciling the seemingly opposite policy objectives, such as policies to promote rural development, while at the same time conserving natural resources, such as biodiversity, forests, fish, and water resources (Glasbergen, 2011).

According to Hodge and Greve (2007), PPP can be a solution to privatization (Hodge and Greve, 2007); however, it still requires the government's control. Absalyamov (2015) states that PPP is the involvement of the private sector by the authority based on contracts and provisions for compensation of costs, risk sharing, obligations, and competencies for the implementation of effective and qualitative objectives relating to the public economic sector. One important thing in public-private partnerships is adherence to the balance of interests. At the same time, private investment in cultural monuments is considered as a form of social business responsibility. They are taken into account in social reports and image capitalization of companies involved in the revival of cultural values (Absalyamov, 2015).

Research on public-private partnership and tourism has been conducted by Medvedeva, et al. (2018). In the study, the authors found that the underdevelopment of tourism in Russia, unsatisfactory transportation conditions, and low quality of services have encouraged the government to modernize tourism objects with the help of sponsors and public-private partnerships. It is known that public-private partnerships are an important means of advancing the potential of the tourism industry in Russia and ensuring the preservation, restoration, development of monuments of cultural and historical heritage, natural resources, and recreation. Theshla (2018) says that the private sector plays an important role in creating and maintaining tourism projects of the government. The government should adopt and apply the public-private partnership model as much as possible to advance tourism infrastructure projects. The government also needs to facilitate the type of cooperation with the private sector so that the common goals can be achieved easily. In this paper, the private sector is said to have some difficulties in establishing cooperation with the government due to complex procedures. Hence, the government should simplify the procedure for cooperation but still maintains the thoroughness and orderliness of the procedure.

Similar to Theshla (2018), Deladem, *et. al* (2020) explain that the public-private partnership model is a good method for the government to solve the poverty problems. The tourism sector in Ghana, for instance, has created a strategic plan to alleviate the poverty in the country through the implementation of the PPP model by creating job opportunities, preserving the environment, natural and cultural resources in all tourist destinations. However, the government does not take into account the role of the community, causing the authors to doubt the effectiveness of the plan. The authors, therefore, provide some recommendations to help the PPP model in Ghana to be implemented effectively. One recommendation is that the responsible state institutions, such as the Ghana Tourism Authority, Ministry of Tourism, Ghana Investment Promotion Council, and the Ministry of Finance, must demonstrate a long-term commitment to sustainable tourism development by improving the infrastructure sector to improve the confidence of PPP investors for the tourism sector towards the shared participation and socio-economic benefits for all stakeholders (Deladem, et al, 2020).

Meanwhile, according to Cheng, et al. (2018), the use of the PPP model in the tourism sector acts as a liaison for tourism development in China and corrects the spatial mismatch between tourism resources and marketing capital to a certain extent. The model has introduced funds and professionals from Eastern China to central and Western China where resource-intensive and funds are insufficient, thereby promoting the development of tourism resources in Central and Western China and the realization of a tourism justice spatial layout should be done. Cheng, *et. al* (2018) states that the implementation of the PPP model by the government must highlight the development of the tourism industry controlled by the government policies so that the Chinese government can run the PPP model in the tourism sector based on the objectives in the Chinese state public policy.

In a case involving Mallorca's government, Arbulu, *et.al* (2016) say that the problem resolved by the government using the PPP model is related to the waste management in the

tourism sector. The enactment of the municipal solid waste management (MSWM) system is a challenge for the private sector to develop the tourism sector side by side with the MSWM system. Therefore, Mallorca's government must take into account the private sector's roles in optimizing the use of the MSWM system in the tourism sector. Waste minimization may continue to be one of the major challenges for PPPs in MSWM systems in tourism destinations like Mallorca. Further research, thus, should focus on three main areas: 1) the analysis of alternative information sources generated by PPPs for MSW generation in tourist destinations, 2) the analysis of incentives in tourist businesses that are crucial for developing MSW minimization practices, 3) the development of an alternative disposal fee system that generates economic incentives according to the polluter pays principles in tourist destinations (Arbulu, et.al.,2016).

Based on the aforementioned reasons, this paper aimed to determine the roles of the cooperation between the public and private sectors in improving the Indonesian economy through the tourism sector during the COVID-19 pandemic.

2. Method

This research was qualitative research with a literature review approach. This type of literature review is conducted to evaluate the state of knowledge about a particular topic. Literature reviews provide a basis for building new conceptual models or theories. They can also be assessed when mapping the development of a particular field of research over time (Snyder, 2019). The necessary information on the effects of the COVID-19 pandemic on Indonesian tourism in this research was collected from books, accredited national and international journal articles, news adapted from websites, and country reports on Public-Private Partnerships, tourism during the COVID-19 pandemic, the collaboration between the government, the private sector, and the community. The data were then processed with the public-private partnership theory. The authors then verified which governments successfully handled the tourism-related problems and which private sectors played a role in helping the government solve the problems. After that, the authors attempted to find out the needs of the research subjects and re-analyze them to design a strategic plan as an innovative solution to improve Indonesia's economy due to the weakening tourism sector during the COVID-19 pandemic.

In this research, the authors attempted to answer the following research question: *"How does the collaboration of the government, private sector, and community improve the Indonesian economy from the tourism sector during the COVID-19 pandemic?"*. The question helped the authors limit the scope of the research and form the basis for the preparation of the research.

3. Results and Discussions

Based on the data collected from various sources, it was found that there is a cooperation between the government, the private sector, and the community in solving the problems in the tourism sector. As mentioned earlier, this kind of cooperation can be an effective solution to revitalize the Indonesian economy from the tourism sector, especially during the COVID-19 pandemic.

As previously described, one innovation has been made by PT. KA Wisata in the form of a virtual tour to Lawang Sewu and Ambarawa Railway Museum to increase the number of tourist visits to Indonesia. This virtual tour was welcomed incredibly well since it allowed the participants to virtually see the places they had never visited and cope with the boredom they had during the social-distancing time. The success of these pilot tours led to the initiative of PT.

KA Wisata to extend the virtual tour areas to other tourist destinations in Yogyakarta and collaborate with the Yogyakarta provincial government and the community. The revenue from the ticket price and the idea that tour participants can purchase souvenirs and have them delivered to their addresses immediately have become the main attraction of the tour and helped to improve the country's tourism sector during the pandemic.

To extend the virtual tour areas, the government and PT. KA Wisata recruited virtual tour guides. Branding was also actively done through continuous promotion of the virtual tour activities to the public via various online platforms of the local government and PT. KA Wisata.

Clean and healthy tourism that complies with the COVID-19 health protocols can also be promoted through this tour and be a selling point for potential customers. Once they have attended one of the virtual tours, they may develop an interest in visiting the locations in person. This can be an opportunity for the government, PT. KA Wisata, and the local government to create regular tours (offline) by taking into account the standard health protocols for COVID-19. Factors, such as the size of the group, the management of tourism objects, hand-washing stations, hand sanitizers, and disinfectant spray in each visit, should be considered first to ensure the safety of the tours. The places should also have a logo called "Indonesia Care" provided by the Ministry of Tourism and Creative Economy as proof that the places implement the COVID-19 health protocols (Laskito, 2020), allowing the participants and staff to feel safe and stay productive. However, to manifest this plan, a good public-private partnership is required because government policies alone are not enough. This partnership allows the creation and development of a system with a mutually beneficial long-term economic and organizational relationship between the public authorities, local governments, social institutions, and the private sector (Vertakova & Plotnikov, 2014). In this system, the involved parties can combine their knowledge, expertise, financial resources, and others to provide the best services.

4. Conclusion

The public-private partnership (PPP) is one of the most effective ways for the Indonesian government to improve the country's economy from the tourism sector during the Covid-19 pandemic. In the PPP model, the public and private sectors work together to solve a problem, as shown by PT. KA Wisata that collaborated with the central government, the provincial government of Yogyakarta, and the private sectors to run "virtual tours" to increase the national revenues from the tourism sector that has been decreased during the COVID-19 pandemic. In this system, the involved parties can share knowledge and gain mutual benefits.

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