

## 3<sup>rd</sup> World Development Model in Indonesia: How to deal with the issues of decreasing public finance and overcoming the demands for public participation in Industrial Revolution 4.0 era?

M Janah<sup>1</sup> A Y S Rahayu<sup>2</sup>

<sup>1</sup>Master Student of Local Government Studies, Faculty of Administrative Science, University of Indonesia (UI).

Coordinating Ministry for Human Development and Cultural Affairs Republic of Indonesia (Kemenko-PMK)

<sup>2</sup>Professor of Public Policy and Administration at University of Indonesia (UI)

\*Email: amy\_soeroso@yahoo.com  
miftahusein5@gmail.com

**Abstract.** This work consists of discussions as well as practical examples about potentials and challenges for regional managers in Indonesia en-routing to the 3<sup>rd</sup> World Development Model. The model emerged as a critique to the old schemes of government collaborations and partnerships in which the participation of the end-users is not proportionally given. This work aims to understand the relationships among actors, the divisions of their roles, the pattern of participation as well as the advantages of “end-users” participation in the development project. This concept is a Constructive Model of Collaborative, a meeting point between Participatory and Collaborative Governance concept. This study is conducted through post-positivistic approach and qualitative methods by using cases and theoretical studies. Furthermore, through this article, the authors focused on the two major issues in the development nowadays. Firstly, the issue of decreasing public finance, particularly in the case of financial deficit in national health insurance program known as JKN-KIS. Secondly, the issue of public participation in regional and urban development planning through case of Bandar Kayangan City Development Project in North Lombok, West Nusa Tenggara. Hence, this work drives a finding which offers solutions for the challenges on how to run the development project without depending on State or Local Budget at the same time to leverage the public supports and participation in government’s development agenda. Finally, it is concluded that there are needs to understand the tendencies of conflicting visions and goals, power or influence asymmetric and resources imbalance among the involved actors in the new model of collaborative governance.

**Keywords:** *collaborative governance, urban development, decreasing public finance, development model*



## 1. Introduction

Health become one of the basic criteria for a country to be classified as a developed and developing country. The other one, amongst others, is the citizen-oriented infrastructure development. Both issues have become the focus of attention in this 4.0 industrial revolution era. Based on the criteria arranged on the official website of the United Nation Development Program (UNDP), the main criteria used as a benchmark in the classification of countries recognized by the United Nations (UN) are based on the value of the Human Development Index (HDI). The assessment considers all forms of multifaceted nature. The Human Development Index (HDI) is a comparative measurement of life expectancy, education, and living standards. HDI is used as an indicator to assess the quality aspects of development and to classify whether a country includes developed countries, developing countries, or underdeveloped countries and also to measure the influence of economic policies on quality of life (Directorate of Analysis and Development of BPS Statistics, 2015).

The HDI was first introduced by one of the institutions of the United Nations in 1990 and regularly published in the annual Human Development Report (HDR). In various literatures related to the process of polarization and classification of countries, one of them is closely related to the level of public health and public infrastructure development reflected in the direction of a country's national strategic policies. A good country is defined as a country that thoroughly guarantees the quality of life of its people, both the quality of their health and homes.

On the other hand, external demands that globally apply to each country such as the ideals of the SDGs enable the government of a country to formulate appropriate policies and encourage new innovations in the development of bureaucracy. In an effort to fulfill a good score in HDI, the government of a country is currently required to be able to carry out governance that involves community participation excluding the dependence on the unsettled state budget. Thus, there is a need for a joint governance model that involves many stakeholders both the private sector and the community in matters of public service provision. In the current scientific development of governance, several constructs of collaborative governance are established. Through the last three decades, scholars have developed more definitions of collaboration emphasizing the preconditions, process, or outcomes of the relationship.

[8] argued that collaboration is a negotiating process of interdependently organizational actors as a response to find the solution to the shared concerns (pp.12-13). The next decades, [4] defined collaboration as the efforts to leverage the public value by working together through joint partnerships of two or more agencies (p.8). In addition, [1] added the definition of collaboration based on the value of reciprocity arranged to solve problems that cannot be solved by single organizations. They argued that collaboration is a multi-sector and multi-actor relationships particularly working across boundaries in the effort to achieve common goals. Furthermore, the dynamics and characteristics of the collaboration among actors or agencies in governance system are now widely known in many shapes and forms. In some ideals in the literature and practices, the term of Collaborative Governance is formerly used, which according to [2] is a collectively direct meeting between state and non-state stakeholders through a formal, deliberative, and consensus-oriented decision-making process in order to achieve a multilaterally implemented public-policy and mutually managed public programs or assets.

Moreover, this paper argues that the framework and constructive model of collaborative governance applicable to the analysis of cooperation in health service and urban development. This paper has four parts. After this introduction, the key approaches are discussed by examining the collaborative governance forms and argue that studies on collaborative governance offer a useful analytical framework for this study. The next section overviews the two major cases through the concept analysis by presenting a collaborative framework to the intergovernmental interactions. The final part briefly concludes the key impacts of the constructive model towards the regional development and health insurance issues recently.

**Table 1.1** The Collaborative Governance forms

| Collaborative Governance  | PPP   | 4Ps  |
|---|---|--|
| <ul style="list-style-type: none"> <li>• Formal and Collective direct meeting</li> <li>• Achieve decision-making consensus</li> <li>• Represent consensus between public agencies and non-state stakeholders</li> <li>• Function to create public policy and consensus decision-making</li> <li>• Joint ownership of decision</li> <li>• Bottom-up decision making</li> <li>• Interdependencies among actors</li> </ul> | <ul style="list-style-type: none"> <li>▪ Formal contracts of Cooperation to function</li> <li>▪ Achieve Cooperation between governments agencies and private actors</li> <li>▪ Represent agreement /contracts between public and private actors</li> <li>▪ Function to deliver certain service or perform certain tasks</li> <li>▪ Joint ownership of the risks</li> <li>▪ Top-down planning</li> <li>▪ Dependent among actors</li> </ul> | <ul style="list-style-type: none"> <li>• Formal and informal Participation</li> <li>• Achieve Collaboration among governments actors, private actors and people (end-users).</li> <li>• Represent commitment to active and positive participation of all actors.</li> <li>• Function to formulating the needs and wants of the end-users (people) and sustained the whole A-to-Z process</li> <li>• Joint ownerships of the process</li> <li>• Bottom-up planning</li> <li>• Interdependencies among actors</li> </ul> |

**Source:** Literature review; Modified by the authors

### 1.1. Problem Statement and Research Goals

#### A. An overview of financial deficit case on National Health Insurance program (JKN-KIS)

The JKN program is an aspiration set in the 5th Nawa Cita, which is improving the Quality of Indonesian Human Life and is one of the national strategic programs where the implemented system is a mandatory social health insurance system. The program aims to provide a guarantee of protection for socio-economic risks that afflict participants and / or family members. The organizers of the health social security system are in accordance with the mandate of Law Number 40 Year 2004 and Law Number 24 Year 2011 is the Health Social Security Organizing Agency (BPJS Kesehatan) and the form of participation is through the *Kartu Indonesia Sehat* (KIS).

One of the biggest problems faced by BPJS Kesehatan concerns with the income that comes from participant contributions which is not proportional to the amount of funds spent to pay capitation and claims for hospital payments, or in other words BPJS has a budget deficit. Furthermore, Law Number 24 of 2011 concerning the Health Insurance Organizing Agency has regulated the BPJS funding mechanism. However, the funding arrangement has not explained detail about the flows and sanctions for participants who do not meet the rules of the BPJS membership. In the BPJS annual financial report, it shows that in 2014 BPJS had a deficit IDR. 3.8 Trillion, then in the following year, the 2015 budget deficit returned as much as IDR. 5.9 Trillion, as presented in the following table. 2.1:

**Table 1.2** Number of Budget Deficits in BPJS Kesehatan

| No | Year | Budget Deficit (IDR) |
|----|------|----------------------|
| 1  | 2014 | 3,8 Trillion         |

|   |      |                         |
|---|------|-------------------------|
| 2 | 2015 | 5,9 Trillion            |
| 3 | 2016 | 9,7 Trillion            |
| 4 | 2017 | 10,2 Trillion           |
| 5 | 2018 | 8 Trillion (Projection) |

Source: Processed from the BPJS *Kesehatan* Report, 2017

Throughout 2017, the contribution from National Health Insurance (JKN) program amounted to only IDR. 74.25 trillion, while the claims reached IDR. 84 trillion. As a result, BPJS Kesehatan had to bear a financial deficit of up to IDR 10.25 trillion, a greater amount than the previous year. Even 2018 report did not present profitable scheme. Referring to the BPJS Health Performance and Annual Budget, in 2018 the company targeted revenues from IDR.79.77 trillion with health financing reaching IDR. 87.80 trillion. Certainly, in 2018 BPJS *Kesehatan* is projected to have a deficit of around IDR. 8.03 trillion.

#### B. An Overview of people participation in regional development planning in Bandar Kayangan Global Hub Project

The implementation of local autonomy through UU No. 22 1999, replaced by UU No. 32 2004 and revised by UU No. 23 2014 about local government, has open the access for citizens widely to participate in the process of development. In this case, the provincial government of West Nusa Tenggara realized that the society plays an important role in the development of the region. The governor optimistically announced that it is expected to accelerate the economic growth in the region and be more adaptive to meets the demands of the current and future inhabitants in current and future era. To respond to the smart and sustainable city development challenges, among the three new cities are targeted by the government. The NTB Government in the development project of Bandar Kayangan brings innovation in the principle of development that involves the private sector as well as engaging community involvement. This innovation concept distinguishes the principle of Kota Bandar Kayangan's development with Maja and Sofifi and becomes a "point of interest" for researchers to unfold the concept.

#### C. Research Goals

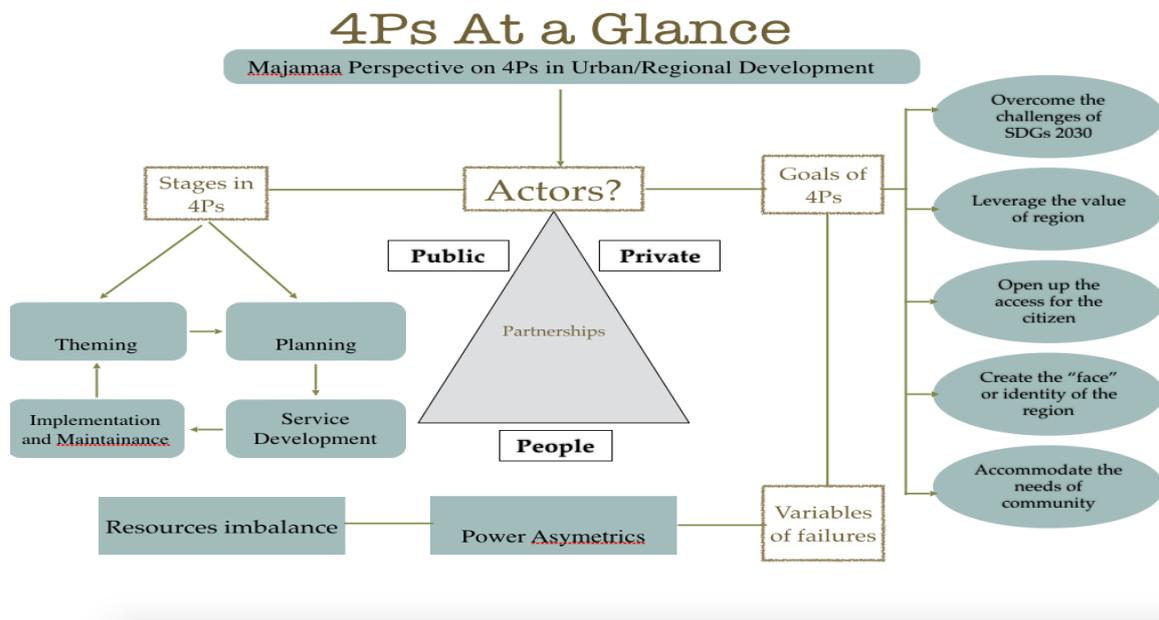
This article explores the independent provisions of health services on state or local budget. Moreover, the issue creating an inclusive, safe, resilient and sustainable city is also conveyed by applying the Public-Private-People-Partnerships and other forms of collaborations as one of the most successful mechanisms in urban planning. Thus, several aspects are required to be analyzed such as: a) the real interest of all actors in the development project through 4Ps concept of urban/regional planning as well as the power gaps among actors in public health service provisions, b) the real influence of the public administration on the entire project, in accordance with a theory-based on coordination and control related to both cases.

#### 1.2. Conceptual Review

An explosion of new developments in the area of Collaborative Governance has been debatable concerning its in the latest few decades. [7] stated that “*Collaboration generally involves a higher degree of mutual planning and management among peers; the conscious alignment of goals, strategies, agendas, resources and activities; an equitable commitment of investment and capacities; and the sharing of risks, liabilities and benefits. . . . Collaboration, therefore, suggests something less than authoritative coordination and something more than tacit cooperation.*”

Lately, there are large number of countries, among others Scandinavian countries, for instance “Baltic Urban Lab - Integrated Planning and Partnership Model for Brownfield Development - Project” in Finland has started to developing and testing new integrated models of Public-Private-People-Partnership (4Ps) progressing to grow as a developing concept or subject of discussions in the urban development planning and health services (Nordregio, 2016). This concept offers a platform of fruitful partnerships that is theoretically and practically more accommodative towards the real needs of people or the end-users as “connoisseur” of development in the future. 4Ps concept in urban planning developed by Majamaa Wisu presented in the following Diagram 3.1:

**Diagram 3.1** The 4th P – People- in Urban Development base on Public-Private-People-Partnership



Source: Wisu Risto Majamaa, 2008

Public-Private-People Partnership (4Ps) provides a new principle in urban development planning and public health services. This principle develops new ways of engaging public / government actors, private actors, local people or communities, NGOs, and civil society actors in various development planning and public service processes. To understand the 4P concept, it is important to understand the background and foundations of the Public-Private-Partnerships (PPPs) principles. Public-Private-People-Partnerships (4Ps) came as a result of the dominant role that the government play in the PPPs model of partnerships, where the government used to centralize all the authorities and to take large amount of control in the decision-making process. Moreover, the growing demand of undesirable project failures and various development problems have been encountered in previous PPPs-based project, enabling governments to involve people in the partnership in order to avoid issues and obstacles (S.T. Ng et al., 2013, pp. 370). Hence, S.T. Ng et al (2013) added that the governments develop the 4Ps for the same purpose they use in PPPs for, which is to upgrade the quality of public services, particularly the infrastructure of services. He identified the Public-Private-People-Partnership (4Ps) meaning as;

*“process framework embraces the bottom-up participative strategies which bring the public engagement clearly visible for infrastructure planning and policy making. With this newly developed framework and associated engagement strategies, decision-making power can deviate*

*from policy makers, who are traditionally holding the ultimate decision authority, towards the citizens through proactive engagement” (S.T. Ng et al., 2013, pp. 370).*

Non-governmental organizations, local communities, and civil societies all represent the people’s participation. Zhang et al. (2015) explained people's participation as the community-based policy formulation and implementation from the very beginning step to achieving the desired goals” (Zhang et al., 2015, pp. 409).

## **2. Research Method**

This research utilizes the post-positivism approach by using two main cases with the same concept as a research analysis framework which is Public-Private-People-Partnerships (4Ps). Case study becomes the main research method by collecting and compiling descriptive data derived from some key informants. Case study utilized to describe field phenomena. Therefore, perception and valuation of researcher(s) in viewing phenomena must be framed by a research guidance to keep research focused on the goal(s). The research site is conducted in two places which are City development project in North Lombok, West Nusa Tenggara and another issue in BPJS *Kesehatan* collaborated with National health insurance council (DJSN) under coordinating ministry of human development and cultural (Kemenko-PMK). Both cases are chosen because the authors argued that both issue are relevant to the approach and constructive concept of collaboration, where the citizen active participation could help governance dealing with the issue of decreasing public finance and overcoming the demands of public participation through the third world development model known as 4Ps.

## **3. Research Findings and Discussion**

### *3.1. Issue of Budget Deficit in BPJS Kesehatan*

Basically, collaborative efforts in dealing with budget deficit problems in the JKN-KIS program have been carried out by involving many actors who have produced policy options that are currently in the review process to find a joint solution. Director of Expansion and Services of BPJS Health Participants, Andayani Budi Lestari (2018) stated that the support and participation of the Regional Government was very strategic and decisive in optimizing the JKN-KIS Program, where there were at least 3 important roles of regional governments including expanding the scope of participation to encourage Universal Health Coverage (UHC), improving service quality, and increasing compliance for non-contribution recipients (non-PBI) and participants. In this case, the model of 4Ps is needed in order to commonly overcome the financial deficit problem.

In this era, the state budget is limited and citizen participation is much required. Through 4Ps model of collaboration; participatory budgeting is not a second option. If citizen, in this case the non-PBI participants is aware towards their contribution and the financial deficit is preventable. Bardach (1998) argued to increase public value by working together through joint partnerships of two or more institutions. Joint efforts to address budget deficit problems have been addressed with meetings and coordination between stakeholders.

To overcome this issue, local governments are encouraged not only to act preventively and promotively, but to be more active in addressing this problem. Local governments are asked to allocate regional budgets to the health sector in accordance with the rules of the central government. The budget from the central (APBN) should be five percents for the allocation of health in the region, where the local government can allocate a minimum of ten percents of the APBD.

[6] explained that the key to collaborative governance is to provide wisdom carefully and strategically to private entities, whether for profit or non-profit, which simultaneously motivate and empower them to create public value. The essence of collaboration is generally related to multi-sector and multi-actor relations that specifically work across borders in an effort to achieve common goals.

### 3.2. Issue of Citizen Participation in Bandar Kayangan Global Hub Regional Development Project

This development project had been started without mentioning the end-users involvement in the early bird processes. The Governor of NTB explained that the development of Kota Kayangan will apply the principles of "Public Private People Partnership" (4P), which was started by establishing a joint company, whose shares will be owned by West Nusa Tenggara Provincial Government, North Lombok Regency Government, investors and professional management, and land owners. The scheme is intended to apply the principles of sustainable development, ensuring future stability, where people will have a sense of belonging to development and will also benefit the development of social justice.

A company called Bandar Kayangan International is trusted by local governments as executor working with investors and land-owners/end-users (current-future inhabitants). In this situation, the control is in the hand of that leading company. It is mentioned that there will be a sharing benefits of the regional development with all actors to gain the Return on Investment in certain percentage. In detail, it is not, whether the government, companies as well as people (end-users), ever been highlighted have conducted a formal meeting and discussion in the planning process.

In urban development processes, participatory planning is applied to involve stakeholders in the planning and development processes. However in this case, the initiator to run the development project is in the hand of pointed private company. It is important to be aware of the knowledge of the current inhabitants or people about their region. They know more about their land. Moreover, it is need a continual redefinitions on the type actors , their roles, relationships pattern and influences. All those aspects are necessary to build and design 4Ps concept. Van Herzele (2004) mentioned based on rational planning theories, participatory planning will emphasizes more future seeking actions than future defining. It seems obvious that the vital source of knowledge is in the existing inhabitants so that providing the hope for future inhabitants overlooked in 4Ps.

## 4. Conclusion

There are two aspects to be underlined in the conclusions, which are:

- 1) There are no concepts that are really compatible at all time and conditions, including 4Ps concept referring to the older concepts as well. In the future, this concept will be diminished and changed by a new concept regarding the demands of the time and technology. The success of development is not solely caused by the concept adopted, but more possibly influenced by the leader in playing their roles and responsibility. It is unquestionable that a leader One thing for sure, a leader should have future-oriented or long-term projection.
- 2) The specification of the role of all actors seems to be very limited. The end-users must be included in all steps in the public policy formulation process. Moreover, the power gaps between government and all stakeholders are anticipated to avoid monopoly of control as well as resources by certain actors.

## References

- [1] Agranoff, R. and McGuire, M. (2003). *Collaborative Public Management*. DCGeorgetown University Press.
- [2] Ansell, C. and Gash, A. (2007). *Collaborative Governance in Theory and Practice*. Journal of Public Administration Research and Theory, 18(4), pp.543-571.
- [3] Bach, D. (1999). Regionalism Versus Regional Integration: The Emergence of a New Paradigm in Africa in J. Grugel and W. Hout (eds), *Regionalism Across the North-South Divide: State Strategies and Globalization*. London: Rontledge.
- [4] Bardach, E.(1998). *Getting Agencies to Work Together: The Practice and Theory of Managerial Craftsmanship*. Washington, DC: Brookings Institution.
- [5] Creswell, John W. 2014. *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches*, Fourth Edition. Thousand Oaks – California: SAGE Publications Incorporations.
- [6] Donahoe, John D & Zeckhauser, Rrichard J.(2011).*Collaborative Private Roles For Public*

- Goals In Turbulent Times Governance. Princeton University Press.
- [7] Fosler, R. Scott. (2002). *Working Better Together: How Government, Business, and Nonprofit Organizations Can Achieve Public Purposes through Cross-Sector Collaboration, Alliances, and Partnerships*. Washington, DC: Independent Sector.
- [8] Gray, B. (1989). *Collaborating: Finding Common Ground for Multiparty Problems*. San Francisco: CAJossey-Bass
- [9] Klijn, E.H., G.R. Teisman. (2003). Institutional and Strategic Barriers to Public-Private Partnership: an Analysis of Dutch cases. *Public money and Management*, 23 (3): 137-146
- [10] Lewis, D. (2001). *Soul of the New Consumer*. London: Publishing.
- [11] Lizzie, Crowley. (2011). *Streets Ahead: what makes a city innovative?*. The Work Foundation.
- [12] O'Leary, R. and Vij, N. (2012). *Collaborative Public Management: Where Have We Been and Where Are We Going?*, *The American Review of Public Administration*, 42(5), pp.507-522.
- [13] Osborne, S. P. (Ed.). (2010). *The new public governance? Emerging perspectives on the theory and practice of public governance*. London: Routledge.
- [14] Majamaa, Wisa et al, (2008). *The 4th P -People- in urban development based on Public-Private-People Partnerships*, Helsinki University of Technology.
- [15] Montanheiro, L., et al. (1998). *Public and Private Sector Partnerships: Fostering Enterprise*. Sheffield: Sheffield Hallam University Press.

Reproduced with permission of copyright owner. Further reproduction prohibited without permission.