Study of partnership form to improve idle land based on risk management

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Abstract. Assets for the company are important capital in running the company’s business. One form of company assets is land. Land assets are immovable assets provided in the Company's Fixed Assets as long as they are not traded. Generally, land assets can be valuable if it’s sold or developed. If developed, land assets can contribute productively to the company, but conversely if these land assets are not developed (idle) will contribute non-productive to the company. Development of land assets can be done by companies itself or partnership with partners. Land assets contributing to non-productive asset will causes some problem such as legal problems and the cost of securing land assets. Legal problems will result in legal costs incurred to solve it. While the costs of securing land assets will continue to arise as long as the land assets are still attached to the Company or have not yet been developed. The purpose of this study is to response those problem. The writer examines the form of cooperation that can be carried out in accordance with regulations, dominant risk variables according to partnership, and then conducts case studies that will encourage risk-based forms of partnership.

Keywords: Asset, Land Asset, Partnership, Risk Management

1. Introduction

Assets are an important capital of a company. Assets are goods or things that have economic value, commercial value or exchange value owned by a business entity, agency or individual. Assets must be managed properly so that productivity can lift the company both in terms of the company's name or in terms of the company's finances because assets are a possible economic benefit obtained or controlled in the future by certain institutions as a result of past transactions or events (Financial Accounting Standard Board (FASB), 1985). In Indonesia has many regulations about asset. One of form asset is land.

Land Assets are generally owned by Companies / Agencies / Agencies both State Owned Enterprises (BUMN) and Private. In the course of assets this form of land can be optimized by developing, selling, or partnership. The Guidelines for Utilizing the Utilization of Fixed Assets of State-Owned Enterprises have been established by the Minister of State-Owned Enterprises (SOE) with the number PER-13 / MBU / 09/2014. In the introduction of this regulation, state-owned enterprises in carrying out their business activities have fixed assets that are less productive and have not been utilized or are not optimally utilized. This can be seen from the Return on Assets (ROA) of SOEs that are still low.
Company X is a SOE engaged in the housing sector. Company X has (eight) 8 Region which spread around in Indonesia. In carrying out its business, Company X is equipped with land assets to be utilized. But in the course of Company X there are still undeveloped land assets that are burdening the Company X. in this situation land assets are categorized as non-productive assets. List of Land Productive and Non-Productive is as shown in table 1:

| Region   | Productive (m²) | Non-Productive (m²) | Total (m²) |
|----------|-----------------|---------------------|------------|
| Region-1 | 1.371.564       | 159.014             | 1.530.578  |
| Region-2 | 1.462.910       | 308.149             | 1.771.059  |
| Region-3 | 3.559.851       | 4.037.963           | 7.597.814  |
| Region-4 | 1.700.493       | 4.299               | 1.704.792  |
| Region-5 | 650.149         | 375.288             | 1.025.437  |
| Region-6 | 71.590          | 83.582              | 155.172    |
| Region-7 | 1.601.869       | 323.151             | 1.925.020  |
| Region-8 | 30.919          | 30.919              | 30.919     |
| Total (m²) | 10.449.345       | 5.291.446            | 15.740.791 |
| Total (Ha) | 1.045            | 529                  | 1.574      |
| %       | 66%             | 34%                 | 100%       |

Base on table 1 it shown from 8 Regions, Company X has non-productive land asset ± 529 Hectare from total 1.574 Hectare. In this situation, 34% Company X’s land asset is not productive yet.

Regarding to Company X’s non-productive land asset, its potentially causes problem such as legal problem and cost of securing land asset. Based on data Company X, legal problem and cost of securing land asset are increasing every year. It shown in table 2 as follows:

| Description               | 2015 (Million IDR) | 2016 (Million IDR) | 2017 (Million IDR) | 2018 (Million IDR) | 2019 (Million IDR) |
|---------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Legal Problem Cost        | 16.726             | 21.801             | 22.891             | 23.806             | 24.520             |
| Securing Land Asset Cost  | 328                | 410                | 432                | 540                | 621                |
Base on table 2, figure 1, and figure 2, these issues / problems take cost which increase every year. This condition will impact to Company X if not solve yet. In this research, writer try to identify form of partnership which applicable for Company X based on regulation, and then identify risk variable which probably shown up in partnership based on interview expert, and applied to study case in on of non-productive land Company X.

2. Literature Review

2.1 Public Private Partnership
In a book entitled Public-Private Partnership of Policy and Finance, E.R. Yescombe defines a Public-Private Partnership as a form of cooperation between the government as a public and private party as a private party with the following key elements:
1. Long-term contracts that occur between the government (public) and private (private)
2. For design, construction, financing, and operations carried out by the private sector.
3. Payments during the term of the PPP contract to the private party are carried out by the government and users directly as compensation for the use of infrastructure facilities.
4. Transfer of ownership from the private party to the government at the end of the PPP contract.

With this Public Private Partnership is expected to be able to utilize existing funding effectively and efficiently. Partnership has important meaning for both government and private parties where the horses of these parties will transfer the risks faced. There are two basic theories that underlie the first Public-Private Partnership is the Agency Theory which is based on the transfer of ownership and information rights that are explained in the organizational contract. The most important thing in this theory is the selection of agents according to the criteria of the main tasks and functions. The second theory is the Transaction Cost Theory. This theory focuses on contracts, especially in terms of financial structure, monitor, bonding and residual costs.

2.2 Public Private Partnership Model
According to UNESCAP (2007) the PPP model is clarified into five global categories which generally (not always) increase the involvement and assumptions of the private sector risk. These five categories are:
1. Provision and Management Contract
2. Turnkey
3. Rental
4. Concession
5. Ownership of private assets

The basis of the five global categories of the PPP model is shown in figure 3. Each model has pros and cons and can be suitable for achieving some of the goals of private participation. Specific characteristics of some sectors and their technological development, legal and regulatory regimes, and public and political perceptions about services in the sector can also be a factor in determining the suitability of specific forms of private participation.

![Figure 3. PPP Model](image)

2.3 Regulation
According to the understanding of the Regulation of the Minister of State-Owned Enterprises Number: PER-13 / MBU / 09/2014 Regarding the Guidelines for Utilization of Fixed Assets of State-Owned Enterprises explains that in order to optimize the utilization of fixed assets and at the same time as an effort to improve the performance and value of the company, need to make use of fixed assets. The
utilization of fixed assets must be based on the principles of good corporate governance and the principle of benefits.
In this regulation regulates how the utilization of fixed assets owned by the government (public sector) by:
1. Build Operate Transfer / BGS
2. Build Transfer Operate / BSG
3. Join Operation / KSO
4. Join Venture / KSU
5. Rent
6. Lease

This regulation regulates several objects such as objects, selection of partners, partners, duration, and obligations of partners.

2.4 Risk Management
According to Kezner (1995) risk management is a process of identifying, measuring, developing, selecting and managing options to deal with those risks. Project Risk Management aims to identify and manage risks that are not handled by other parties the project management process. When not managed this risk can cause the project to deviate from the plan and fail to achieve its objectives. The main benefit of risk management is ensuring that the level, degree, type, and visibility of risk management are commensurate with the risk and importance of the project itself for the organization and stakeholders. R Max Wideman (1992) provides an overview of the integration of risk management with other project management functions on a project as follows:

![Figure 4. Risk Management Integration on Project](image)

Base on PMBOK 6th Edition Risk Management will describe as follows:
3. Research Methodology
This Research is using qualitative, quantitative, and study. First writer will analyse regulation, benchmark and Company data to analysis form of Partnership which applicable for Company X, and then writer will interview important people to get expert judgement about risk variable which probably shown up and impact to Partnership. The risk variable as follows:

Table 3. Risk Variables

| No | References            | Risk Variable                                      |
|----|-----------------------|----------------------------------------------------|
| 1  | Trismara, 2011        | Legal and Contract Risk                            |
|    |                       | X1 Contract Less Power against Regulation          |
|    | Trismara, 2011        | X2 Inappropriate Contract selection                |
|    | Xu, et al, 2010       | X3 Contract violation                              |
|    | Xu, et al, 2010       | X4 delays in land acquisition                      |
|    | Li, et al, 2012       | X5 didn’t get permission from the government       |
|    | Xu, et al, 2010       | X6 change of concession holder                     |
| 2  | Xu, et al, 2010       | Politic Risk                                       |
|    | Xu, et al, 2010       | X7 Government Intervention                         |
|    | Wibowo & Mohamed, 2010| X8 adverse government intervention                 |
|    |                       | X9 abuse power of government                       |
| No | References | Risk Variable |
|----|------------|---------------|
| X10 | Xu, et al, 2010 | takeover by government |
| X11 | Li, et al, 2012 | slow process of decision making |
| 3  | (Funding and Financial Risk) |  |
| X12 | Xu, et al, 2010 | interest fluctuation |
| X13 | Xu, et al, 2010 | foreign currencies fluctuation |
| X14 | Xu, et al, 2010 | Cost Changes |
| X15 | Xu, et al, 2010 | Stability funding |
| X16 | Xu, et al, 2010 | tax regulation changes |
| X17 | Li, et al, 2012 | low profit |
| X18 | Wibowo & Mohamed, 2010 | uncertainty demand |
| X19 | Xu, et al, 2010 | market demand changes |
| X20 | Li, et al, 2012 | bad capital structure |
| X21 | Li, et al, 2012 | operator inability |
| X22 | Li, et al, 2012 | slow process of decision making |
| X23 | Wibowo & Mohamed, 2010 | new competitors |
| 4  | (Design and Development Risk) |  |
| X24 | Li, et al, 2012 | Design not efficient |
| X25 | Li, et al, 2012 | Design Changes |
| X26 | Li, et al, 2012 | slow process of decision making |
| 5  | (Operational and construction Risk) |  |
| X27 | Xu, et al, 2010 | Closing Project Delays |
| X28 | Xu, et al, 2010 | Material or workers supply |
| X29 | Li, et al, 2012 | cost construction changes |
| X30 | Li, et al, 2012 | Bad Quality |
| X31 | Xu, et al, 2010 | Infrastructure support |
| X32 | Xu, et al, 2010 | Cost Overrun |
| X33 | Li, et al, 2012 | slow process of decision making |
| 6  | (Force majeure Risk) |  |
| X34 | Trismara, 2011 | bankrupt contractor |
| X35 | Wibowo & Mohamed, 2010 | War |
| X36 | Wibowo & Mohamed, 2010 | unrest condition |
| X37 | Wibowo & Mohamed, 2010 | terrorize |

Based on table 3, there are 6 variable which divide into 37 sub variables. After this validated by expert judgement, it will share to respondent which already planned based on experience in PPP project. And then writer will analyse into dominant risk variable which has big probability and impact. And then it will assistance and validate by expert judgement. After that writer will apply to study case in land asset non-productive.

4. Result and Discussion
1. Base on analyse data and regulation, form of Partnership which applicable for Company X are Build Operate Transfer, Build Transfer Operate, Build Owned Transfer, Join Operation, Join Venture, Rent, Lease, License, Management Contract, Private Asset. For the detail will show in table 4 as follows:
Table 4. Applicable Partnership Form for Company X

| No. | Regulation/Data                                                                 | Partnership Form | K R L M P | K R L M P | K R L M P | K R L M P |
|-----|---------------------------------------------------------------------------------|------------------|-----------|-----------|-----------|-----------|
| 1   | Republic of Indonesia Government Regulation Number 83 Year 2015 Regarding Public Housing (Perum) National Housing Development | BOT              | √         | √         | √         | √         |
| 2   | Regulation of the Minister of State-Owned Enterprises Number PER-13 / MBU / 09/2014 Regarding the Guidelines for Utilizing the Fixed Assets of State-Owned Enterprises | BTO              | √         | √         | √         | √         |
| 3   | Journal, Thesis, etc                                                             |                  |           |           |           |           |

2. Based on analyze questioner which collected and validated by expert and respondents for risk variable in Partnership, 10 dominant risk variables are identified, ranked and divided into each partnership form as follows:

Table 5. Dominant Risk Variable

| Dominant Risk Variable                        | Ranking |
|-----------------------------------------------|---------|
| X1 Contract Less Power against Regulation     | 1       |
| X4 delays in land acquisition                 | 2       |
| X6 change of concession holder                | 3       |
| X3 Contract violation                         | 4       |
| X13 foreign currencies fluctuation            | 5       |
| X12 interest fluctuation                      | 6       |
| X25 Design Changes                            | 7       |
| X27 Closing Project Delays                    | 8       |
| X15 Stability funding                         | 9       |
| X14 cost construction changes                 | 10      |

Table 6. Dominant Risk Variable

| Partnership Form | Risk Variable Dominant | Total Risk | Expert Validation |
|------------------|------------------------|------------|-------------------|
| BOT              | X1; X3; X4; X6; X12; X13; X14; X15; X25; X27 | 10         | √                 |
| BTO              | X1; X3; X4; X6; X12; X13; X14; X15; X25; X27 | 10         | √                 |
3. Study case for apply this result is in non-productive land asset Company X. in this year (2020) there was initiation Company X Partnership with partner to develop land asset in Region-3. Company X and Partner agreed to use KSO/JO as Partnership Form. Based on last analysis, maybe Company X and Partner choose KSO/JO because it has medium risk dominant, and they can allocate it. Until now there are issues such as land acquisition, change of concession holder and etc. based on result this research will help to response this issue and will register or mitigate risk which not show yet as follows:

| No | categorize | Issue | Identify Risk | Response Risk |
|----|------------|-------|---------------|---------------|
| 1  | Approval Citizen | Approval Citizen not reach minimum percentage based on regulation. | Design Delays, Permit Delays, Feasibility Study Delays, Design Delays, Permit Delays, Partner Willingness to Partnership, Amendment Partnership Contract | Government Support, and mediation & socialization to citizen, Government Support, explanation design to partner, and special offer program for partner |
| 2  | Design | Different interpretation with Partner | Different Goal and Interpretation Project, Partner Willingness to Partnership, Project Delays | Explanation Contract existing and Benefit Project |
| 3  | Concession holder | Concession holder changes | Different Goal and Interpretation Project, Partner Willingness to Partnership, Project Delays | Monitoring Decision process continually, Inform Decision process continually |
| 4  | Decision | Decision process to long | Project Delays, Partner Willingness to Partnership | Monitoring Decision process continually, Inform Decision process continually |

Table 7. Risk Response

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