THE IMPACT OF COLLABORATIVE GOVERNANCE ON MSMES RECOVERY IN DKI JAKARTA DURING THE COVID-19 PANDEMIC

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ABSTRACT

In the recovery of MSMEs during the pandemic, the government cannot do it alone. Therefore, collaboration from various parties is needed. This study aims to analyze the impact of Collaborative Governance in the recovery of Micro, Small, and Medium Enterprises (MSMEs) in Jakarta during the COVID-19 pandemic by evaluating the Large-Scale Social Collaboration (LSSC) of MSMEs from June 2020 to June 2021. In addition, to analyze the extent to which Collaborative Governance is implemented in the LSSC of MSMEs program, the researcher used five important indicators based on Collaborative Governance theory. By using qualitative methods, the data obtained through in-depth interviews with several stakeholders involved and MSME owners as recipients of the program assistance. Data analysis was carried out using thematic analysis to obtain indicators that describe the program effectiveness from the implementers and indicators of the satisfaction of MSME actors with the assistance received through this program. Then, all these indicators are re-analyzed using the SWOT framework. The study found that Collaborative Governance has been running quite well, but stakeholders have not really involved MSME Activists in the Large-Scale Social Collaboration program as one of the steps in restoring MSMEs in Jakarta. In this finding, the researcher recommends several solutions such as, more massive publication and socialization is needed to invite more collaborators, the governance and mechanism of the LSSC of MSMEs program needs to be improved, as well as revitalizing the program. Therefore, the government also needs to implement some steps to maintain the sustainability of this program.

Key Words: MSMEs, Collaborative Governance, COVID-19 Pandemic, Collaboration, Jakarta

ABSTRAK

INTRODUCTION

The existence of Micro, Small and Medium Enterprises (hereinafter referred to as MSMEs) has increased rapidly in Indonesia, especially in the post-Reformation era. It cannot be denied that MSMEs succeeded in becoming ‘heroes’ of the Indonesian economy during the 1997-1998 Asean Financial Crisis (AFC) (Putra, 2018). This is proven by the number of employments by small entrepreneurs was the highest at 57.34 million (88.66%) at that time (www.jurnal.id). However, the presence of MSMEs was not only tested during the Asean Financial Crisis in 1998 (Hamid, 2009), the Global Crisis in 2008 also threatened MSMEs, but MSMEs were able to survive well (Hindarsyah, 2008).

The condition of MSMEs worsened when the COVID-19 pandemic entered Indonesia (Alfin, 2021), and this condition has a serious impact on the resilience of MSMEs in Jakarta as the capital city. DKI Jakarta is a city at the provincial level with the highest population density on the Java Island. Data from the Department of Population and Civil Registration showed that the total population of DKI Jakarta in 2019 reached 11,063,324 people (travel.detik.com, 2021). One effective way to suppress the spread of COVID-19 is to limit the mobility of people (Fakir & Bharati, 2021). Social-distancing, case isolation and shielding have been widely used to limit community-level transmission of coronavirus and protect vulnerable groups (Nouvellet et al., 2021). The Indonesian government immediately established a policy of Pembatasan Sosial Berskala Besar (PSBB) as a form of government intervention to prevent the spread of COVID-19 and was regulated through Government Regulation No. 21 of 2020 (Kumala, 2020). On April 10, 2020, The Governor of DKI Jakarta namely Anies Baswedan announced that PSBB Policy had been effectively implemented and the instructions in implementing PSBB Policy were regulated in DKI Jakarta Governor Regulation No.33 of 2020 (Syafri et al., 2020). Unfortunately, this policy has made the conditions of MSMEs in Jakarta during the Asian Financial Crisis and the Global Crisis much different from the COVID-19 pandemic (www.liputan6.com, Tira Santia, 2020).

The impact of PSBB policy on the decline in MSME turnover during the pandemic was very real (Shimomura UNDP Indonesia Resident Representative, 2020), especially for ultra-micro traders in Jakarta. The researcher conducted preliminary interviews with four ultra-micro traders in Central Jakarta and found that the four traders experienced a decline in turnover of more than 70%. In fact, two of them almost went bankrupt (Preliminary interview by the researcher on November 18-25, 2020). Due to the large impact of the Covid-19 pandemic on MSMEs in Jakarta, the Provincial Government of DKI Jakarta cannot handle the recovery of MSMEs alone. In this case, collaboration from various parties is needed in encouraging the recovery of MSMEs. Therefore, the DKI Jakarta Provincial Government initiated the Large-Scale Social Collaboration (LSSC) program of MSMEs, which was launched in May 2020.

This research is very important because this is the first collaboration program carried out by the Regional Work Unit of the DKI Jakarta Provincial Government with other involved stakeholders such as private parties, start-ups, marketplaces, communities, and individuals.
The Large-Scale Social Collaboration Program or Kolaborasi Sosial Berskala Besar (KSBB) has various focuses, including, LSSC of Food, LSSC of Devices for Education, and so on. In this study, the researcher focuses on analyzing the impact of collaborative governance applied by LSSC of MSMEs in Jakarta from June 2020 to June 2021. This study aims to analyze the impact of the program on MSMEs in Jakarta during COVID-19 pandemic especially to the recipients, to find out the effectiveness of program, and to find out the best practice for sustainability of the program.

LITERATURE REVIEW

There have been quite a number of previous studies discussing the impact of the PSBB Policy on MSMEs, both located in Jakarta and the overall impact in Indonesia. PSBB Policy originates from the concept of social distancing, which has been regulated in Law Number 6 of 2018 concerning Health Quarantine (Widjaja, 2020). The definition of PSBB in Article 1 Paragraph (11) is the limitation of certain activities of residents in an area, who are suspected of being infected with a disease and/or contaminated in such a way as to prevent the possibility of spreading disease or contamination. DKI Jakarta is one of the provinces that was the first to implement the PSBB Policy (Herdiana, 2020).

Although it is quite effective in reducing the spread of COVID-19, the implementation of the PSBB Policy has had a very serious impact on the number of MSME sales (Muhammad et al., 2020). They are also faced with other difficulties such as lack of capital, declining orders, difficulty in obtaining raw materials, and bad credit (Tim Nasional Percepatan Penanggulangan Kemiskinan, 2021). Data from the Ministry of Cooperatives as of May 2020 explained that there were 163,713 Micro, Small and Medium Enterprises affected by the COVID-19 pandemic. Of this number, around 39.9 percent of MSMEs decided to reduce the stock of goods during the PSBB Policy and as many as 16.1 percent of MSMEs chose to reduce employees due to physical stores being closed (Rosita, 2020).

Capital and liquidity constraints are very influential in this regard. Capital that is increasingly eroded due to the absence of cash flow has made MSMEs have a very big impact due to the PSBB Policy (Nadyan et al., 2021). The need of cash flow for MSME actors in surviving this pandemic is also in line with the results of research conducted by The Association of Business Development Services Indonesia (ABDSI). The study showed that out of 4,200 MSME respondents, 53 percent said they did not have cash reserves for the long term (Study Report Micro Business Capital Assistance Program, Fiscal Policy Agency of The Ministry of Finance, 2020). In saving MSMEs from the impact of the COVID-19 pandemic, there are five protection and recovery schemes carried out by the Ministry of Cooperatives and MSMEs of the Republic of Indonesia. First, the provision of social assistance. Second, tax incentives for MSMEs, Third, relaxation and credit restructuring for MSMEs. Fourth, expansion of MSME working capital financing. Fifth, e-learning training (Sugiri, 2020).

The existence of limited budgets and the ability to secure MSMEs as a whole from the impact of the pandemic, should be a strong call for the community, namely private institutions, communities, startups, and individuals in collaborating together to help MSMEs survive. Previous studies have also proven that the involvement of stakeholders from both the government and private institutions to work together has a very positive effect on the performance of MSMEs (Harini & Ashari, 2016).
Collaborative Governance Theory

Chris Ansell and Alison Gash (University of California, Berkeley, 2008) wrote about Collaborative Governance in Theory and Practice. They stated that Collaborative Governance is a governing arrangement where one or more public agencies directly engage non-state stakeholders in a collective decision-making process that is formal, consensus-oriented, and deliberative and that aims to make or implement public policy or manage public programs or assets. The use of term ‘stakeholders’ make all people involved feel important, because their voice matters in decision making. In Collaborative Governance, stakeholders from the public, private, and community unite with each other in collective forums with public agencies to engage in consensus-oriented decision-making (Ansell & Gash, 2008). Therefore, in collaborative governance, one of the main requirements is that every stakeholder has the same authority. In implementing collaborative governance, there are three main stages that become the core model namely, initial conditions, institutional design, and leadership variables. Furthermore, There are five important indicators to help analyze whether Collaborative Governance has really been implemented or not. The five indicators are face-to-face dialogue; trust building; commitment to process, shared understanding; intermediate outcomes (Bianchi et al., 2021).

Large-Scale Social Collaboration of MSME Program or Kolaborasi Sosial Berskala Besar

Large-scale Social Collaboration (LSSC) is a form of collaborative idea product initiated by the DKI Jakarta Provincial Government through Jakarta Development Collaboration Network (JDCN) during the COVID-19 pandemic. It launched since May 2020. It aims to connect donors and aid recipients in meeting the needs of people affected by COVID-19. The first LSSC program is the LSSC of Food, where the government as a collaborator prepares data for the people of Jakarta who need staple food assistance during the COVID-19 pandemic, then the community as co-creators distributes assistance to targeted people who are listed in the recipient data (mediaindonesia.com, 2020). The program of Large-scale Social Collaboration (LSSC) then developed further into LSSC of MSMEs, LSSC of Education, LSSC of Manpower, and so on (corona.jakarta.go.id/id/ksbb-umkm,2021). As cited from the website www.corona.jakarta.go.id in the Large-scale Social Collaboration of MSMEs section, the LSSC of MSMEs assistance package is divided into three types. First, the package of facilities and infrastructure. Second, the capital loan package. Third, the training package (online trainings).

RESEARCH METHODS

This study used qualitative methods. Qualitative methods are procedures for collecting data that produce descriptive data in the form of written or oral words from the respondents (Aminah and Roikan, 2019). To analyze the effectiveness of collaborative governance in the LSSC of MSMEs program, the researcher used five indicators in collaborative governance theory. Besides, to find out the impact felt by the beneficiaries of the program, the researcher used a SWOT analysis (Emet GÜREL, 2017). In addition, data collection used four methods namely, preliminary interview, in-depth interviews, and Forum Group Discussions (FGD) with program beneficiaries, and desk study. In
total, this study succeeded in interviewing 31 program beneficiaries and 7 stakeholders involved in the program. After all, this data is analyzed using thematic analysis.

RESULTS AND DISCUSSION

The Effectiveness of Collaborative Governance in the LSSC of MSMEs Program

In analyzing the effectiveness of implementing collaborative governance in this program, the researcher conducted in-depth interviews with representatives of stakeholders consisting of bureaucrats, donors, aggregators, Fintech, media, and MSME activists. Then, the collaborative relationship between the DKI Jakarta provincial government and the stakeholders involved is analyzed through five existing indicators, namely, face-to-face dialogue; trust building; commitment to process, shared understanding; intermediate outcomes.

The study showed that the five indicators applied properly to collaborative relationships and cooperation among stakeholders in this program. There are several examples of success signals from the application of collaborative governance in the LSSC of MSMEs program. First, the DKI Jakarta Provincial Government (bureaucrats) always invites aggregators to be fully involved in every decision on the LSSC program. For example, when the provincial government launched the LSSC of Education program after the LSSC of MSMEs program, all aggregators were invited to participate in other LSSC programs. Second, the relationship between bureaucrats and Fintech (aggregators) is also very good and financial transparency related to the management of capital loan assistance to MSME actors is also carried out well. Third, Otoritas Jasa Keuangan (OJK) as one of the largest donors in this program stated that bureaucrats from the DKI Jakarta provincial government did not only treat them as donors, but also involved OJK in drafting the concept of the LSSC of MSMEs program. Fourth, the official media of DKI Jakarta Provincial Government and private media are mutually enthusiastic in publishing news and information related to this program to the public so that more collaborators are involved.

Unfortunately, from the five indicators and signals of success in implementing collaborative governance on the LSSC of MSME program, the researcher found that MSME Activists have not been fully involved in this program. In fact, the involvement of MSME Activists can provide neutral inputs that can encourage the improvement of this program in the future. Moreover, the role of MSME Activists who are so close to MSME players will be very important so that the LSSC program continues to adjust its assistances provided in accordance with the needs of MSME players. This adjustment of assistance is expected not only during the pandemic Covid-19, but also in the post pandemic era.

The LSSC of MSMEs Program in SWOT Analysis

This analysis was conducted to find out whether the LSSC of MSMEs program had given beneficial impact for MSME players or not. The impact is included in the strength category in the SWOT analysis. Both stakeholders and recipients felt the strength of this program. The beneficiaries felt that this program was very useful because first, it encouraged the recovery of MSMEs during the pandemic, especially in capital loan assistance and training. Second, capital loan assistance is provided with zero percent of interest, so it does not increase the burden on MSME actors. Third, all registration mechanisms can be done easily through online. In addition, the stakeholders also stated several strengths of this program.
First, the data and distribution map owned by the DKI Provincial Government in this program avoids overlapping beneficiaries. Second, assistance is given directly to recipients who really need it, because this program is supported by mentors from every sub-district in Jakarta to ensure the distribution of aid to the right recipients. Third, the corona.jakarta.go.id platform owned by this program provides detailed, informative data and information that other City or Provincial Governments in Indonesia do not yet have. There is another advantage of this LSSC program, which is the return from capital loan assistance given by MSME players will be used to provide staple food assistance to the LSSC of Food program. That is why the capital loan assistance of this program also called as Two-Step Donations Scheme.

Figure 1.
Two-Step Donations Scheme from Capital Loan Assistance, the LSSC of MSMEs program

Source: In-depth interview with Nadia Kartikasari as TGUPP DKI Jakarta, October 11, 2021, 7pm-8pm.

The second indicator is weaknesses. There are three main weaknesses of this program. First, the recipients stated the capital loan obtained by the recipient often does not match the amount requested. Second, approval of capital loans sometimes takes a long time. This long process often leads MSME actors to borrow money from online loans that are not legalized by the Financial Services Authority (OJK). Third, there are still MSMEs that have difficulty coordinating via online such as email, whatsapp, and telephone. Fourth, unfortunately recipients tend not to receive information on other types of assistance.
The table above explains that the recipients are not fully informed about what sort of assistances are provided by the LSSC of MSMEs program. The results of in-depth interviews showed that the recipients of facilities and infrastructure as well as online trainings did not receive any information regarding capital loan assistance. In fact, this assistance is what they need the most. Furthermore, stakeholders also feel some shortcomings in this program. Even though the collaborative governance implemented in this program is running very well, but currently the program is not running as well as at the beginning of the program. Besides, the donors and stakeholders involved did not increase significantly due to the program is not as active as the beginning. In addition to the advantages and disadvantages, the LSSC of MSMEs program also creates several new opportunities. First, this program helps SMEs in developing their networking. Second, MSME actors will be pushed towards digitalization. Third, this program opens up opportunities for collaboration between private institutions, NGOs, E-commerce, startups, and the community.

The last indicator is threat. Some of the threats from this program include, the procedures for borrowing capital assistance are relatively easy so that it can make MSME actors continue to depend on borrowing capital assistance. Although capital loan assistance provides opportunities for recipients to create more job opportunities, but it will be dangerous if the MSME players are remain not being independent. The worse thing is if this program does not continue to be echoed or run actively and effectively, then this program will not be sustainable.

CONCLUSION AND SUGGESTION

Conclusion

In conclusion, of the three types of the LSSC of MSMEs program assistance obtained by MSME players, the most beneficial is capital loan assistance. Second, online trainings, and third is the facilities and infrastructure. In addition, out of 31 MSME players who were interviewed in depth showed 22 respondents stated that they were very satisfied with the assistance provided from the LSSC of MSMEs program. Yet, four respondents stated that they were not satisfied, three respondents stated that they were quite satisfied, and two of them were invalid because they did not receive capital loans assistance from this program.

The results of the study also show that this program assistance has had a tremendous impact on MSME actors in Jakarta during the pandemic. This indicates that the Collaborative Governance implemented by the DKI Jakarta Provincial Government
together with other relevant stakeholders has been successful. The application of strong collaborative governance in the LSSC of MSMEs program has created a signal of success for this program, so that it can benefit the beneficiaries, namely, MSME actors. Broadly speaking, there are three major impacts of collaborative governance on the recovery of MSMEs in Jakarta. First, alleviate the cash flow of MSMEs that were lacking during the pandemic through zero rate interest capital loans assistance where many collaborators are donors. Second, encouraging MSMEs towards digitalization through online trainings where many parties participate in providing trainings free with high quality. Third, the presence of the LSSC of MSMEs program helps expand the network of MSME actors with involved stakeholders to collaborate each other in further programs in the future.

**Suggestion**

The implementation of Collaborative Governance in any recovery program or human empowerment program is very important. However, each program also needs to think about strategic steps to support program sustainability. Often the programs launched by the government are only enthusiastic and active at the beginning of their implementation. Then, this passion and contribution decreases over time, especially if there is a change in leadership period or a lack of human resources to support the sustainability of the program. In this case, the researcher also finds the implications of the Collaborative Governance theory that the five indicators in this theory are not enough. An additional theory is needed, namely, 'Common Understanding for Program Sustainability', so that open dialogue and decision-making by all stakeholders is not only about the current program implementation, but also the plan for the sustainability of program implementation in the future.

There are several inputs from the researcher so that the LSSC of MSMEs becomes a sustainable program. First, the DKI Jakarta Provincial Government needs to create a special team in implementing, developing, and maintaining the LSSC of MSMEs program in the present and the future. Second, the data and platform must continue to be developed. So, assistance that may no longer be relevant to the current needs of MSMEs can be stopped and replaced with other types of assistance that are more urgent and in accordance with the current needs of MSMEs. Third, surveys and research related to the needs of MSMEs in Jakarta must continue to be carried out. Fourth, efforts should come from all the stakeholders involved such as, government, private institutions, aggregators, NGOs, donors and the community, even in the post-pandemic era.

**REFERENCES**


