

Risk Governance of the People's Palm Plantation Partnership Program in Bangka Regency*

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Shulby Yozar Ariadhy

Head of Public Policy Studies and Development Centre at STISIPOL.
Bangka, Belitung Province. Email: ariadhy2002@yahoo.com

ABSTRACT

Nowadays, partnership has become one of new forms of governance. It is not effective for the government to handle all public services on its own because the society's current situation turns to be more complex and complicated. However, there are risks inherent in every partnership. Every party involved in a partnership has each own potential risk. In the context of palm plantation management partnerships, uncertainty in managing risks will lead to a number of conflicts. Thus, it is important to pay attention to risk governance in a partnership. This study aims at describing how the risk governance is done in KKSR (Kebun Kelapa Sawit Rakyat/People's Palm Plantation) program in Bangka Regency, Indonesia. There are 3 main focuses of this study, namely the process, the strategy and the result of risk governance in KKSR program. The results show that there are different interests among the parties involved in the partnership which are potential to be the cause of conflicts. Furthermore, the partnership achievement indicates that the strategy of risk governance applied in KKSR Program initiated by the Government of Bangka Regency has given positive impact on each party involved in the partnership. The result of this study also implies the importance of government role in the risk governance process of the partnership program for public services. The government is responsible for protecting the stakeholders' interests, especially public interests, and also responsible for assuring that the goals of the partnership are achieved. Keywords: partnership, risk governance, Palm Plantation

ABSTRAK

Pada saat ini, kerjasama menjadi salah satu bentuk baru dari tata kelola pemerintahan. Merupakan hal yang tidak efektif untuk pemerintah jika melakukan seluruh pelayanan publik oleh pemerintah sendiri karena situasi terkini dari masyarakat berubah menjadi lebih kompleks dan rumit. Akan tetapi ada beberapa resiko yang melekat dalam setiap kerjasama. Setiap jumlah yang terlibat dalam bentuk kerjasama memiliki resiko potensial masing – masing. Dalam konteks kerjasama pengelolaan penanaman kelapa sawit, ketidakpastian dalam pengelolaan resiko akan menyebabkan konflik. Dengan demikian, penting untuk memberikan perhatian dalam pengelolaan resiko pemerintahan pada sebuah kerjasama. Tujuan studi ini adalah mendeskripsikan bagaimana tata kelola pemerintahan resiko dilakukan dalam program KKS (Kebun Kelapa Sawit Rakyat) di Kabupaten Bangka, Indonesia. Hasilnya menunjukkan bahwa ada beberapa kepentingan yang berbeda di dalam pihak yang terlibat dalam kerjasama yang sangat potensial untuk menimbulkan konflik. Selanjutnya, pencapaian kerjasama mengindikasikan bahwa pemerintah Kabupaten Bangka telah memberikan dampak positif terhadap setiap pihak yang terlibat dalam kerjasama tersebut. Hasil dari studi ini juga menyatakan pentingnya peran pemerintah dalam proses pengelolaan resiko pemerintahan dalam program kerjasama atas pelayanan publik. Pemerintah bertanggungjawab dalam menjaga kepentingan pihak – pihak terkait, khususnya kepentingan publik, dan juga bertanggungjawab dalam menjamin tujuan dari kerjasama dapat tercapai.

Kata Kunci: kerjasama, tata kelola resiko pemerintahan, penanaman kelapa sawit

INTRODUCTION

Partnership is an effort to make public service reform in which non governmental actor involvement in public service provision support government limitation on it. In order to pursue that goal, the partnership is based on some common principles such as risk sharing, equity and synergy (Jebarus,1996 in Sitompul, 2008: 17).

In Indonesia, the partnership model on palm plantation has started since 1980 era namely Perusahaan Inti Rakyat (PIR). At the beginning of this partnership model, the government conducted outreach and training for the farmer and arrange a marketing and product process system of people palm plantation. In the later phase, the private company involved on this activity.

The next models of palm plantation partnership are KKPA(Koperasi Primer Kepada Anggota) or Prime Cooperation To the Participant and Revitalisasi Perkebunan or Plantation Revitalization. Meanwhile, KKS (Kebun Kelapa Sawit Rakyat/People's Palm Plantation) program in Bangka Regency, as analysis focus in this research, is one of partnership model

on palm plantation which is initiated by Bangka Regency Government. Sunarko (2009) noted that KKSR is modified from KKPA model. KKSR is a cooperation between Bangka Regency Government, local farmers and the palm plantation company (PT. Sawindo Kencana). This model gives more autonomy to the farmer and also sets some roles for the local government. However, the implementation of the palm plantation development policy through a partnership among the farmer and state/private company still faces some awkward problems. Marhoed (2008) noted that there are some cases of the palm plantation development which has not given good advantage for the farmer¹. In the other side, the plantation company also has to deal with some obstacles in the palm plantation partnership such as security disturbance, disobedience from the farmer, and rent seeking behaviour of the public officials. (Sitompul: 2008: 15 17)

Generally, the problem of the palm plantation partnership are related with the land, market and investment issue. These problems affected more likely to the farmers even though they also affected the company. It can be concluded that each party involved in the partnership has each possibility of risk. So, the partnership on palm plantation should be based on the risk sharing principle to get mutual benefit. Furthermore, government that has regulatory function should mediate the partnership process in order to achieve its objective.

In this context, this paper is aimed at describing three main problems: risk governance process at KKSR (Kebun Kelapa Sawit Rakyat/People's Palm Plantation) program in Bangka Regency, the risk governance strategy and the impact of risk governance of this program. It is hoped that this study will be able to initiate a discussion about how to conduct a partnership in risk perspective.

The rest of the paper proceeds as follows: the second section discusses the theoretical framework. Section three describes the methodology. The fourth section presents the empirical results and the conclusion is on the last section.

THEORITICAL FRAMEWORK

A. Partnership and Risk Governance

The development of contemporary public administration indicates that public services delivery are no longer dominated by the government (Dwiyanto: 2004, Salamon:2002). Complexity of problems and needs requires a change in governance of public services. One of issues that arises is non government actors involvement that manifests on partnership in public service delivery.

There are various definitons of partnership. Tyler dan Matthews (1996) note twenty definitions and identify 10 key elements of it:a). Goals and Objectives, b). Trust, c).Problem Resolution, d). Commitment, e). Continous Evaluation, f). Group Working and Teams, g). Equity, h). Shared Risk, i). Win Win Philosophy, j). Collaboration and Cooperation. Furthermore, it can be concluded that working relationship between governmnet and non government institution is not always a partnership format. Partnership should base on some main principles such as risk and responsibility share and resources transfer (United Nation ESCAP, UNDP dan ADB, 2007: 21). In addition, Grimsey dan Lewis (2004: 13) note other main principles of partnership: a). Participants, b). Relationship, c).Resoucing, d). Sharing, e) Continuity.

In other side, Hartwich (et al.) (2008:viii) state that partnership does not always become a right instrument to get a project complishment efficiently. Partnership could be fail and lead to conflict and cause cost and schedule overruns, lost time, wasted money, poor quality, and low morale. Thus, a partnership should begin with an assessment regarding the following factors:

1. whether there is a common interest,
2. whether the cost-benefit relationship is positive for each partner,
3. whether all partners derive benefits from their contributions,
4. whether there is sufficient equilibrium between the partners' benefits, and
5. whether or not the partnership produces results that are non conflictive.

At this point, what are main roles of government in partnership? Handoko (2006: 29-30) dan Shapiro dan Rosenquist (2004: 458) notes some government roles in partnership as follows:

1. Regulatory function which supports performance of the partnership by determining agenda and public service priority, monitoring performance of private party and providing incentives and sanctions to private parties for their performance.
2. Mediation function which mediates a conflict in partnerships.
3. Promoter function which mobilizes private sector investments as well as controls the competition between the private sector and mobilizes civil society participation and protects the civil society from private sector abuse.
4. Facilitation function that facilitates funding and technical assistance.
5. Evaluation and Monitoring function.

In another context, risk as a concept has been known in a wide area. There are various perspectives of risk namely social risk, economic risk, security risk, investment risk, political risk etc. (Merkhofer (1947)). The risk manifestations are also various from disaster, crime, pollution, terrorism, to technology impact. (Renn:2008:50)

Merkhofer (1947:2) describes risk as “uncertain situation in which a number of possible outcomes might occur, one or more of which is undesirable”. IRGC (2008:4) state definition of risk “an uncertain (generally adverse) consequence of an event or activity with respect to something that humans value”.

Renn (2008: 50) notes that there are three main elements of risk definitions:

1. outcomes that have an impact upon what humans value;
2. the likelihood of occurrence (uncertainty);
3. a specific context in which the risk may materialize.

Furthermore, Renn also notes that from social science perspectives risk is about the probability of “social construct”. It deals with how to explain the non physical impact of a risk and the relation between risk and social culture. Meanwhile, from natural science perspective, risk is related with a damage of something which is valuable for human. Thus, a multiperspective approach is needed to understand risk comprehensively. Given this various description about risk, what are risks on palm plantation partnership? Table 1 describes the risks on palm plantation partnership.

TABLE 1 RISK IN PALM PLANTATION PARTNERSHIP

TYPES OF RISK	RISK MANIFESTATION	RISK RESOURCES
Operational Risk	Cost overruns	Rearrangement of agreement
	Low output quality	Breach of contract
	Lost time	Negligence of the operator
Financial Risk	Inflation	Market change
	Comodity Price	Fluctuation of comodity price
	Income Change	Demand decreasing
Institutional Risk	Denial of agreement, Rule change	Political situation
Force Majeure	Disaster, riot	Extraordinary condition
Environmental Risk	Environmental change	Pollution

Sources: Grimsey and Lewis (2004:180); Merna and Smith (1996), Miller and Lesard (2001) in Grimsey and Lewis (2004: 174); Chapman and Ward (1997), Kerzner (1989), Smith and Walter (1990), Thobani (1998) in Grimsey and Lewis (2004: 172); Siahaan (2009: 11 and 28); European Comission (2003: 55)

Partnership is a cooperation that is driven by resources limitation of the party involved on it to pursue a certain goal. At this point, there should be a resources transfer in a partnership in order to give benefit to each party (Handoko: 2006:46). Infact, resource transfer in a partnership could be in a disparity condition between the ownership of resources and the risk that has to be taken. Hence, risk governance is important for balancing the ownership of resources with the capacity to bear the risk in the partnership.

Instead of using risk management term, this paper is using risk governance term that is inspired by International Risk Governance Council (IRGC) study about risk. IRGC (2005:4) describes risk governance as follows:

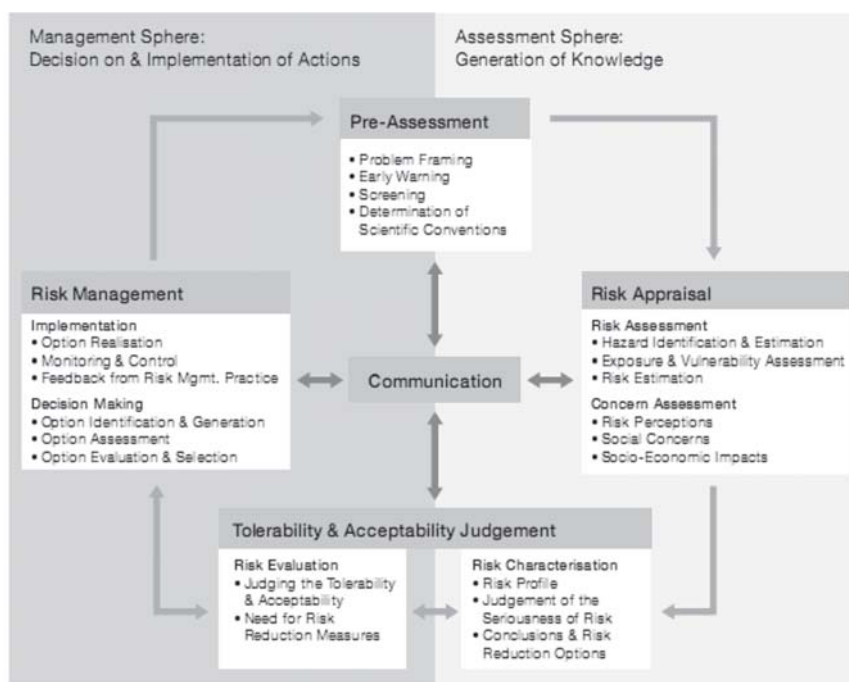
“Risk governance deals with the identification, assessment, management and communication of risks in a broad context. It includes the totality of actors, rules, conventions, processes and mechanisms and is concerned with how relevant risk information is collected, analysed and communicated, and how management decisions are taken. It applies the principles of good governance that include transparency, effectiveness and efficiency, accountability, strategic focus, sustainability, equity and fairness, respect for the rule of law and the need for the chosen solution to be politically and legally feasible as well as ethically and

publicly acceptable".

Risk governance relates with a broad context of risk. It deals with actor, rules and links it to the principles of good governance such as transparency, equity and accountability. "Governance" refers to the involvement of four central actors of civil society: government, private sector, scientist and civil society (Renn: 2008:201).

Risk governance consists two main parts, first, analysis process and second, risk management process. Those parts have four phases: pre-assessment, appraisal, characterization and evaluation, and implementation and decision making. All of those process are linked by communication.

PICTURE 1
RISK GOVERNANCE PROCESS



Source: Renn (2008:201)

RESEARCH METHODS

This research had been conducted in Bangka Regency, Kepulauan Bangka Belitung Province, Indonesia by qualitative method. The primary data collected through depth interview technique and observation. The informants are policy maker in Bangka Regency, private plantation company, participant farmers of KKS Program and others who have concern in the issue of palm plantations.

RESULT ANALYSIS

A. Context of Bangka Regency

Bangka Belitung has a long history related to its natural resources, especially tin commodity that began to be explored since the 16th century during the Palembang Sultanate. The history of tin exploration in Bangka Belitung was marred by the stories of local community resistance against the occupation and the social process of interaction between the local miners and the miners that came from China. At Post-colonialism era, tin commodity still has an important influence for the social life of communities in Bangka Belitung Islands (Ishak: 2000, Erman: 2007 and Heiduis: 2008).

Meanwhile, in the plantation sector, pepper is a commodity which also has its own story as well as the presence of tin exploration in Bangka Belitung. Pepper has been planted since 1860 and used to be an important commodity for the economy in Bangka Belitung until the early of 1990s following its price falling in the world market.

TABLE 2 PRIVATE INVESTMENT IN PALM PLANTATION AT BANGKA REGENCY IN 2009

NO	COMPANY	LOCATION	AC (HA)	AT (HA)	INFORMATION
1.	PT. Sumarco Makmun Indah	Bakam, Puding Besar	15.000	-	Nucleus
				5.654,91	Plasma
2.	PT. Gunung Maras Lestari	Puding Besar	10.000	11.272,92	Nucleus
3.	PT. Tata Sawit Permai Lestari	Puding Besar, Bakam, Merawang	12.704,92	136,80	Nucleus
4.	PT. Tri Jaya Hasil Lestari	Puding Besar, Bakam	160	503,30	Nucleus
5.	PT. Sawindo Kencana	Puding Besar	385	1.142	Nucleus
				321,67	Plasma
6.	PT. Tata Hamparan Eka Persada	Bakam, Riau Silip	10.500	-	-
7.	PT. Gunung Pelawan Lestari	Belinyu, Riau Silip	2.230	-	-
8.	PT. Bangka Putra Mandiri	Mendo Barat	4.389,17	521,19	-
			85.369,09	19.552,79	

Source: Peluang Investasi Prov. Kep. Bangka Belitung Tahun 2009

Once the glory of pepper era is over, the palm commodity began to attract farmers and private plantation companies, especially in Bangka Regency as one of the central of palm plantations in Bangka Belitung. Table 2 shows that in 2009, there are 9 companies which invest on palm

plantation investment in Bangka with 19552.79 ha planting area from 85,369,09 ha total of plantation land. So there are 65816.3 ha uncultivated land. The potential of this land would be an opportunity for the development of palm plantation in Bangka regency but on the other hand it could be a social problem when the development is not planned with attention to risk factors within.

B. Interests in Partnership

In a partnership, each party has different interest. But resources limitation make them cooperate in order to achieve their objectives. Thus, description about interest of involved party in a partnership will help us to understand about partnership operational prospect.

First, the interest of the Bangka Regency Government is finding policy solutions in the palm plantation management issues in Bangka by synergizing the government, communities and palm plantation company in the palm plantation development.

However, the development of palm plantations are also still have a number of constraints. For example, limited capital and knowledge and impartiality pricing and marketing systems. Bangka regency governments realized the need for government's role in finding solutions to the problems that exist in palm plantations. In other side, the government needs other's involvement given the limited resources owned by the government. (interview with Bangka Regency Secretary by author on June 5, 2010).

Second, in the context of palm plantation company's interest, partnership is an effective way to build a good relationship with the community. Furthermore, the company needs to have sufficient input for the factory production. However, the company cannot get a sufficient supply for the factory from their own farm. So, it has to get the supply from the small scale farmer or other parties that become its partner.

Development of palm plantation also requires the company to adopt the partnership model. This is due to the fact that plantation business always relates with the community around. Thus, that condition has a high potential of conflict (Sunarko, 2009: 8). At this point, a good cooperation between companies and community around would avoid the conflicts such as looting farm, land claims and the the destruction of the

plantation assets.

Third, the interests of farmers is improving their welfare. There is a high enthusiasm of people to register themselves as a KKSR Program participant although in the early launch of the program there are still doubts about its success. (Head of Plantation Division of Bangka Regency, interview by the author, on June 2, 2010)

In other side, KKSR Program is important for the farmer since one of palm plantation characteristic is high cost plantation. Hence, the partnership between Bangka Regency Government, Sawindo Kencana Ltd, and the farmers would overcome the farmers' resources limitation. Based on those points, there are different interests of the parties involved in the KKSR partnership and these different interests potentially lead to conflict. In this context, trust among the parties is important to conduct a synergistic and mutual benefit relationship and to open a communication.

Another reason for trust importance that KKSR model requires a more autonomous farmers on planting their land in this partnership. So trust factor is also important in order to have planting process on track.

C. Risk Identification Process

Before KKSR program was established in 2004, there was an awareness of policy makers in Bangka Regency Government about daily problems that occurred in the management of palm plantations on Bangka. The identification shows that local farmers are at a disadvantage condition both in palm plantations on a large scale plantations managed by plantation companies and small holders that are managed independently by the community. Furthermore, the evaluation of plantation sector also shows that there were lack of responsibility of farmers that involved in a plantation grant program. Based on that awareness, the Bangka Regency Government conducted KKSR program as a solution for the plantation problems. (Secretary of Bangka Regency, interview by the author on June 5, 2010)

1. Risk type on KKSR program

The description in this section discuss types of risks that exist in KKSR program, sources of risk, and further implications of the existence of risks to palm plantations partnership based on the risk perception of the

actor.

Type of risk is an attempt to classify the problems in the palm plantations into a general concept. In other side, the sources of potential risk could emerge from all parties involved in the partnership or from the environment outside the partnership.

Based on an analysis of the primary and secondary data, there are four types of risk in KKS program: operational risk, financial risk, institutional risk and environmental risk.

a. Operational Risk

In the palm plantation, land is one of the important issues and often lead to conflict between communities, palm plantation companies and the government. The source of the problems are unclear status of the land, compensation issues and misuse of permits for palm development.

Meanwhile, land licencing process that uses power approach could also cause conflicts that could lead to failure of partnership. Power approach means that the process is lack of legitimation since there is not good and fair communication between the local government and palm plantation companies and local community. (Director of Walhi of Bangka Belitung, an environment NGO, interview by the author on June 3, 2010)

Operational risks in palm plantations also could manifestate in the uncertainty of the production of a palm plantation. The number and quality of the production of Tandan buah Segar (TBS) is influenced by some factors such as land, plant age, seeds quality, fertilizers and harvesting process. The quality and quantity of palm production depend on the management or cultivation techniques for these factors. It is also influenced by the seriousness of the farmers in treating the plant, especially the palm plantation program that is supported by the government, since there is misperception of the farmers that any government assistance is free of charge and does not demand any responsibility. This misperception could encourage farmer to have low sense of belonging of government programs so that programs could not run optimally. (Bangka Regency Secretary and Head of Labu Village, inter-

view by the author on 5 and 6 June, 2010)

b. Financial Risk

Financial risk in partnership of palm plantations related to the uncertainty of the palm commodity prices due to fluctuations in commodity prices, uncertainty of marketing and pricing system. The amount of palm mills which tend to be limited in some area led to many companies act as a collector of plantation crops from farmers and resell it to another party which has palm mills. As a result, there is no price margin gained by the farmers but it is gained by companies or traders. Thus the impact of palm plantations for improving the welfare of farmers is not significant.

In the perspective of palm plantation companies, farmers have a potential to disobey the partnership agreement by selling their production to middlemen and it could decrease the supply of TBS for the company. (Plasma Manager of Sawindo Kencana Ltd, interview by the author on August 5, 2010)

Meanwhile, another characteristic of palm plantations is the existence of a waiting period until the palm plantations become productive and profitable. This waiting period lead to a condition in which the farmers have not been able to get any revenue from palm plantations and only a few farmers are able to handle this condition without getting a loan from the companies. (Budiasa, 2010).

However, palm plantation credit could also potentially become the problems for the farmers because of lack of transparency in the credit agreement between farmers and companies or other parties. This situation increases the risk of credit fund difficulties by the farmers.

c. Institutional Risk

Institutional risk in the partnership program of palm plantation is uncertainty regarding government policy support in its function as a regulator, mediator, facilitator and conduct monitoring and evaluation of the program. Particularly the support for the protection of public interests such as budget support subsidies for farmers as well as mediating the different interests in order to create a mutually beneficial partnership.

Institutional risk could also manifest in denial of an agreement by the farmers and other partners in the management of palm plantations. For example, farmers make defiance against the provisions of the partnership or a condition in which the company fails to meet its obligations.

In other side, palm plantations require a large fund and high technology, from the land clearing process to the cultivation activities. At the stage of cultivation, seed quality is a prerequisite for good yields. Meanwhile, quality seeds, fertilizers and pesticides are expensive. Besides its price, subsidized and non-subsidized fertilizer are often difficult to obtain in the market. So, the government's political will is important to protect the small scale farmers.

d. Environmental Risk

Tarigan on Aliansi Desa Sejahtera (2009) identified several environmental impacts of palm plantations:

- 1) Combustion of land as one of the method of land clearing produces smog which may encourage the emergence of ARI (Acute Respiratory Infection). The larger the area the higher the expansion rate of smog.
- 2) The destruction of forests as an absorbing, storage and distributor of natural water due to the conversion of the region
- 3) Access to clean water becomes difficult because the oil companies control the land of the water resources. In the other side, the water quality around the plantation areas also decreased due to the use of pesticides and herbicides in large numbers and waste disposal practices into the river by the factory.
- 4) Palm plantations also have the potential to lead to destruction of forest. According to the data of Forest Office (Dinas Kehutanan) of the Province of Kepulauan Bangka Belitung, production forest, protected forest and conservation forest in Kepulauan Bangka Belitung are not completely in good condition because they have been exploited by the plantation and mining activities whose territories spread across all districts including Bangka Regency. (Bangka Pos, February 3, 2010).

D. Risk Governance Strategy

Risk governance strategies adopted in KKSR program as a response to the risk was initiated by the Bangka Regency Government Bangka through the distribution of tasks and roles in the partnership i.e by providing non interest financial assistance, determining the plantation product pricing mechanism and purchasing system and conducting technical development of cultivation intensively. Another strategy is transferring the risk of land to farmers that participate in KKSR program.

1. Conducting Role Sharing

Bangka Regency Government role in risk governance of KKSR Program is strategic since the government has the authority in initiating the division of roles in order to create a mutually beneficial partnership. Based on the results of risk identification in the early phase of the partnership, Bangka Regency Government initiated a partnership with a division of roles between the Government of Bangka Regency, PT. Kencana Sawindo and KKSR program participants.

Bangka Regency Government provided means of production assistance such as fertilizers and non interest fund for land clearing. Another role of Bangka Regency Government is supervising the whole process of the conduction of the partnership agreement.

Meanwhile, PT. Sawindo Kencana conducted technical cultivation training of palm plantations and bought the farmers product based on the pricing mechanism of the partnership agreement. Furthermore, the participant farmers provided the land and managed their farm independently.

Generally, role sharing could be considered as a response to operational risks related to farm productivity and financial risks of KKSR program.

a. Providing funding loan

The funding source for KKSR Program is from the budgeting of Bangka Regency Government. The funds are used to assist farmers in land clearing and purchasing production means. The amount of support adjusted to the needs proposed by the participant farmer.

The farmer repay the loan to the Government of Bangka regency

gradually with no interest charge. Meanwhile, budget allocation for the program KKSR are shown in Table 1. Unfortunately, even KKSR Program is considered to be a success program in palm plantation partnership, after 2008 there was no more budget allocation for it from Bangka Regency Government due to the budget limitation.

TABLE 3 BANGKA REGENCY BUDGET ALLOCATION FOR KKSR PROGRAM IN 2004-2008

NO.	YEAR	BUDGET ALLOCATION
1.	2004	Rp. 465.000.000
2.	2005	Rp. 750.000.000
3.	2006	Rp. 399.416.000
4.	2007	Rp.1.599.105.000
5.	2008	Rp.4.163.375.000

Source: LKPJ Bupati Bangka Tahun 2004-2008.

In a risk governance perspective, the impact of this assistance would reduce operational risk which manifested in low quantity and quality of palm production. In fact, the comparison of condition of non-KKSR with KKSR Program plantations at the same location shows that KKSR Program plant is in a better condition. (Observation in Labu Village on June 6, 2010)

Non interest financial assistance also distinguishes KKSR Program in Bangka Regency with other palm plantations partnership model. For example, in the revitalization model, the loan has low interest but it is limited to the construction of the farm phase for about five years. Generally, this KKSR Program strategy would minimize the risk of credit stagnation by the farmer due to the absence of credit interest rate expense.

In KKSR program, Bangka Regency Government also has taken the financial risk which is typically faced by plantation companies in the other palm plantation management scheme. Bangka Regency Government provided financial assistance to farmers during the construction of the farm.

b. Pricing Mechanism and Marketing System

Identified risks in this study are common problem that often occur

in the management of palm plantations. Low bargaining power of farmers, the uncertainty of product marketing system are some of those common problems. However, farmers' lack of commitment in carrying out the contract is another source of risk.

In KKSR partnership, the financial risk which manifest on the uncertainty of the price of TBS produced by the farmers have a direct impact on the ability of farmers to pay the mortgage debt. In order to solve this problem, a pricing mechanism and marketing system that ties all parties in KKSR Program was created. Price determination conducted at least once a month by Tim Penetapan Harga Pembelian TBS (Purchasing System of TBS Team) which consist of Kepulauan Bangka Belitung Province Government and all the regencies in it, the farmers and private palm plantation company.

Data from the Survey of Program Evaluation of KKSR Program in 2010 showed that 49% of farmers KKSR Program states that the purchase price of TBS by PT. Sawindo Kencana has been implemented in accordance with the agreement of Tim Penetapan Harga Pembelian TBS, 25% stated they were quite fit, very fit at 13%, 13% stated less suitable and not suitable 8%.

The certainty of pricing and marketing system of TBS has impacted program participants to encourage the farmer to repay KKSR loans. Furthermore, This progress has also stimulate the seriousness of other farmers in managing their palm plantation. (Head of Labu Village, interview by the author on 6 June, 2010).

c. *Conducting Technical Development of Cultivation Intensively*

The importance of assistance to farmers is due to the fact that palm plantation is a new commodity at most areas of Bangka Regency, so technical knowledge about its cultivation is still very limited. Furthermore, conducting an intensive assistance is an effort to manage the risks associated with the uncertainty of the production of palm plantations owned by farmers. In other side, assistance is a tool communication among partners in order to create mutual trust of partnership.

2. *Conducting Risk Transfer of Land To Farmers*

In KKSR Program a prospective participants farmer are required to

have 2 ha certificated land. Provision of land ownership in KKSR Program is different with the other model of palm plantation partnership such as plasma nucleus model, in which the company build the nucleus area and give the assistance to the farmers in establishing plasma plantations. In fact the agreement in the construction of the plasma nucleus often encountered problems due to lack of clarity about locations and the realization of the plasma planting.

Thus, the provision of land ownership by farmers in KKSR Program is the answer to the problems that have been associated with the land in the palm plantations. In other side, for the farmers, land still become their as a personal property in order to support their live in the future. Meanwhile, for the company, it get advantage for not taking risk related with land plantation licence process that could need a high cost because the possibility of rent seeking behaviour of the public officials.

E. Risk Governance Achievement

The partnership objective is conducting a mutually beneficial cooperation for all parties involved. In the case of KKSR Program, Bangka Regency Government, PT. Kencana Sawindo and program participants farmers have given their resources to achieve their intended goals. For the Government of Bangka regency who initiated the program, it is important to improve the welfare of the farmers and gain support for its policy. While the company's involvement in the partnership is important to get a supply of TBS for the company factory operation.

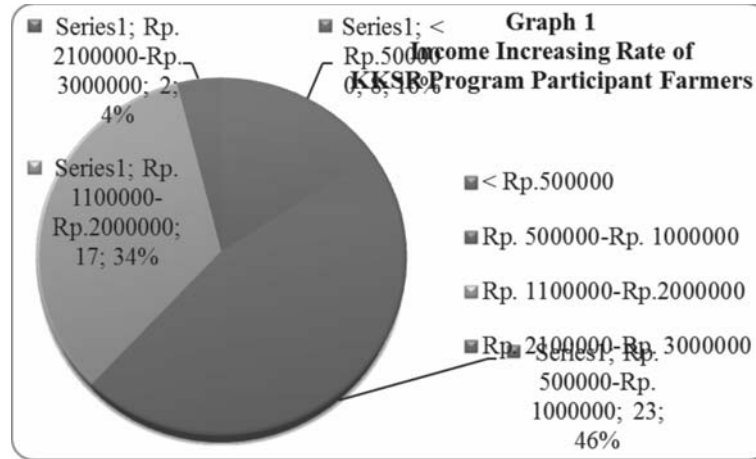
1. Supply for The Company and Good Relation in Partnership

Eventhough TBS supplies from KKSR Program are not significant part comparing to the total needs of mills owned by PT. Sawindo Kencana, but PT. Sawindo Kencana felt the positive effects of good relations with farmers and Bangka Regency Government. Furthermore, there are no serious conflict in KKSR Program. This condition is important for the company in order to carry out the factory operation safely.

2. Improving the Welfare of The Farmers

The impact of KKSR program for the welfare of farmers can be implied from income increasing of the farmers. Survey Data from KKSR Program Evaluation in 2010 showed that an increase in farmers' income as shown

inGraph 1



One of KKS participant farmer also expressed that compared to other plantation aid program awarded by the government, KKS program has given good impact for its participants which is stated as follows:

Among many local government aid, KKS is successful. The impact on the welfare of society is significant. In the past, there was a Peremajaan, Rehabilitasi dan Perluasan Tanaman Ekspor (PRPTE) or Rejuvenation, Rehabilitation and Expansion of Export Crops Project which gave aid in rubber plantation during the 1980s. PRPTE had the same loan scheme with KKS program. But it did not succeed because the commodity was not promising in economic term, there was no commitment of farmers, and the absence of a binding contract “. (interview by the author on June 6, 2010).

This statement is also supported by data from KKS Program Evaluation in which 30.8% of farmers stated their income increased after the program KKS, 25% greatly increased, rising 19.2% fairly and slightly increased 11.5%.

3. Political Legitimation

Government policy requires the support of the community. As a new innovation in the management of palm plantations, KKS program has good policy support and legitimacy. KKS Program considered to improve farmers' welfare program participants as presented by one of Bangka Regency Parliament members:

“ I think there are a lot of positive impact of partnership between government,

private and the small scale farmers. It will minimize conflict which often occurs between private and the farmers. Actually, KKSR is one of solution for the conflicts and for improving the welfare of the community. So far, KKSR has positive image “. (Interview by the author on June 12, 2010)

Political support from this parliament member would be important to the process of formulating a policy regarding the management of palm plantations on Bangka Regency. Meanwhile, farmers' satisfaction as the goal KKSR program can also be illustrated by the enthusiasm in response to the program which can be imply from the statement of one of the KKSR Program participating farmers as follows:

“We really appreciate the KKSR Program by Bangka Regency Government. We hope this program will be continued since there are many other farmers that interested in participating at KKSR Program “. (Observation at KKSR Program evaluation meeting in Sempan Village June 4, 2010)

KKSR program is considered as a partnership of palm plantations that are more beneficial to farmers compared with other partnerships such as the PIR. Head of Sempan Village stated as follows:

“ I think KKSR Program is more profitable then other palm plantation model such as Pola Inti Rakyat (PIR). For example, KKSR program only requires 3 Kg of minimum weight of the TBS for its harvest purchasing mechanism. Meanwhile, another model requires 5 Kg of minimum weight for its harvest purchasing mechanism standard.(Observation at KKSR Program evaluation meeting in Sempan Village June 4, 2010).

CONCLUSION

In the process of formulating risk in Bangka Regency KKSR program begins with the identification of risk by the Government of Bangka regency. Bangka Regency Government initiative indicates an awareness of the risks in the program KKSR.

Types of risk in KKSR program are operational risk, financial risk, institutional risk and environmental risk. There are some similarities and also differences in the perception of each party on such risk is related to the urgency, the source and impact. Risk governance strategies indicate a response to the risk of KKSR actors in the program. Management strat-

egy is more directed to the uncertainty concerning the operational and financial of KKSR program.

Achievement of the partnership shows that the risk governance strategies initiated by Bangka Regency Government has protected interests of all parties that involved in the partnership. It is concluded from the achievement of the desired benefit from cooperation in KKSR program. In other side, achievement of risk governance indicates that there is no disparity in the transfer of resources of each party in the KKSR Program partnership.

ENDNOTES

- *) This paper was revised paper and previously presented at *International Conference on Public Organization (ICONPO)* , Korea University, Seoul Korea on 11 May 2011.
1. These problems are described as follows:
- lasma farm is not constructed by the plantation company in accordance with the agreement
 - Unfair farmers' product quality assessment by the company.
 - Lack of credit transparency for the farmers
 - Lack of quality seeds

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