Analysis of Regional Investment Policy Direction in The General Investment Plan Perspective of Tanjungpinang City

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Abstract
The regional government of Tanjungpinang City as regional management should be more active in creating regional competitiveness and investment in developing the potential of their respective regions. This paradigm shift in regional investment is in line with the aim of spurring synergies in various aspects in the implementation of local government with the central government, the competition that is increasingly open in this era of decentralization requires local governments to organize and organize their regions operationally in order to maximize their regional potential and gain good skills managing the market in order to attract investors, both foreign capital (PMA) and investment in the State (PMDN), the development of investment in a region or region can give birth to or create opportunities for other economic activities. With the investment roadmap, it will become the basis for investment policies and guidelines to attract investors to make direct investment in Indonesia and Tanjungpinang City, especially as part of development. Through this research, see how the existing conditions and how policy formulation of the development plan of Tanjungpinan City and the regional general investment plan roadmap.

Keyword: Policy, Investment, Regional Development, Planning

1. INTRODUCTION

the objective of attracting investors to invest directly in Indonesia is to complement development financing, it is the most basic thing in investment policy. To strengthen the regional economy and ensure the existence of the business world, the Tanjungpinang City government strives to maintain economic, socio-political, and security stability as well as ensure law enforcement so that regional economic activity can be moved as a barometer of regional development. In an effort to move the wheels of the economy, it is necessary to monitor the area of economic development to follow the potential and characteristics of the area that have been determined by the regulations on the Spatial Plan for the City of Tanjungpinang. Based on Law Number 25 of 2007 concerning Investment, the Government Implements the Investment Framework Policy as a direction or reference for local governments, both Provincial and Regency and City governments.

The focus of the Government of Indonesia in the future is to carry out a more fundamental reform program in terms of regulations, business processes and service systems to be implemented in a short period of time. Reforms carried out do not only include administrative and procedural simplifications alone, so that it is hoped that reforms can bring about more significant changes that business actors can benefit from. In a report entitled "Doing Business 2020", the World Bank noted that Indonesia has made improvements in five aspects this year, so that its business ease score has increased by
1.64 points to 67.96. However, Indonesia's ranking in the ease of doing business is flat at 73. With a large middle-class population, Indonesia is certainly an attractive market for investors. However, this potential has not yet been fully explored, because the ease of doing business in Indonesia is still inferior to other countries. For business establishment permits, building permits, property registration, tax payments, export-import, and addressing Indonesian contracts, they lag behind Chile and Morocco. The fundamentals of this policy are to encourage the creation of a conducive climate in the regions to strengthen regional economic competitiveness and accelerate investment development in the regions.

To realize the basic policies in investment, the government has issued Presidential Regulation No. 16/2012 concerning the General Investment Plan, which is a long-term investment planning document. This General Investment Plan will serve as a direction or reference for Ministries / Non-Ministerial Government Agencies in formulating policies that are relevant to investment activities. In addition, the General Plan for Investment serves to improve and operationalize all related sectoral interests so that there is no overlap in the priority implementation of the sectors to be promoted. Therefore, to realize the objectives as expected in this Presidential Regulation, a synergy of all economic and development actors, both cross-sectoral and vertical, is needed. The strategic position of Tanjungpinang City as the capital area must be utilized, which is the center of government, trade, and services, tourism and industry as well as various forms of services needed by the community. According to Nguyen, C. T., & Trinh, L. T. (2018:17) highlighted that some economists believe that public investment can boost private investment, especially when the investment is made in infrastructure development, public goods and services supply, because it creates a secured macro-environment to attract investment capital as well as reducing investment cost for private sector. Investment contribution to economic growth can be seen from demand and supply side. Meanwhile, Handriani, E., & Robiyanto, R. (2018:297) describes through investment it delivers contribution to economic growth can be seen from demand and supply side. On the demand side, increased investment stimulates economic growth by creating an effective demand. While on the supply side, increased investment stimulates economic growth by creating more capital reserves which then develop in the form of increased production capacity. the question rises with how investment can encourage economic growth and increase people's income.

In general, currently, the potential for investment in Tanjungpinang City is available in various economic sectors which have their advantages, such as trade and services, tourism, and industry which must be managed properly. As regions that are also neighboring countries such as Singapore and Malaysia, the formulation of investment policies must also pay attention to global needs. At the same time, the policy planning instrument must be following the development framework of the City area and besides that, it must also be packaged systematically, to attract the interest of economic actors in optimizing the potential development that has been stipulated in regional regulations. Given the urgency of the role of investment in achieving the vision, mission, and direction of the development of Tanjungpinang City as an articulation of Presidential Regulation Number 16 of 2012, the Tanjungpinang City Government through the Investment Service and One-Stop Integrated Services needs to prepare a draft General Investment Plan which is useful as a frame of reference or policy direction in the development and enhancing for economic growth, especially the development of investment in Tanjungpinang. Therefore, The General Investment Plan functions to synergize and operationalize all
sectoral interests related, so that there is no overlap in determining priority sectors to be promoted. Investment planning is also important for synergize a number of related sectoral policies, such as the industrial sector, agriculture, mining and energy, trade, and public infrastructure fields. With a systematic investment planning premise is also expected the basis of investment is not only for economic growth, but more in supporting efforts to achieve development targets. Therefore, this paper examines one of seven stages of policy decisions that is policy formulation. According to Dunn (2017) seven stages of policy are agenda-setting, policy formulation, policy adoption, policy implementation, policy communication, policy evaluation, and policy adaptation. Policy formulation as part of policy making process have characteristics that focus on Officials formulate alternative policies to deal with a problem. Alternative policies assume the form of executive orders, court decisions, and legislative acts (Dunn W,N,2017), thus general investment plan of Tanjungpinang City as one of executive order which is then poured into the mayor's regulation. As one of government agenda, general investment plan of Tanjungpinang is alternative development plan, so in Ripley, R. B., & Franklin, G. A. (1986) opinion it requires formulation and legitimation before it becomes policy statements that continue with designs of programs. Besides reviewing previous policy it is also interpreting fundamental policy formulation of local government investment in Indonesia, relationship between national and local government even though there are many regulations this relations still full of challenges. For that reason, Poulsen, L. N. S. (2011) stated in his dissertation suggest that, policy learning can be understood broadly as the process with which policy makers change beliefs as a result of observing and interpreting experiences, which in turn can – but does not have to - lead to policy changes. Why should the local government take care of this? regardless of the mandate of legislation Everything the government does (or fails to do) affects the distribution of income and wealth (Ulbrich, H. H, 2013), this is because the government must take its role as an institution that manages the public interest and keeps the private sector under control.

2. DISCUSSION

2.1 Investment in Indonesia

In the modern globalization investment in a country play an important role to boost nation-development. Investment is instrument economic policy, Economic policy deals with inflation and unemployment, but the economy itself affects the development of many other programs (Kraft, M. E., & Furlong, S. R, 2019). In recent years, Indonesia struggle to implement bureaucracy reform in order to exit from developing countries. The Indonesian government previously stated in the 2015-2019 National Medium-Term Development Plan (RPJMN) document define the main development challenges associated with planting capital which can be grouped into 4 (four) things, namely: (a) development of governance for creating an effective and efficient bureaucracy; (b) economic growth; (c) acceleration of equitable development among regions; and (d) acceleration marine development. Based on Law Number 25 in year 2007 concerning deep investment Article 1 Paragraph (1) defines investment as "all forms of investment activities capital, both by deep investment domestic and foreign investment for conducting business in the territory of the Republic Indonesia. Investment according to Legum, B. (2006) must have fundamental legal which is could be as protection then spur economic development. Based on Presidential Regulation Number 16 of 2012 concerning
the General Plan for Capital Investment, the Tanjungpinang City Government in building harmony and harmony in the direction of investment planning as well as the preparation of the General Plan for City Investment see and pay attention to the seventh directions of investment policies regulated in the presidential regulation, namely:

1. Improvement of the Investment Climate
2. Distribution of Investment
3. Focus on Food, Infrastructure and Energy Development
4. Environmentally Friendly Investment (Green Investment)
5. Empowerment of Micro, Small, Medium Enterprises and Cooperatives
6. Provision of Investment Facilities, Facilities and / or Incentives, and
7. Investment Promotion

If we look at the realization of investment (PMDN & PMA) issued by BKPM regarding Investment Realization in 2019, in the fourth quarter of 2019 based on the business sector (top 5) are: Electricity, Gas and Water (IDR 30.0 trillion, 14.4%); Transportation, Warehouse and Telecommunication (Rp 27.9 trillion, 13.4%), Industry Base Metals, Metal Goods, Non-Machinery and Equipment (Rp 24.0 trillion, 11.5%); Housing, Industrial Estates and Offices (Rp 23.7 trillion, 11.4%); and Mining (IDR 14.8 trillion, 7.1%). Planning potential investment 2014-2019 there are several strategic sectors that have opportunities such as: infrastructure, industry, agriculture, maritime, tourism, and utilization of industrial area development in special economic zone locations (Table 2.1).

Table 2.1 Investment Priority Sectors based on investment opportunities in Indonesia 2015-2019

<table>
<thead>
<tr>
<th>Industry</th>
<th>Infrastructure</th>
<th>Agriculture</th>
<th>Labor-intensive industry</th>
<th>Import-substitution industry</th>
<th>Export-oriented industry</th>
<th>Downstream industry of natural resources</th>
<th>Maritime</th>
<th>Tourism, SEZ &amp; Industrial park</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure</td>
<td>35 GW power generation</td>
<td>Food estate</td>
<td>Textile</td>
<td>Chemical &amp; Pharmaceutical</td>
<td>Electronics</td>
<td>Cacao</td>
<td>Ship building</td>
<td>Strategic tourism areas</td>
</tr>
<tr>
<td></td>
<td>24 Sea ports</td>
<td>Com plantation</td>
<td>Food &amp; beverages</td>
<td>Iron &amp; Steel</td>
<td>CPO &amp; derivative products</td>
<td>Rubber products</td>
<td>Fishery industry</td>
<td>MICE</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cattle</td>
<td>Furniture</td>
<td>Component</td>
<td>Wood products, pulp &amp; paper</td>
<td>Fish &amp; derivative products</td>
<td>Cold storage</td>
<td>8 + 11 SEZs</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Toys</td>
<td>Automotive</td>
<td>Shrimp</td>
<td>Sugar</td>
<td>Maritime technology</td>
<td>15 New Ind. Parks</td>
</tr>
</tbody>
</table>
Indonesia's investment problems, both internally and externally, pose significant obstacles in the development process undertaken by the government. According to the Coordinating Board Investment (BKPM), there are at least five obstacles often faced by investors in invest in Indonesia which is foreign investment interest in Indonesia is declining. The five obstacles are: (1) convoluted regulation; (2) difficult land acquisition; (3) uneven public infrastructure; (4) taxes and other non-fiscist incentives that do not support investment; and (5) inadequate skilled labor.

2.2 Investment Condition in Tanjungpinang City

The big role of investment in the development of a region is very important to pay attention to its sustainability through strategic policies that support the investment climate. Through movement rather than large investments, it is hoped that it will have an impact on the original income of the community and the regional economic growth. Tanjungpinang City is the capital of the Riau Islands Province which has a total accumulated area of 239.5 KM2 which is divided into 131.54 KM2 of land and 107.96 KM2 of sea. The population is 220,812 people with a population density of 1,527 people / km2 which makes Tanjungpinang City the third most populous area in the Riau Islands Province after Batam City and Karimun Regency.

In the publication of Social and Economic Indicators released by the Central Statistics Agency of Tanjungpinang City. The portrait of the economy and trade can be seen from economic growth, inflation, export value, import value as shown in the table below:

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Growth</td>
<td>3.27 %</td>
</tr>
<tr>
<td>Inflation</td>
<td>2.40 %</td>
</tr>
<tr>
<td>Export</td>
<td>US$ 16.41 Billion</td>
</tr>
<tr>
<td>Import</td>
<td>US$ 18.10 Billion</td>
</tr>
</tbody>
</table>

Source: Statistic of Tanjungpinang City, 2020

Based on updating of Large and Medium Scale Industries, there were 17 manufactures in Tanjungpinang Municipality with 1,081 workers (Statistic of Tanjungpinang City, 2020). Meanwhile, the export destination countries from Tanjungpinang City are China, Singapore and Malaysia. Countries such as Singapore and Malaysia which are also neighboring countries adjacent to the City of Tanjungpinang have had a significant impact on investment and economic growth. This condition is marked by the visit of foreign tourists from these two countries along with China which is a contributor to the number of tourist visits on Bintan Island. The preparation of a general investment plan for the City of Tanjungpinang was carried out before the Covid-19 pandemic occurred. The impact of this pandemic is very bad for the situation and condition of the local economy of the people of Tanjungpinang City. f in 2019 foreign tourist visits to Tanjungpinang can touch the number 169364 people, then in 2020 the number until entering the third quarter will drop drastically due to policies and health protocols between countries that are implemented to reduce the spread of covid 19.
The condition of the investment value in Tanjungpinang in the last 5 years before the pandemic actually shows quite good progress. This can be seen from the realization of the target for the achievement of investment value, both domestic and foreign.

**Table 2.3 Target and realization of achievements domestic direct investment/PMDN in Tanjungpinang city (2014-2018)**

<table>
<thead>
<tr>
<th>No.</th>
<th>Year</th>
<th>Target (Rp)</th>
<th>Realization (Rp)</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>2014</td>
<td>200.000.000.000</td>
<td>195.998.068.631</td>
<td>98</td>
</tr>
<tr>
<td>2.</td>
<td>2015</td>
<td>250.000.000.000</td>
<td>399.869.143.002</td>
<td>160</td>
</tr>
<tr>
<td>3.</td>
<td>2016</td>
<td>280.000.000.000</td>
<td>444.896.253.305</td>
<td>159</td>
</tr>
<tr>
<td>4.</td>
<td>2017</td>
<td>300.000.000.000</td>
<td>318.689.967.156</td>
<td>106</td>
</tr>
<tr>
<td>5.</td>
<td>2018</td>
<td>320.000.000.000</td>
<td>570.706.583.002</td>
<td>178</td>
</tr>
</tbody>
</table>

Source: DPMPTSP of Tanjungpinang City, 2020

From the realization of the achievement of Domestic Investment (PMDN) as described in the table above, it can be explained that the achievement or realization of investment in the City of Tanjungpinang in the last 5 (five) years shows a quite significant trend in meeting the achievement of investment targets that have been set accordingly with the Regional Medium-Term Development Plan (RPJMD) Tanjungpinang City. Seen in the last five years illustrates a fairly good increase in achievement, only in 2014 the realization of investment achievement that was not achieved from the predetermined target was only 98% with an investment value of Rp. 195,998,068,631, from the predetermined target of Rp. 200,000,000,000.

**Table 2.4 Target and realization of achievements foreign direct investment / PMA in Tanjungpinang city (2014-2018)**

<table>
<thead>
<tr>
<th>No.</th>
<th>Year</th>
<th>Target Investors</th>
<th>Realization Investors</th>
<th>%</th>
<th>Investment target value (USD)</th>
<th>Realization (USD)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>2014</td>
<td>1</td>
<td>0</td>
<td>100</td>
<td>1.000.000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2.</td>
<td>2015</td>
<td>1</td>
<td>1</td>
<td>100</td>
<td>1.000.000</td>
<td>16.500.000</td>
<td>1,650</td>
</tr>
<tr>
<td>3.</td>
<td>2016</td>
<td>1</td>
<td>1</td>
<td>100</td>
<td>1.000.000</td>
<td>1.079.100</td>
<td>108</td>
</tr>
<tr>
<td>4.</td>
<td>2017</td>
<td>1</td>
<td>1</td>
<td>100</td>
<td>1.000.000</td>
<td>1.024.400</td>
<td>102</td>
</tr>
<tr>
<td>5.</td>
<td>2018</td>
<td>1</td>
<td>2</td>
<td>200</td>
<td>1.000.000</td>
<td>2.929.654</td>
<td>293</td>
</tr>
</tbody>
</table>

Source: DPMPTSP of Tanjungpinang City, 2020

Within 5 (five) years, as many as 5 (five) foreign investment (PMA) invested in the Tanjungpinang City area, of which the largest investment made in 2015 was USD. 16,500,000 or 1,650% of the predetermined target of USD 1,000,000 with projects implemented in the housing sector, industrial areas and offices.

3. **Identification of Investment Policy in Tanjungpinang City**

The significance of the policy formulation process is that much greater because the barriers to change—such as investments in its programs and commitments to its ideas—cumulate over time (Fischer, F., & Miller, G. J, 2017). That is why in the academic paper of investment policy compilation in general there are so many regulations that must be carefully considered so as not to overlap. In the process of compiling a general investment plan, there is a legal basis that regulates synchronization and a basic reference that must be referred to as the main reference. There are at least 16 (Sixteen) regulations that become legal basis in the preparation of the general plan for investment in the City of Tanjungpinang in 2019, as listed below:
1. Law Number 23 of 2014 concerning Regional Government which has amended several times, most recently by Law Number 9 of 2015 concerning the Second Amendment to Law Number 23 of 2014 concerning Regional Government;
2. Law Number 25 of 2007 concerning Investment;
3. Law Number 12 Year 2011 concerning the Establishment of Legislation;
4. Law Number 28 of 2009 concerning Regional Taxes and Regional Levies;
5. Government Regulation Number 38 of 2007 concerning the Sharing of Government Affairs between the Government, Provincial Government and Regency / City Government;
8. Presidential Regulation Number 16 of 2012 concerning General Investment Plans;
9. Presidential Regulation Number 44 of 2016 concerning List of Business Fields Closed and Business Fields Opened with Requirements in the Field of Investment;
10. Presidential Regulation Number 91 of 2017 concerning Acceleration of Business Implementation;
11. Regulation of the Head of the Investment Coordinating Board of the Republic of Indonesia Number 9 of 2012 concerning Guidelines for the Preparation of Provincial General Plans for Investment and General Plans for Investment in Regencies / Cities;
12. Tanjungpinang City Regional Regulation Number 11 of 2009 concerning Regional Investment;
13. Regional Regulation of the City of Tanjungpinang Number 3 of 2017 concerning the Long-Term Development Plan of the City of Tanjungpinang for 2005-2025;
14. Regional Regulation of the City of Tanjungpinang Number 10 of 2014 concerning the Spatial Plan for the City of Tanjungpinang for 2014-2034;
15. Regional Regulation Number 3 of 2018 concerning Detailed Spatial Planning and Zoning Regulations for the District of Tanjungpinang Kota, Tanjungpinang Barat, Tanjungpinang Timur and Bukit Bestari in 2018-2038;
16. Tanjungpinang City Regional Regulation Number 1 of 2019 concerning the Tanjungpinang City Medium Term Development Plan (RPJMD) 2018-2023

This policy starts from the authority of the local government, in this case the City Government, in the affairs of investment regulated in the regional government law, the use of areas that can be used as investment locations by PMA and PMDN to the relation between medium- and long-term regional planning documents. What is prepared in the general investment plan for the City of Tanjungpinang is basically a mandate given by the central government to local governments. Therefore, in formulating this policy, there are so many policy relationships that must be compromised. Even so, Amitai Etzioni in (Goodin, R. E., Moran, M., & Rein, M, 2006) stated in the unique methodology of policy research explains that “Moreover, although understanding the causes of a phenomenon, which successful basic research allows, is helpful in formulating policy, often a large amount of other information that is structured in a different manner best serves policy makers”. So that there are so many considerations in policy formulation by reflecting on higher regulations or also connecting all closely related rules.

Tabel 2.5 Four phases of the action plan in order to achieve the vision and mission General Plan of Investment in Tanjungpinang City

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Phase | Action Plan
---|---
Phase I | Relatively easy investment development and quick results (Quick wins and Low Hanging Fruits).
Phase II | Acceleration of infrastructure development and Business and Trade Development
Phase III | Small, medium and large-scale industrial development
Phase IV | Knowledge-based economic development

Source: General Investment Plan of Tanjunpinang City, 2019

The objectives of implementing investment in the regions other than regulations governing investment can also be achieved through:

- Overcoming the inhibiting factors of the investment climate.
- Improved coordination between government and regional agencies.
- Creation of an efficient bureaucracy.
- Legal certainty in the investment sector.
- Highly competitive economic costs.
- A conducive business climate in the field of employment and business security.

In the other hand, Right government policy in the investment sector is needed because there are still many central and regional laws and regulations disharmonious and distortionary resulting in ineffective policies incentives and high transaction costs for the business world, such as none clarity of procedures, time and costs. Efforts that need to be made include harmonization of policies and simplification of licensing and non-licensing related to investment. Other attempts were made to correcting disharmony in central and regional laws and regulations is to facilitate problem solving (debottlenecking) to companies investing in Indonesia especially in Tanjungpinang-Kepulauan Riau Province. At the same time, the local government must conduct periodic reviews for regulation and also investment opportunity.

There are several challenges in accessing investment expansion which must then be formulated as part of the investment institution in Tanjungpinang City. One of them is the free trade zone area. This is also in related with the BKPM Strategic Issue in the BKPM Strategic Plan 2015-2019 ago that there needs to be a clear division of institutional roles from the management of the FTZ Area. BKPM emphasized that it needs a clear division of roles between the free trade area and the port free that has been, such as the free trade zone and ports free Batam, free trade zone and port free Bintan (and Tanjung Pinang), free trade zone and ports free Karimun. In the Republic of Indonesia government regulation number 47 Year 2007 concerning the free trade area and bintan free port, the free trade and free port area in Tanjungpinang City covers Senggarang Industrial area and Dompak Darat Industrial area.

3. CONCLUSION

The government needs to issue pro-investment policies and the right incentives to encourage foreign investors to realize their investment interests in the country, especially during the current pandemic. Therefore, Indonesia's attractiveness will not change if there is no cooperation between the center and the regions in building a good investment
climate. Local governments can also create simplification, efficiency, policies that can attract capital to be invested in the regions and create job opportunities. The conveniences provided to business actors, balanced with policies and programs that do not harm the state from a legal standpoint, will encourage the creation of quality investment and encourage an increase in people’s income going forward.

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