CHAPTER III

ANALYSIS AND DATA INTERPRETATION

The fast growing of urban area and *urban sprawl* in Special Region of Yogyakarta (DIY) is demanding effective strategy of development. The sustainable development of economy, social, culture and environment must meet its equilibrium. The equilibrium in development means that all the aspects are developing in line with the local land use planning (RTRW). As the *urban sprawl* in DIY, Sleman Regency has growing faster compares to other regencies/city. It can be seen from the contribution of the Gross Regional Domestic Product (PDRB) of Sleman Regency toward the provincial PDRB were highest among others with value of 30,64%. Related to its function as the urban sprawl of DIY, the economic growth and fast growing of development of Sleman Regency actually never be separated from the support of Investment in many sectors. In contrary, Kulonprogo Regency that was located not so far from the Yogyakarta city has the lowest contribution of PDRB toward the formation of provincial PDRB at current prices in 2011.

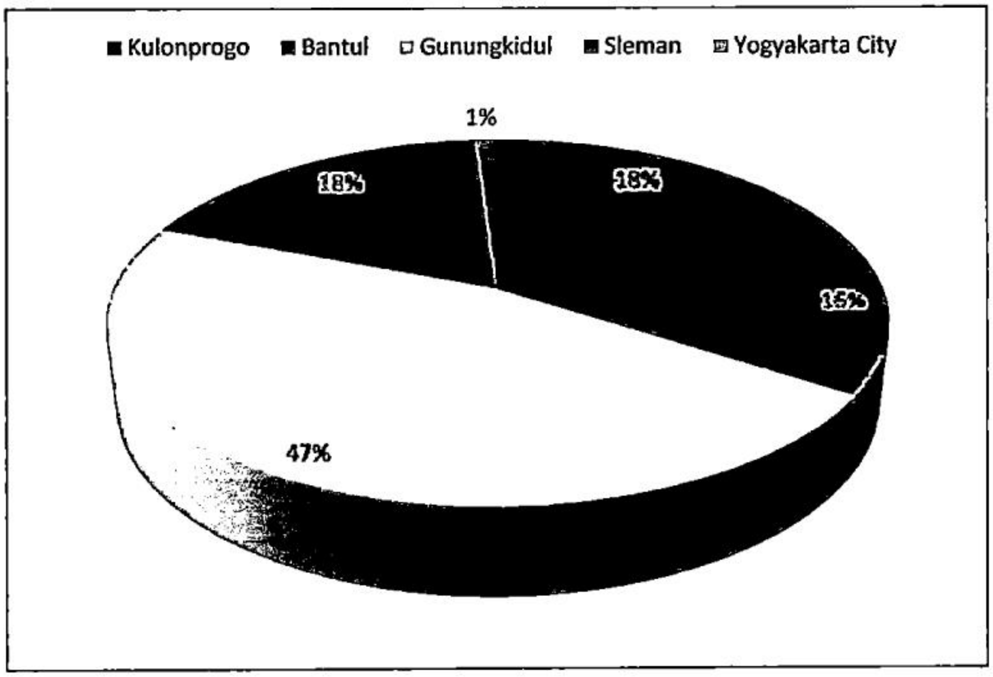
Table 3.1 Contribution of PDRB of Regency/City toward the Formation of Provincial PDRB at Current Prices in 2011

No.	Regencies/City	PDRB (Million rupiah)	Contribution (%)
1.	**Kulonprogo**	**3.867.136**	**7,85**
2.	Bantul	10.097.345	20,49
3.	Gunungkidul	7.250.682	14,71
4.	**Sleman**	**15.097.600**	**30,64**
5.	Yogyakarta	12.962.435	26,31
Total		**49.275.198**	**100,00**

Source: Regional Statistic Board (BPS) DIY, 2013

From the table 3.1 above, it can be seen that Sleman and Kulonprogo hold the highest and lowest contribution toward the PDRB formations in DIY. It may presumably as one of the indicators of economic growth of Sleman that superior to the Kulonprogo Regency.

Graphic 3.1 Percentage of the Width each Regencies of DIY



Source: Regional Statistic Board (BPS) of DIY 2013

Sleman and Kulonprogo Regency have almost same portion of the total width of DIY. Each is holding 574, 82 km² and 586,27km² from the total width of DIY 3.185,80 Km2. It means that both regencies have the same possibility to attract the investor. However, need some advantage values that able to influence the investor to invest in the regency.

Government of Kulonprogo Regency presumed that Kulonprogo Regency has distinct advantages compared to other regencies in the Special Region of Yogyakarta. Kulonprogo has the strategic location on the south java economical traffic as well as its attractive topography. In addition, as an accessible open economical region, Kulonprogo Regency will become a competitive region if developed in processing industry, trading and services sectors. Furthermore, the future prospect of Kulonprogo will have some crucial supporting facilities such as Fishery Harbour (in progress), and an International Airport (pre-feasibility study is available).

On the other side, Sleman Regency is also presumed itself has strategic position thanks being on the regional economic route. It has availability sufficient physical infrastructures. More detail, on its investment promotion book, Sleman Regency assumed that the reasons of the regency focus on investment because it has numerous comparative advantages. The advantages are including; trained and skilled manpower (hosting about 40 high educational institutions), friendly community as the central sprit of Sleman society.

Sri Purnomo on the regent remarks in the investment promotion book on "How would we have visitors without inviting and being friendly to them?".Apart from that, the existence of some easy-to-reach international icons in the region such as the Prambanan Hindu Temple, Yogyakarta Palace and Borobudur Buddhist Temple as well as other supports facilities. It's also including Adisutjipto International Airport and a star-rated hotel of international standard also has made Sleman an attractive investment destination.

1. Analysis of Strategy on Attracting Investment and (or FDI) in Sleman and Kulonprogo Regency

Sleman Regency is paying much attention on how the investment could improve the region's economy and the people's life quality. Those make the regency taking into account how to create an attractive and friendly investment strategy through well-structured investment promotion. On the other hand, Kulonprogo Regency is realizing its inferiority and initiates to create a brand image "Kulonprogo The Jewel of Java" as the way to promote the regency to the world. It hopes can bring Kulonprogo "Go International". Hence, the image was created as a manifestation of the commitment of Region Economic Development, which integrates potencies of Trading, Tourism, Education and Cultural sectors.

A. Policy Frameworks to the FDI

1. Autonomy: Socio-politics and Stability

The Special Region of Yogyakarta is a province that has good political stability and security among other provinces in Indonesia. It is a natural appeal of a monarchical region because the leader of the province was not being selected through electoral system. It makes the political tendencies in the province are relatively small. Related to investment, the socio-politics and stability of a region are quite affecting the determinants of the investors, including the foreign investors. The business world is requiring such conducive investment climate as well as the support of the socio-political stability. Good relation between government, private and society is a crucial thing that needs maintained in a region.

At the end of 2013, the FDI Companies in Kulonprogo noted there were 3 business units. They are PT. Sung Chang Indonesia, PT. Jogja Magasa Iron (JMI), and PT. Epotech Indonesia. The investor was from South Korea and Australia. Total value of investment received by Kulonprogo Regency in 2013 from those three companies is amount of IDR 227,761,150,000. Furthermore, Domestic Investment (PMDN) there is 7 business units with the investment value amount of IDR 983,363,175,249. Meanwhile, till the end of 2013, the investment of Sleman Regency noticed there were 44 business units of FDI (PMA) with the investment value amount of US$206.788.265,40 and absorb about 7.292 man powers (peoples).

For domestic investments (PMDN) there were 40 business units with the investment value amount of IDR1.868.199.326.172 and afford to absorb 9.782 man powers. The non-PMA/PMDN investment there are 33.341 business units with the investment value amount of IDR3.787.620.723.615 and afford to absorb about 266.489 man powers (peoples).

Sleman Regency with the huge number of FDI companies is more likely stable compares to Kulonprogo Regency in maintaining the relation between government, private, and society. It presumably that Sleman Regency has autonomy on creating 'Clean and Good Governance' system of investment governance. The head of KP3M Sleman, Retno Susiati stated as follows:

> *"...In order to create 'clean and good governance', the KP3M Sleman is conducting a high performance of investment governance which managing services effectively, transparently and professionally".*

Sleman Regency is succeeded to attract investors to come through the heterogeneous and open society. It can be seen from the investment realization that increasing simultaneously year to year. The Investment Office of Sleman Regency works hard to keep the good relationship between the office (government), investors and society. They keep relation with the investors by regularly held business gathering and monitoring. The program and the policy were successful in creating stability and conducive investment climate in the regency. Shown from that, there are almost none of the foreign companies that having problems and conflict whether with government and even with society.

On the other hand, Kulonprogo Regency stability related to the foreign investment was not as good as Sleman Regency. It is assumes because there are several conflicts between government, private and society occurs. The number of business unit concerning the capital in the regency is barely so small. Two among three of them were in problem. For instance, since 2006 until 2011, PT. JMI (Jogja Magasa Iron) have problem with society of four districts, such as Temon, Wates, Panjatan and Galur. The people were complaining about the existences of the project because they cultivate the land and desert along the south coast of Kulonprogo since about two decades ago. They were rejected the project because they assumed that the project might disturb their existences, source of income and life in that area.

In addition, PT. Sung Chang Indonesia, in 2011 was had a huge conflict with the labours of the company. The General Manager of the company, Cho Han Hyun was accused a law abuse toward the labours. As the result, the labours formed such movement of demonstration push the government to reform the investment policy. The labour movement was demanding the government of Kulonprogo to evaluate the investment objectives. They suggested that the government should not have to "sell" the low wage labour to attract foreign investors because they think that action was disadvantages for the regency as well as the labours.

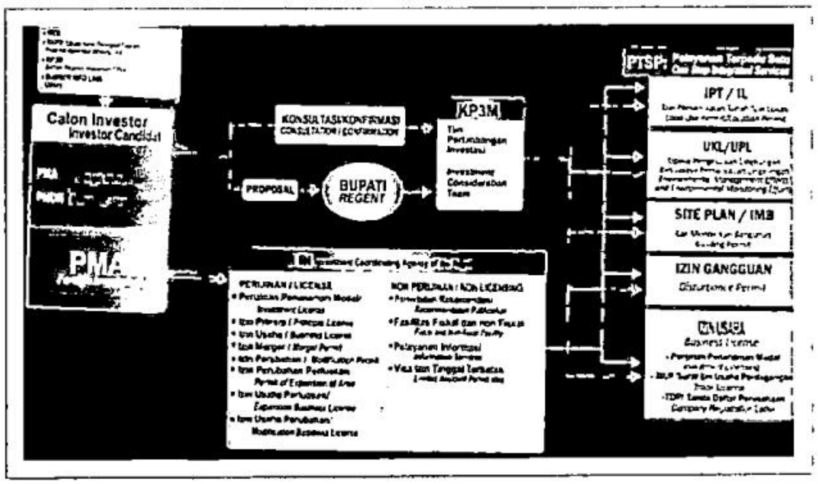
From some points above, it can be said that Sleman Regency's investment cycle was relatively stable and well-managed rather than Kulonprogo Regency. It is proven by the adjustment of some investors that almost every of them feeling satisfied with the investment governance and professionalism of Sleman Regency.

Furthermore, Kulonprogo Regency might assumes has not been succeeded in creating comfortable and profitable investment for all stakeholders. It might presumably cause by the lacking of socialization to the society about the investment projects and lacking of knowledge briefing to the investors about the law and regulations as well as the rights and obligations of the foreign company in Indonesia.

2. Entry and Operating Regulations

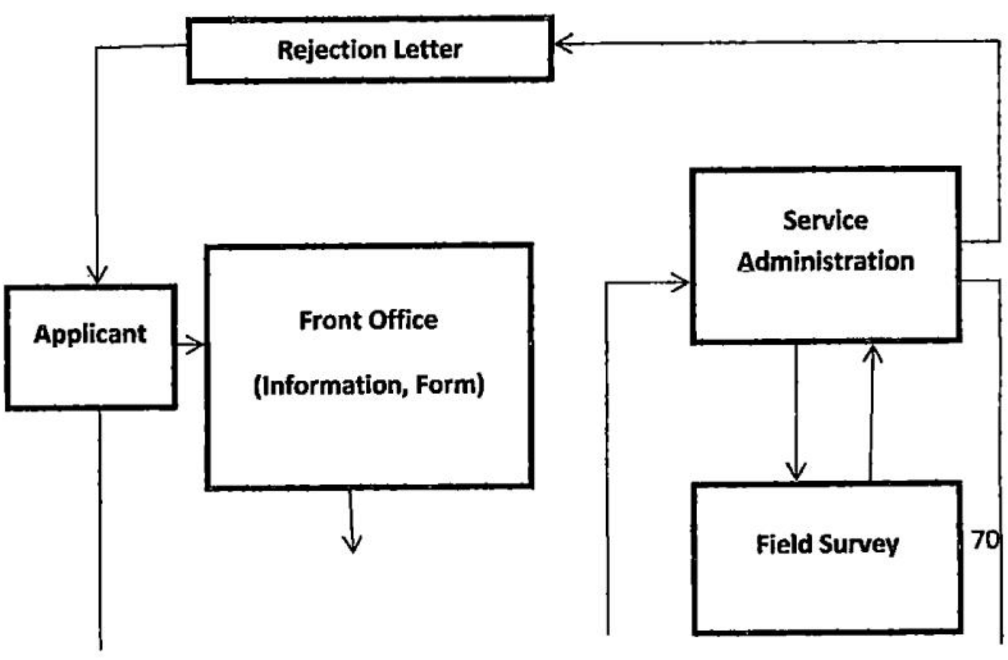
The effectiveness of free-trade regions in the regional-global level, and the anticipation of the ASEAN Community in 2015, requires the regencies or local government to do reorientation on the investment aspect. The governments are required to improve its quality and capability as the proportional public server. It is aimed to meet the demands of the global development and enhance the competitiveness among regencies on attracting foreign investors that has very big deal with the succeeded of the development of a region. In addition, the clear information about investment potentials, investment procedures and transparency of investment incentive and license procedures were also plays important roles in this case. The figure below compares the licensing procedures and guidance provided by Sleman Regency with Kulonprogo Regency.

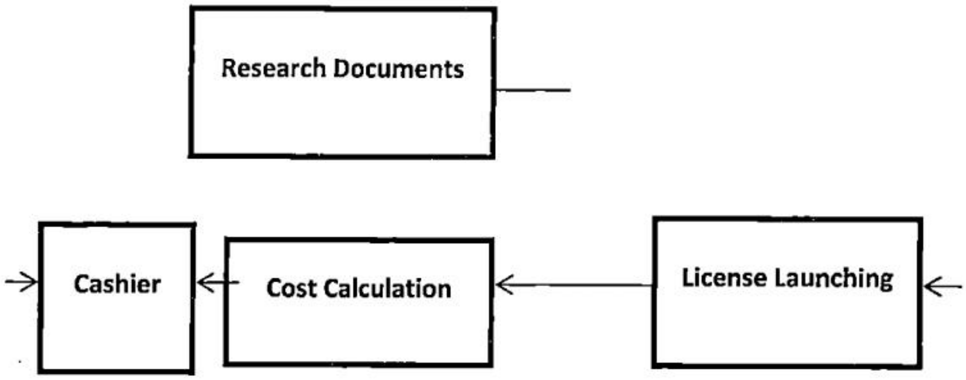
Image 3.1 Investment Licensing Procedures of Sleman Regency



Source: Investment Office (KP3M) of Sleman Regency in Investment Promotion Booklet, 2013

Image 3.2Investment Licensing Procedure of Kulonprogo Regency





Source: Investment and Integrated Licensing Office (BPMPT) of Kulonprogo 2013

Comparing Figure 3.1 and 3.2, it can be seen that Sleman has more clear information about procedures of the investment for both domestic and particularly the Foreign Direct Investment (FDI). It seen on the image 3.2, Sleman Regency give the information of what license must be done by FDI in Investment Coordinating Board (BKPM RI) in national level and which steps are the authority of regional investment office and must be done in regional level. On the other hand, Kulonprogo in not present the licensing guidance for the FDI as well as the types of investment licensing. The regency is only provides the licensing direction in general.

The investment license for FDI or foreign companies is the right of National Investment Coordinating Board. Hence, the FDI have to complete the entire documents and investment license on the National level as the first step. It might seem very simple but it can affect the determination of the FDI. Well-reserved information should give the easiness to the investor and as the strong point of attraction. According to Law of the Republic of Indonesia Number 25 of 2007 about Investment, the investments must be a part of the conductions of national economy and be positioned in an effort to increase the national economic growth. The law order the business sector to create job opportunities, to improve sustainable economic development, to improve the capacity and capability of national technology, to foster people's economic development, as well as to realize public welfare, in a competitive economic system.

3. Policy Standard for Foreign Affiliation

One of the strategies on attracting FDI is ensuring the basic requirements and regulations to the foreign affiliation. The local government must clearly present the mechanism required to the foreign affiliation before signing the project contracts for long-term period of time. This is important to avoid monopolistic action and exploitation of the resources that probably did by the foreign affiliation in the future.

According to Sriyono, the head of Investment development of Investment Office (KP3M) Sleman Regency, on the interview on February, 17th2014, stated that the requirements or conditions for the foreign investor before investing in Sleman Regency. The company at minimum investing amount of $ 100.000 or 5 % of the investment value of the company. He added, for the business field such as hotels and restaurant the license period is 20 years at minimum and 30 years at maximum and it can be extended in the National Investment Board (BKPM RI).

Carry the role as water conservator for DIY, hence, Sleman set the limit of land usage for the investment and only the ones those have eco-friendly business allowed investing in certain areas of water conservation in the Regency. It is in order to keep the water availability as well as the environments. Other policy standard for foreign investment regulated in the regency is about the land ownership. The government regulation of Sleman Regency is didn't allow FDI Companies to own the land. Both small-medium and large scale of business were only allowed to rent the land with determined maximum rental period.

Furthermore, Sleman Regency is also pay attention toward resident permit for foreign labours. The foreign labours have to renew the license permit annually. The latest policy for the foreign workers is about retribution of the license renewal employ the foreign workers in Sleman Regency. The changes of Local

Government Regulation of Sleman No. 8 of 2012 noticed the new policy for the foreign workers. According to Rohman Aus Sukamta, The vice chairman of Local Representatives Body (DPRD) Sleman Regency, stated that every foreigners workers that works in Sleman Regency obligated to pay tax amount of $100 per month or about 1,2 million rupiahs. (Jogja.tribunnews.com/2013).

On the other hand, in the interview on February, 12th 2014, Ir. Robby Amra Y, the head of Investment division of BPMPT Kulonprogo, stated as follows:

> *"We (Kulonprogo) set same requirements for either domestic or foreign investment, which investing in Kulonprogo. The different is only in the licensing permits. Foreign investment must collect the legal license from national government and only domestic investment which can be done the license in BPMPT Kulonprogo. Furthermore, we didn't set special strategy or regulation for the foreign investment; we do the same as we did to the domestic investment".*

Based on findings about the policy standard for the foreign affiliation both in Sleman and Kulonprogo Regency, it is assumes that Kulonprogo is less concern toward the foreign affiliation. It may probably because the number of foreign affiliation in Kulonprogo barely small. But in the future, Kulonprogo Regency has to consider those matters, not only to attract the investors but also to keep the existences and sustainability of the natural resources in the regency. If there is no certain regulation or strict action for foreign affiliation, it may threat the regency itself. The abuse of law and exploitations could be the biggest threat that needs to anticipate as early as possible.

The policy standard for foreign affiliation in DIY was noticed in some regulations. According to the Special Region of Yogyakarta Governor Regulation No. 11 of 2008 about Subby law. The usage period is 20 years at the maximum and can be extended after being evaluated by a team established by the sub-district head then the evaluation result is presented to the sub-district administration to consider. The agreement clauses must include: (1) related parties; (2) agreement object; (3) period of time; (4) reasonable profit sharing; (5) rights and obligations of involved parties; (6) dispute settlement mechanism; (7) force majeure; (8) agreement implementation evaluation.

4. Market Function and Market Structure (Competition Policy)

In order to accelerate the economic growth and improving the quality of life of the people, Sleman Regency implements *marketing place* that focuses on the potential of ETI-Education, Tourism and Investment. This is a competitive position and strong differentiation for Sleman compared to other regions. On the other hand, Kulonprogo Regency set the brand image "Kulonprogo The Jewel of Java". It is aimed to 'brain storming' the business world and warn that the Kulonprogo is the best and profitable place for investment.

Both regencies have different market structure. In Sleman Regency, the number of skilled and trained manpower is greater than Kulonprogo. The presence and increased number of new comer students from outside the Province of DIY makes the market function and market structure of Sleman Regency as the main destination for education. It is hardly attract the investors particularly in the secondary and tertiary sectors.

Furthermore, Sleman Regency is also become main destination of tourism in DIY with hosted several world-class tourism objects such as Prambanan Hindu Temple and Borobudur Buddha Temple. It is make Sleman Regency has very big opportunities on attract the foreign investors. The technology usage is also developed in line with the urban mobility that more busy in the agglomeration areas in Sleman Regency, while in Kulonprogo the technology usage is relatively low. At present, the market structure of Kulonprogo still dominated by the agricultural sectors and other primary sectors. By different market structure and function, the Investment Promotion Agency of both regencies also presented different seed investment potentials based on their main market structure and function.

Table 3.2 Investment Opportunities and the Market Segment in Sleman and Kulonprogo Regency

No	Investment Opportunities of Sleman Regency	Market Segment	Investment Opportunities of Kulonprogo Regency	Market Segment
1.	Development of Maguwoharjo Stadium	Tourism, Education	Development of Tanjung Adikarto Fishery Port	Industry
2.	Development of Candi Gebang and Embung Tambakboyo	Tourism	The Development of International Airport	Trading, Tourism
3.	Development of Mount Merapi Museum Region	Tourism	Pig Iron	Mining, Industry
4.	Development of Tourist Objects	Tourism	The development of South Java Road Route	Trading, Transportation

5.	Student's Dormitory	Education	The development of Sentolo Industrial Area	Industry
6.	Motorbike Assembling Industry	Trading	Tourism Objects	Tourism
7.	Computer Assembling Industry	Trading, Industry	Cacao, Herbal, and Coconut Processing Industry	Industry

Source: Processed from KP3M Sleman and BPMPT Kulonprogo Investment Promotion Book 2013

From the table above, seen that the market segment of both Sleman and Kulonprogo Regency were particularly different. The Sleman Regency is set the strategy on investment development mainly for the tertiary and secondary sectors while Kulonprogo Regency set the strategy of investment development is more likely in primary and secondary sectors rather than tertiary sector. Both Sleman and Kulonprogo Regency were considering their strong points and understanding the market structure and function in the regency.

The followings are descriptions and supporting business projections of Sleman three potentials:

a) Education

Sleman as the education centre in DIY has very strong intellectual atmosphere. There are 7 state universities and 40 private universities which grow up with thousands of student from five continents to study various disciplines within 3 levels of strata (S1-S3). As a barometer of education in Indonesia, Sleman has a complete and modern facilities and infrastructure. Education system with the concept of link and match is suitable for the needs of society and labour market.

Future projections: In general. Universities in Sleman orientate in intellectual skill formation and communication skills to produce human resources that have the professional ethos required in the era of global business. Therefore, Sleman Regency provides campus construction zones and facilities that can be support teaching and learning process; facilities such as student housing, indoor/outdoor sport facilities, infrastructure network and utilities. Information technology system is also designed to build campus networking with its stakeholders. Supporting Business Education Projections: The growing of business support commodity in Sleman as a cluster of education industry with the student market is Exclusive boarding, laundry, photocopy, press/offset, printing services,Distro clothing, computer rent, public internet and gadget store.

b) Tourism

Sleman tourism's excellence is a blend of its strong natural character, culture and archaeological history. Mount Merapi as one of the most active volcanoes in the world becomes a power of tourism attraction in Sleman Regency. As the hub of the religious-cultural heritage, relics of Islamic Culture in Sultanate palace, Yogyakarta; Christianity Culture in Sendangsono, Kulonprogo; Culture of Buddhism in Borobudur Temple, Magelang as the largest Buddhist temple in the world- and in the Hinduism Culture at Prambanan Temple, Sleman, the largest Hindu temple in Indonesia, it makes Sleman a cultural melting pot for the major religions in Asia.

The ecotourism: In Sleman Regency is cantered on the presence of Mount Merapi (3.000 m). Merapi area is always inspiring to the creation of many variations of the tourism business. Exploration of a variety of tourist businesses in this growing area of Merapi, lava tours, golf courses, tourism villages, tourism parks, nature restaurant, villa, etc.

According to Sriyono, the head of investment development division of the KP3M Sleman, on the interview on February 17^{th} 2014, stated that one of among others of the competitive advantages of Sleman Regency was its fertile soil and natural beauty and freshness. At present, there are about 38 tourism villages has been developed. For instances, various fun family activity, such as outbound, paddy planting, and many more options for the unforgettable tourism experience in Sleman Regency.

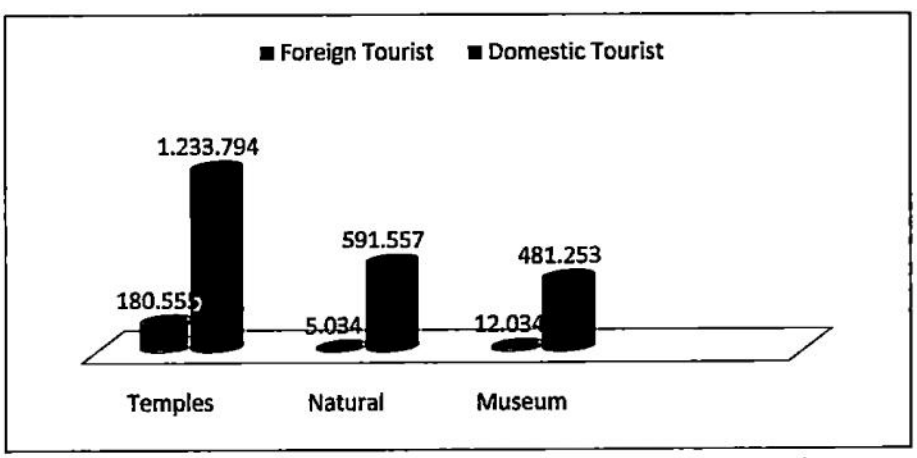
In addition, mount Merapi also has magical value in terms of philosophy and beliefs in Javanese culture, which mentions the existence of an imaginary straight line from the Indian Ocean towards mount Merapi passes the Palace of Yogyakarta. The imaginary line of Yogyakarta is interpreted as a line toward the perfection of life.

Cultural Tourism: Sleman is rich in art and culture. There are more than 15 communities and 10 traditional art ceremonies that continue to thrive in the community. Islamic and Hindu acculturation into Javanese culture has become a high-value of creativity. Creativity of arts and culture is a potential to form a design that creates a new and better life, progressing and prospering. Art and culture in Sleman Regency are rich with numerous and various dancers, painters, artists, artisans and cultural art performances. Creative industries are constantly evolving rapidly, through music, crafts, fashion and performing arts. Ramayana role-dance is one of the leading legends held in the Court of Prambanan, the world famous Hindu temple as the background.

Antiquity History Tourism: The establishment of temples in Sleman regency utilized the rocks and stones from eruption of Mount Merapi. Among them are the temples of Prambanan, Mendut, Ratu Boko, Kalasan, Sambisari, Banyunibo, Barong, and Sewu Temple. Prambanan Temple as the Biggest Hindu temple in Indonesia, built in the IX century by Sanjaya Dynasty is the embodiment of cultural values and high technology. This 47 metre-high temple is decorated by the reliefs of Ramayana Legend, which can directly pass the values of life in today's generation.

Supporting Business Projections: The growing of business support commodities in Sleman Regency as a major tourist destination in Indonesia, with a market of domestic and foreign tourists are hotel, cottage, home stay, restaurant, eating house, specific foods, tour&travel, new tourist destinations, crafts and souvenirs, malls and shopping centres, nightclubs, karaoke, salon spa, MICE, land transports (taxis and rental cars).

Graphic 3.2 Number of Tourist on Temples, Natural, and Museum Object in Sleman Regency 2012



Source: Regional Statistic Board (BPS) of Sleman Regency, in Sleman in Figures, 2013

b) *Development of Candi Gebang and Embung Tambakboyo*: The main objective for developing Embung Tambakboyo is for the water conservation in Sleman urban areas. The region can be developed into waterpark recreational sites as well as other business including plain water fishery. The Gebang Temple, on the other hand, is prehistoric temple site measuring 5.25 meters by 5.25 meter by 7.75 meters. The temple has a good prospect to be developed into a promising archaeological historical tourist object.

c) *Development of Mount Merapi Museum Region*: Developed by using the concept of edu-tourism based on the volcanic activity of Mount Merapi. The Region is projected to synergize education, information, attraction, and innovation into the concept of techno-park.

d) *Development of Tourist Objects:* The local government focuses to enhance the tourism in the Merapi slopes. The areas of Tlogo Putri, Kali Adem and the vicinities there have promising potentials for specific-interest area. In addition, the rural areas like Desa Sumberarum are very good for religious tourism, Water Park and Out-bond arenas.

e) *Student's Dormitory*: As a cluster of education industry, the urban areas of Sleman open for an establishment of an integrated zone with a complete and modern facilities uniting dormitories, sport centres, guest house, culinary corners, groceries, and internet cafes.

f) *Motorbike Assembling Industry*: As the biggest regency in the province with 47 universities, Sleman Regency has the open market for the motorbikes. The regency is on the top rank of sales in the province. It is reaches 255.431 units/year of the total 639.696 units in the province.

g) *Computer Assembling Industry:* Computer Assembling Industry is the industry that prospectively developed in Sleman Regency as 'the cluster of educations industry' in Indonesia. Nowadays, the Special Region of Yogyakarta has launched as "The Cyber Province".

On the other hand, Kulonprogo Regency is also pay attention on business projections agenda in the regency. Based on Government Regulation (PP) No. 24 of 2009 about industrial zone and Ministry Regulation (Permen) No. 35 of 2010 about the provision of industrial zones, has arranged the policy standard of the designation industrial zone of the economic, industry and investment centre in Sentolo Industrial Zone. This area was projected as the integrated industrial zone in DIY. Furthermore, to support the development of Industrial Zone and the economic activities in Kulonprogo, the regency was developed the supporting infrastructure. The followings are the infrastructures and resources in Kulonprogo:

a) *Transportation*: main terrain transportation facilities in Kulonprogo Regency is road with length 1,112,373 km which divided into; national road 28.57 km, provincial road 159.9 km, and regency road 923.903 km. other facility is railway train path as part of south java railway route. There two stations in Kulonprogo, Wates and Sentolo. The railway in Kulonprogo already improved into double track line. The national policy to establish South Java Road Project which connects among coastal area of south Java will boost up the growth and development of transportation network, traffic and economic development in Kulonprogo.
b) *Electricity*: Electricity powers in Kulonprogo Regency available in up to 36 Mega Watt meanwhile the demand approximately 20 Mega Watt, so there are 16 Mega

Watt of electricity power reserved in Kulonprogo Regency.

c) *Water Resources (Surface Water):* Kulonprogo Regency has three watersheds: (1) Progo watersheds have 8,894 Ha of catchment area; (2) Serang watersheds have 3,635.79 Ha of catchment area; (3) Bogowonto River as the boundary of the Kulonprogo Regency with Purworejo Regency of Central Java Province. *Groundwater:* Groundwater availability in Kulonprogo Regency approximately 1, 787, 788, 274, 96 m3, while the amount of exploitable water is 170, 565, 874, 96 m3. The reserve groundwater consists of: (1) reserve from statistic groundwater: 1,617,222,400 m3; (2) reserve from dynamic groundwater: 18,615,368,36 m3; (3) from infiltration 1,787,788,274,96 m3. *Tap Water*: Production Capacity of Local Tap Water Company is 6,259,896 m3.

The followings are the strategic projects and investment opportunities of Kulonprogo Regency:

a) Tanjung Adikarto Fishery Port

It is located in Karangwuni Village, Wates District. Reserved area for development of infrastructure is 83 Ha. The location has good access and easy-to-reach, connected with cities in the south of Java by the regional transport routes. Tanjung Adikarto Fishery Port located 2 kilometres from national road of south Java and South National Development Plan of South Java Road and 40 km from Adisudjipto International Airport.

The availability of electricity, land, and fresh water supply is from groundwater and future plan from pipe network of PDAM water from Sermo dam along 10 kilometres. Designed for ship landing up to 150 GT with parking space is about 6 Ha and possibility to extent up to 15 Ha. By the end of 2013, it is planned to be used for boat landing up to 30 GT. Until now had completed the construction of infrastructure such as roads in the harbour area, fisherman settlement and office buildings overall construction of the port has completed 75 per cent and expected to be fully operating in 2014. The investment opportunities of the integrated development of marine industries such as fish processing & scanning, surimi, fish bone meal, frozen fish, smoked fish, shipping industry and fishing equipment, gas station, cold storage and ice factory, water supply, etc.

Table 3.3 Marine Potentials of Kulonprogo Regency

No.	Potential Fish Resources	Sustainable Yield (Ton/year)	Save Yield (80%) ton/year
1.	DIY Province South Beach	6.995	5.595
2.	South Java	364.200	291.360
3.	Indonesian Ocean	905.340	725.280

Source: The Centre of Marine Technology (PUSTEK) UGM Yogyakarta, 2005

b) International Airport

The construction of Kulonprogo Airport is included in the PPP Book 2010-2014. It is indicates that there will be an opportunity for the private and foreign investors who are interested in managing the airport under the Technical Unit (UPT) of the Directorate General of Civil Aviation. The international airport will be called Nyi Ageng Serang, after a heroine from Kulonprogo. The master plan for Kulonprogo Airport located around 30 km west of Yogyakarta City. It has a runway of 3,600 meters long.

The runway is very adequate for large international aircrafts. From the east to the west side of the runway, two perimeters with a length of 900 meters each will added. Thus, the overall total of the runway will be 4,400 meters. The runway will be constructed first followed by the perimeter and lighting. The 478 hectare airport will be equipped with 7 taxiways that have 4 interconnecting taxiways. The facilities provided cover aprons, terminal building, commercial building, technical building, Air

Traffic Control (ATC) to support flight operations, as well as a parking facility for visitors. The airport will be capable of serving 30 million passengers annually.

c) Pig Iron

Stream that caries pig iron mineral is spread in three major spot of big rivers that flows all year long. In the west side of Bogowonto River, middle part of Serang River, and east side of Progo River. The south sea is an area of pig iron mineral deposit, as the work of wind the iron mineral accumulated in the coastal area. The distance from the source is about 12-14 km, a good process from the bed rock to be disintegrated to pig iron mineral. Grain sand contains 0,71-64,85 per cent of pig iron with Fe2O3 content (56,09-59,20 %), FeO (14,04-14,93 %) and TiO2 (6,34-6,7%). Amount of pig iron deposit in South coast of Kulonprogo Regency is in an area of 22 km x 2 km starts from the estuary of Progo River to the estuary of Serang River.

Estimated number of pig iron deposit is 605.000.000 tons with content of Fe up to 10,8%. Highest deposit proportion lies in 6 - 8 meters depth with total deposit amounted 273.000.000 tons with Fe content reaching to 14,2 per cent. Possible production potency is approximately 1.000.000 tons/year for 30 years mining activities. That level of production will fulfil more than 50 per cent national of steel demand.

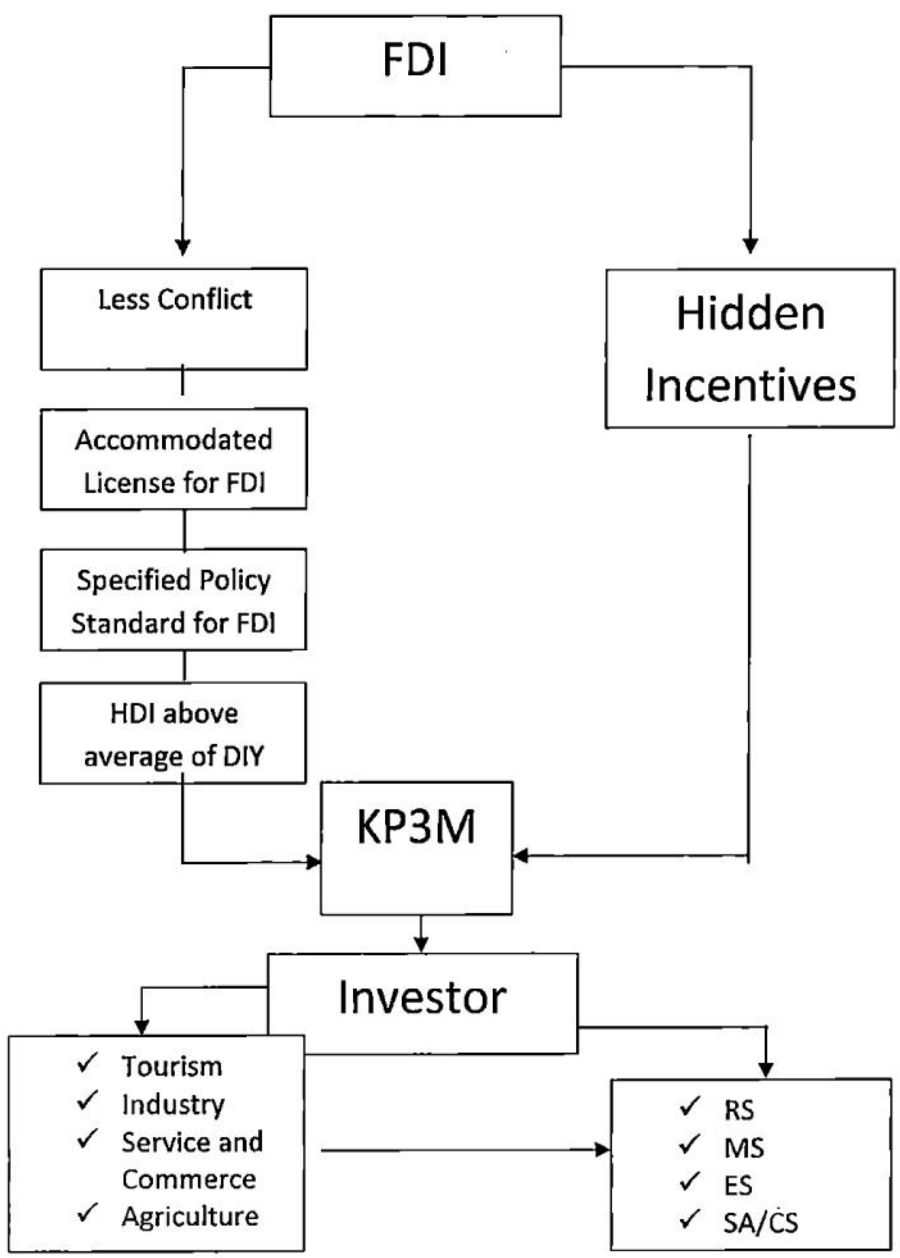
For the iron sand mining activities, there is already mining concession between the Government of Indonesia and PT. Jogja Magasa Iron, signed on 4 November 2008.Investment opportunities for iron sand mining are pig iron processing plant into semi-finished goods and finished goods. The area of 2,000 Ha around the iron sand mining will be developed into a National Steel Industrial Zone (Sentolo, Lendah, and Galur District) that is initiated by the Ministry of Industry.

d) The development of South Java Road Route

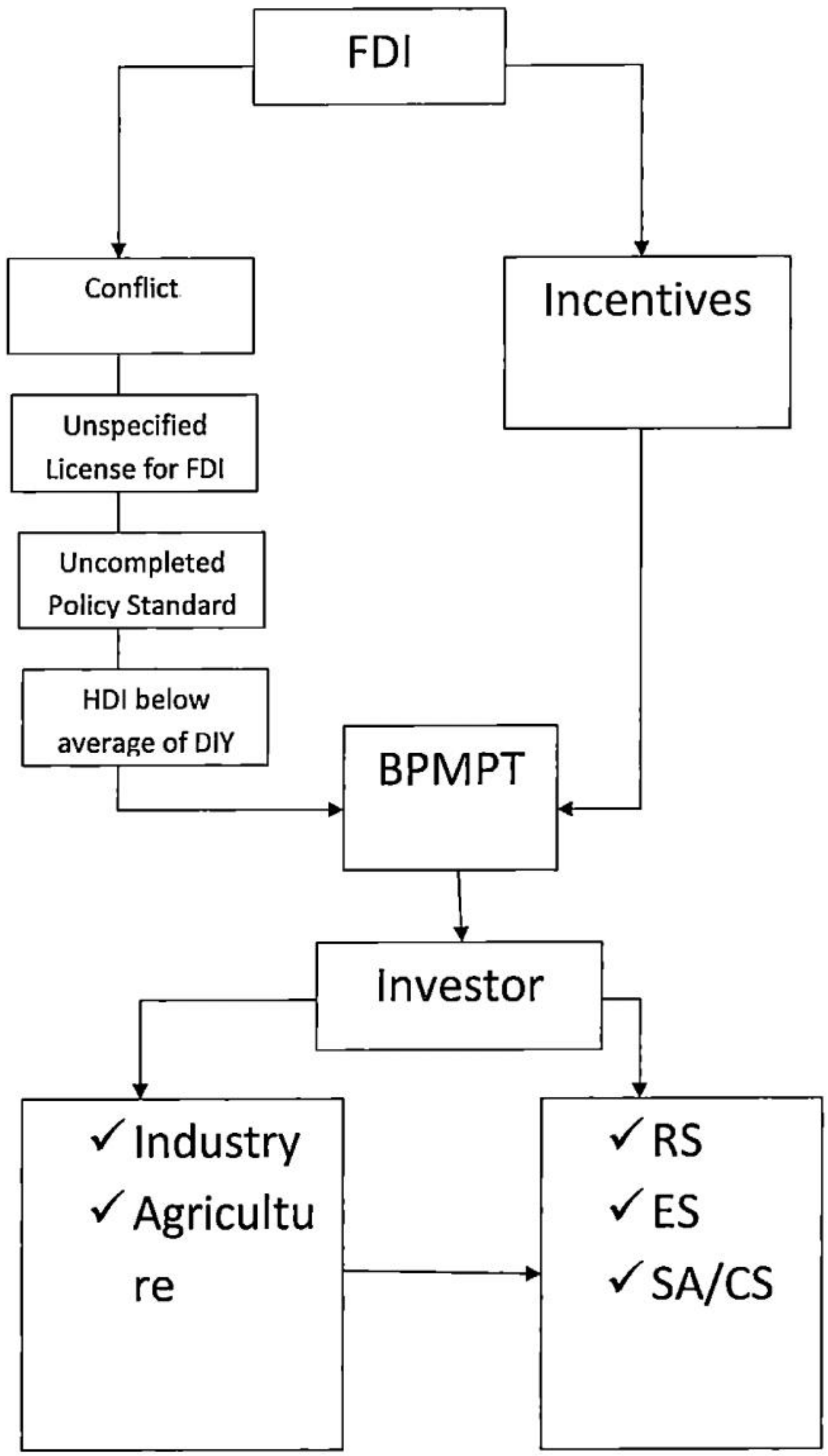
The south Java road route of DIY is part of the southern route of Java which already becomes the national agenda. The road of Kulonprogo Regency with 29,704 kilometres length and 4 – 6 m width will be increased to 14 m width mainly using the existing road. By the mid of 2015, there are 1+7+1 m connected road planned. Longer term in 2025, the road already becomes the main route.

1. Policy Framework Analysis of FDI

A. Sleman Regency



B. Kulonprogo Regency



B. Economic Factors

Normatively, local investment is considered as one of the important power in accelerating economic growth and development of a region. After the implantation of local autonomy, local government such being more concern toward the investment flows, the acceleration of economy and development were only possible if it's supported by the significant investment flows. That strong perception has push up the local government to build a good investment climate. Moreover, the local government also have to consider what aspects that may influence foreign direct investment determination.

Jere Behrman was developed the typology to explain the different objectives of FDI:

a. Resource Seeking FDI

   This type of FDI particularly looking for the availability of raw material, low-skilled labour cost, labour skill, and other asset innovation, physical infrastructure, etc.

b. Market seeking FDI

   Market seeking FDI generally considering the market size and market growth of a region by analysis the income per capita or the economic growth whether a region has a good market structure or not that prospective for the development of their business.

c. Efficiency Seeking FDI

   This type of FDI mainly looking for the labour productivity and other input costs that might help minimizing the expenditure of the companies toward the labour cost, transportation and communication costs.

d. Strategic Asset/Capabilities seeking FDI

This type of FDI was particularly looking for a region that has established local firms, a developed human capital with knowledge about markets, competitors and R&D matters.

Table 3.4 Typology of FDI in Sleman and Kulonprogo Regency based on the Type of Company

No.	Sleman Regency				
	FDI Companies	RS	MS	ES	SA/CS
Tourism Sector					
1.	PT. Mustika Princess Hotel		✓	✓	✓
2.	PT. Adichandra Graha Wisata		✓	✓	✓
3.	PT. Taman Sakura Martani		✓	✓	✓
4.	East Parc Hotel		✓	✓	✓
5.	PT. Azimuth Adventure Travel Ltd		✓	✓	
6.	PT. Haruna Wisata Indonesia		✓		✓
7.	PT. Paradise Bali Indah		✓		✓
8.	PT. Queen Spa		✓		
Industry Sector					
1.	PT. Sport Glove Indonesia	✓		✓	
2.	PT. Eagle Glove Indonesia	✓		✓	
3.	PT. Kiho Bali Korin				

		✓		✓	
4.	PT. Lezax Nesia Jaya	✓		✓	
5.	PT. Nexus Fashion and Sports	✓	✓		
6.	PT. Java Glove Perdana	✓			✓
7.	PT. BMB Eskport	✓		✓	
8.	PT. Indo Merapi			✓	✓
9.	PT. Bothwell Indonesia	✓		✓	
10.	PT. Perdana Citra Amahi	✓		✓	
11.	PT. Niaga Merapi	✓		✓	
12.	PT. Java Connection	✓		✓	
13.	PT. Talaido Interior	✓		✓	
14.	PT. Teak Works	✓		✓	
15.	PT. Almi Furniture Perdana	✓		✓	
16.	PT. GE Linghtening		✓	✓	
17.	PT. Japanese Ina Basic	✓	✓		
Service And Commerce Sector					
1.	PT. Putra Mataram Sejahtera		✓		✓
2.	PT. Tozy Sentosa		✓		✓
3.	PT. Lotte Mart		✓		✓
4.	PT. Lion Superindo		✓		✓
5.	PT. Japan Indonesia Basic	✓			✓
6.	PT. Gameloft Indonesia		✓	✓	✓
7.	PT. Agrisoft System Indonesia		✓	✓	✓

8.	PT. Bayu Aji Cook Ateliers		✓	✓	
9.	PT. Meta Communication	✓	✓		
10.	PT. Jibril and Jill Consult		✓	✓	
11.	PT. Japan Indonesia Economy Centre	✓			✓
12.	PT. Honpo			✓	✓
Agriculture Sector					
1.	PT. Bamboo Nusa Verde	✓	✓		
2.	PT. Takii Indonesia	✓		✓	
No.	Kulonprogo Regency				
	FDI Companies	RS	MS	ES	SA/CS
Industry Sector					
1.	PT. Sung Chang Indonesia	✓		✓	
2.	PT. Epotech Indonesia	✓			✓
Mining Sector/Agriculture					
1.	PT. Jogja Magasa Iron (JMI)	✓			

Source: Processed from KP3M Sleman and BPMPT Kulonprogo, Investment Promotion Book 2013

Note: RS = Resource Seeking

MS = Market Seeking

ES = Efficiency Seeking

SA/CS = Strategic Asset/ Capability Seeking

From Table 3.4 above, it can be seen that between Sleman and Kulonprogo Regency were able to attract or naturally pull up the FDI Companies with different objectives. Almost all types of FDI were investing in Sleman Regency. Meanwhile, it can be concluded that mainly the FDI companies, which investing in Kulonprogo Regency were the Resource Seeking FDI. For instance, PT. Jogja Magasa Iron (JMI), the company that process and produce pig iron explored in the south coast of Kulonprogo. Presumably it is impossible for them to invest in Sleman Regency or other regencies/city because the source of raw materials for their business not available but in Kulonprogo.

In addition, PT. Sung Chang Indonesia as one of the biggest company in South East Asia that producing wig and hair extension from South Korea, explained that their determinants for investing in Kulonprogo because of low-labor cost and the most feasible location for their business. The company's raw materials are only 20 per cent from Indonesia while other 80 per cent imported from South Korea and Japan. Furthermore, PT. Epotech Indonesia engaged in the chemical industry that produces Chemical Additives, Silicon, etc., persisted that the Kulonprogo is the most feasible location for their business. It is impossible for their business to be located in Yogyakarta City, as example, because it's an urban Area that didn't match to their chemical waste.

Moreover, the water catchment area like Sleman Regency is also will be damaged by the chemical waste although both Yogyakarta and Sleman Regency have good infrastructures. At the result, it can be assumed that the FDI companies in Kulonprogo Regency were not the type of Market and capabilities seeking FDI.

Sleman Regency presumably has greater chance to attract FDI. Some of regional economist assumes that a region where there are such development concentrations would be more attractive for the economic, business and trading actors. Sleman Regency has good infrastructures, skilled and educated manpower, tourism attraction such some international level of tourism destination that sounds positive to attract FDI to invest in the region. Until 2013, noted there are 44 FDI companies concerning its capital in Sleman. From the table above, it seen that mainly FDI companies in Sleman Regency was in the industrial sector, it is followed by the service and commerce sector and tourism sector while the agricultural sector there are only two companies. In related to the determinants of FDI companies toward Sleman Regency, it has been conducted a study on the factors influencing FDI inflows to a region.

According Marc Peters origin from Belgium, the President Director of PT. Bambu Nusa Verde that was operated in the sector of industry especially bio-technology of forestry specialization in Bamboo tissue culture production, stated that the company investing in Sleman Regency because raw materials for their business are available in Sleman Regency, he added that the fertile soil and fresh air of Sleman Regency as one of the factors the company determinant toward Sleman rather than other regency. In addition, the physical infrastructure of Sleman regency is also an important point of the company determination. By support of easy-to-reach and market structure, Sleman Regency was most promising compares to other Regency. Moreover, Takayoshi Iseki, the General Manager of PT. Lezax Nesia Jaya, stated as follows:

> *"I like doing business in Sleman Regency because the manpower here is more competitive than other city although there has also been an increase in the regional minimum wage. From the access and transportation point of view, we also find it more pleasing here in Sleman than other regency. Professional staffs have been very helpful in the bureaucracy and licensing process".*

Supporting the statement above, Gabriele Waegerle, the President Director of PT. Jibril and Jill Consult, said as follows:

> *"My seven year experience has shown that developing a business in Sleman is very pleasing. Apart from its strategic location, it is also very easy to get quality and cooperative manpower in the regency. The community, similarly, is very open to foreigners that we really feel comfortable to invest in Sleman Regency"*

From the statements above, it may assume that one FDI companies in Sleman might have several factors that influencing their preference toward Sleman rather than other regencies/city. One FDI company may have not only one reasons/determination. The companies may seek the resource, efficiency, market and capabilities at the same time. Kim Min Joon, the President Director of PT. Eagle Glove Indonesia, added as follows:

> *"I am happy doing business in Sleman because so far the tripartite relationship between the regency administration, the employers and the employees is relatively good. I also like doing business in Sleman Regency because it has abundant ready to use manpower. With regard to the business development in term of licensing services, as far as the company sees it, is also better compared to that of the surrounding regions. Developing a business in Sleman is still attractive to do. Yet, with regard to the regency's being a water catchment area, we need to be careful in deciding a sound investment in the region especially in relation with the limited land available and the prices of the land".*

Based on the sample above, it can be concluded that the FDI companies in Sleman Regency generally were the market, efficiency and capabilities seeking FDI. By sectors, which industrial ,and service and commerce are dominated, it may assumes that the FDI companies were seeking for a well market structure by considering Sleman Regency role as the *urban sprawl* and population and economies agglomerations center in DIY.

The agglomeration economies theory explained the role of urbanization economies and localization economies are influencing the urbanization providence because the people and investors were more likely and prefer the urban area that offers the cost efficiency, accessibility, and the urban infrastructures. The localization providence is rising because of the geographical proximity toward the raw materials

2. Analysis of FDI objectives in Kulonprogo Regency by Sector

1.1 Industry Sector

PT. Sung Chang Indonesia (SCI) and PT. Epotech Indonesia are the FDI Company that needed high number of employees. Thus, main objective of the company assumed as Resource Seeking FDI where the low cost labor available without compromising the infrastructure availability or market structure of the region.

1.2 Agriculture Sector

PT. Jogja Magasa Iron (JMI) is the only FDI Company in Kulonprogo Regency in the agriculture sector. By analyzing its sector on the mining, it is assumed that the main objective of the company is Resource Seeking (RS). it is because the raw materials (pig iron) they needed for the business is only available in that location (east cost of Kulonprogo).

e. Social Overhead Capital

The concept of Social Overhead Capital represents various conditions required in actual production such as facilities for road, harbor, land, building, communication, means of transportation, etc., and yet at the same time it means in some cases key-industries such as steel and electric power, not to speak of human resources, scientific invention, services activities, etc.

No.	**Social Overhead Capital and Investment Facilities**	
	Sleman Regency	**Kulonprogo Regency**
1.	Road Access to the Sea port of +/- 110 km to the Port of Tanjung Mas Semarang	Roas access of 29,704 km length and 4-6 m width. By the mid of 2015, there are 1+7+1 m connected road

		planned.
2.	Rusunawa Development (flats for rent)	Modern Fishery Harbour "Tanjung Adikarto"
3.	Students Dormitory	Electric Power in up to 36 Mega Watt of the need 20 Mega Watt.

Source: Modified from KP3M Sleman and BPMPT Kulonprogo, 2013

From the table above, Sleman and Kulonprogo Regency provided Social Overhead Capital such as roads, harbor, land, building, etc. It is necessary to fulfil the required facilities in order to accelerate the economic mobility in the region.

C. Business Facilities

1. Investment Promotion

In the framework of *marketing place*, paradigm shift to entrepreneurial-competitive government makes the Government of Sleman Regency constructs ability to always innovate, have the operational capabilities and global network. For that reason, many efforts made to create the concept of investment innovation that has a market value to meet the expectations of both business and social communities. Sleman investment image creation is "Sleman: Education, Tourism, and Investment".

The brand image is created because the importance's of those three things in the economic life of Sleman Regency. In the investment performance, Sleman Regency innovate to change the orientation from the local orientation to global orientation demands bureaucratic reorganization based on the principles of efficiency and competence in order to create the best service for the community. The main step is to change the "mind set" as a

						ical traffic
2.	Tourism and education	Highly-valued archaeol ogical sites	10 monum ents	Tourism	Attrac tive Topo graph y	Has highlan d and coastal area
3.	Tourism	Harmon ies of native cultures and modern touch	Lots of art perform ances and tradition al ceremo nies.	Trade	As an access ible open econo mical region	Compet itive in sectors of processi ng industry , trading, and services
4.	Tourism	As a major tourist destinati on	Various premiu m accomm odation	Tourism	Will hoste d sacral facilit ies	Develop ment of new airport and fishery harbour
5.	Tourism	Authe nticity	Beauti ful nature, unique society and culture	Trade	Provi ncial Desig nation Indust rial Area	Sentolo Industri al Area
6.	Tourism	Merapi as an Econo my Potenti al	Source of inspira tion, knowl edge, and natural resour ces	Tourism	Beaut y Panor ama	Unique ness of nature

7.	Education	The best cluster of education	7 state universities, and 40 private universities	Governance	A Democracy with no violence region	Political Stability
8.	Tourism and education	As MICE Destination	Safety, stability, and security of social life	Governance	Good Governance System	Excellent Services and Facilities
9.	Education	As a technology-based region	Advance Technology	Trade	Regional Minimum Wage	IDR 1.069.000 (Second Lowest RMW)
10.	Tourism	Sleman Lives 24 Hours a day (a sleepless city)	24 hours a day of lives	Trade	Productive age Population	58% productive age of the total population
11.	Tourism	Easy access	Abundance world-brands options	Tourism	Abundance Natural Resources	So many natural resources (Gold, Iron sand, andesite sheets)
12.	Tourism	The best place of	Lots of amazing taste-	-	-	-

		business	adventures			
13.	Tourism	Modern business of international level	Eco-friendly	-	-	-
14.	Tourism	Best sensation of natural and sports	Merapi as the most active volcano	-	-	-
15.	Tourism	Friendly Locals	A Javanese – Culture Centre		-	
16.	Trade	Export Product with Beat Quality	Shares 30% of the world market			

Source: Modified from BPMPT Kulonprogo Investment Promotion Book and KP3M Sleman Investment Promotion Book 2013

From the Table 3.5 above seen that Sleman and Kulonprogo Regency have different "products" ,which promoted as the investment potentials. Sleman Regency has been one step beyond the Kulonprogo Regency in the development and popularity. The Sleman Regency has several globally known sites and product so that investors, particularly the foreign investors and the people in general probably knowing Sleman more than Kulonprogo Regency. This condition makes Sleman Regency not need too hardly promoting and ensuring people knowing them. For instances, the Prambanan and Borobudur Sites as the well-known tourism sites in Indonesia even in the world makes the regency quite easy to be noticed as the location of where the sites take place.

In opposite, Kulonprogo Regency presumably needs extra efforts to promote the region because the regency hasn't even one famous site like Sleman Regency. The government of Kulonprogo realizing the weakness of the regency, hence, the regency initiate to create an image "Kulonprogo The Jewel of Java". The image created in order to makes the peoples and investors paying attention to the regency. Through the image, the regency hopes that in the near future the investment and the economic growth in Kulonprogo would increase and the society's quality of life would increase as well.

2. Investment Incentives

Based on Government Regulation No. 45 of 2008 about the guidance for the provision of investment incentives and investment facilities in the region, provision of investment incentives is a kind of support from the local government to the investors in order to accelerate the investment growth in the region. Based on the regulation, the incentives provision could be in the form as follows:

a. Reduction, relief, or local tax exemptions;
b. Reduction, relief, or local retribution exemptions;
c. Funding stimulant; and/or
d. Provision capital.

While the investment facilities could be in the forms as follows:

a. Provision of data and investment potentials information;
b. Provision of supporting infrastructures;
c. Provision of space and location;
d. Administration of technical support;
e. Acceleration of permitting provision.

The efforts to increase the investment through provision of investment incentives and/or investment facilities provision for the investor are relatively still low and even contra-productive. This condition characterized by many of local government regulations related to local tax and retribution and others kind of collection that burdensome the business actors including the investors. It is, hence, causing the competitiveness among regions and national in the investment decreased.

Sleman and Kulonprogo Regency are the regency of DIY that has different kind of investment incentives and facilities provision offers to the investors. Sleman Regency didn't specify the regulations about investment incentives in the region. Sleman Regency is only offers "Easy Investing" as the compelling advantages in providing investment in the regency. Meanwhile, Kulonprogo Regency is specifically noticed the needs related to investment incentive and facilities provision on the Local Government of Kulonprogo Regulations No. 21 of 2012 about advocating, incentives and investment provisions.

Kulonprogo explained several criteria and types of incentives and investment facilities provision refers to Government Regulation No. 45 of 2008 as mentioned above, while Sleman Regency is only stated that the regency warranty that the regulations of trade, industries, mining, and tourism in Sleman Regency is accommodative to the investors. The Sleman Regency is not concerning to what kind of incentives that offered like regulated in the Government Regulation No. 45 0f 2008 about the guidance for the provision of investment incentives and investment.

From this finding, it is assume that Kulonprogo might be better than Sleman Regency in the strategy on attracting the investors/FDI toward a clear investment incentives and facilities provisions regulation.

3. **Unidentified costs**

The efficiency is an important aspect in business field. The business actors would prefer the place or location that might be able to minimize the costs and expenditure of the company. The place where there are the crucial supporting infrastructures, such as transportation and telecommunication facilities is more preferable rather than an under-developed place. On the other words, the urban area is preferable than the rural or semi-rural area for the business as well as investment. FDI companies are mainly the private organizations/company, so that the main objective of FDI in particular is profit-oriented.

Different with Sleman Regency that is selling skilled and educated manpower, Kulonprogo is "selling" cheap/low wage manpower. Those are the competitive advantages that might attract investors with various objectives.

Table 3.6List of Regional Minimum Wage of Regency/City of DIY 2013-2014

No.	Regency/City	2013	2014
1.	Yogyakarta City	IDR 1.065.247	IDR 1.173 .300
2.	Sleman	IDR 1.026.181	IDR 1.127 .000
3.	Bantul	IDR 993.484	IDR 1.125 .500
4.	Kulonprogo	IDR 954.339	IDR 1.069 .000
5.	Gunungkidul	IDR 947.114	IDR 988.5 00

Source: Harianjogja.com/14 November 2013

From the Table 3.6 above, it can be seen that Kulonprogo has the lowest regional minimum wage after Gunungkidul Regency, while the Sleman Regency was took the second highest position after Yogyakarta City. The labour costs may be one of the unidentified costs that was important to be considered in order to attract both domestic and FDI. Realizing they has strong point that may attract FDI, especially the efficiency seeking FDI, Kulonprogo Regency was setting out its image as the regency that has a low-wage labour costs. Compares to Sleman, Kulonprogo Regency presumably has not many competitive advantages like Sleman Regency. According to Ir. Robby Amra Y, the head of investment division of BPMPT Kulonprogo stated as follows:

> *"Kulonprogo may not have a good infrastructure and technology as well as Yogyakarta City and Sleman Regency today, but in the near future Kulonprogo has very big opportunities because this regency would hosted by an International Airport and also modern Fishery Harbour. On the other side, the investor may probably prefer to invest in Kulonprogo because of it "cheap human resources". Nowadays, Kulonprogo Regency has the lowest regional minimum wage after Gunungkidul Regency; it may attract the strategic asset or capabilities seeking FDI and or domestic investors to come and investing in Kulonprogo".*

Different with Kulonprogo Regency, Sleman Regency is setting out another image that was presumably effective and compatible. The following is the initiatives of Sleman Regency in order to attract FDI related to efficiency and unidentified costs that becomes one of the most important considerations of the investors, especially foreign investor in doing and developing business:

1. Accessibility

   1.1 The presence of Adisicipto International Airport with a total of 40 flight (domestic) and 4 (overseas) in a day.

   1.2 Road access to the sea port of +/- 110 km to the Port of Tanjung Mas Semarang.

   1.3 Transport and infrastructure of roads and trains are very adequate.

   1.4 Train departure from the Tugu and Lempuyangan Station were 31 times a day.

2. Complete and modern investment supporting facilities and infrastructure

Adequate facilities and infrastructure is ranging from transportation, electricity, water, post and telecommunications, banking, Cargo and International standard Medical Facilities.

3. Fertile and Clean

Sleman is located at an altitude of 100-3000m above sea level, which certainly has fertile soil as well as water resources and clean air. According to Arjunandir, the head of investment marketing section of KP3M Sleman, stated that Sleman has very good soil and air condition for agriculture and eco-tourism. He added that Sleman has developing about 38 eco-tourism villages. The FDI investing in the utilization of the fertile soil and fresh air of Sleman were PT. Bambu Nusa Verde from Belgium and PT. TAKII Indonesia from Japan.

4. Excellent Human Resources

   a) As a cluster of educational industry, there are 47 universities and colleges, and partly fit into the world ranks as well as Asia's best universities.

b) Numerous vocational schools, educational institutions and training centres and professional certification institutes under education system with link and match concept corresponding to labour market needs and global business.

c) Qualified workforce, promote an open culture, peace-loving and cooperative (business like).

d) Human development index (HDI) in 2012: 78,20 (the top rank among cities/regencies in Indonesia).

4. Social Amenities (Quality of Life)

Social amenities of a region can be measured through Human Development Index (HDI). The HDI is the average of the result of aspects such as Life Expectancy Rate, Literacy Rate, and Consumption per capita, etc. The HDI is the reflection or manifestation of social amenities rate of a region. Between Sleman and Kulonprogo Regency, from the table below, can be seen which one of the regency that has good Human Development Index as basis of the quality of life measurement.

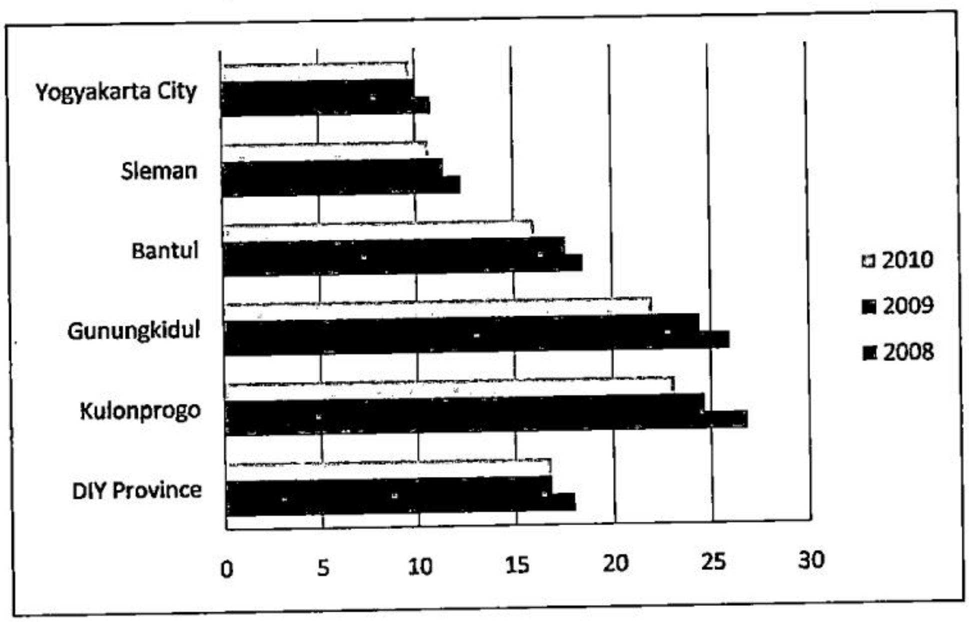
Table 3.7 Human Development Index (IPM) based on Regency/City in DIY 2007-2011

No	Regency/City	IPM (HDI)				
		2007	2008	2009	2010	2011
1.	**Kulonprogo**	**72,76**	**73,26**	**73,77**	**74,49**	**75,04**
2.	Bantul	72,78	73,38	73,75	74,53	75,05
3.	Gunungkidul	69,68	70,00	70,18	70,45	70,84
4.	**Sleman**	**76.7**	**77,24**	**77,7**	**78,2**	**78,79**
5.	Yogyakarta City	78,14	78,95	79,29	79,52	79,89
D.I Yogyakarta		**74,15**	**74,88**	**75,23**	**75,77**	**76,32**

Source: Regional Statistic Board (BPS) of DIY, 2013

From the table 3.7 above, it can be seen that the Human Development Index of Sleman Regency each year was above of the Provincial HDI. It is amount of 78, 79 in 2011 while the average of HDI in DIY is 76, 32 in the same year. The human resources development quality of Sleman Regency was relatively succeed. In 2010, the Human Development Index (IPM) of Sleman Regency is amount of 78, 20. In national level, Sleman Regency took the 15 ranks among 483 regencies/cities in Indonesia. In addition, Kulonprogo Regency took the bottom two positions with Gunungkidul Regency. It was still on below of the average HDI of DIY. Kulonprogo Regency as the prospected region in the near future has opened the social consciousness of the people by now on. Kulonprogo Regency has the added value such as the domination of the productive age population as the important factor to keep increase the social amenities and life quality of the people. It has 58 per cent population in the productive age for the ranged of 20 – 59 year old of age.

Graphic 3.3 Number of Poverty and Poverty Line based on Regency/City in DIY Province (2008-2010)



Source: Regional Statistic Board (BPS) of DIY 2013

The Graphic 3.3above shows that the highest poverty rate was there on Kulonprogo Regency. It is amount of 26,85 per cent in 2008, 24,65per cent in 2009 and 23,15 per cent in 2010. While the lowest rate of poverty was in Yogyakarta City and Sleman Regency in the second lowest position. The poverty rate percentage in Sleman Regency is 12, 34 per cent in 2008, 11, 45 per cent in 2009, and only 10, 7 per cent in 2010. Its indicated that Sleman Regency is more prosperous compares to Kulonprogo Regency. It may probably because of the Sleman Regency's roles as the *urban sprawl* of Yogyakarta City in DIY.

5. **Post Investment Services**

Sleman Regency has its own strategy to makes FDI feeling comfortable investing in Sleman. Cooperative services were given in the matter of administration services, controlling and relationship with FDI. As well as Sleman Regency, Kulonprogo Regency also continuously enhances its investment strategy. The regency is trying to create conducive investment climate toward serving good information system through internet bases information system.

Table 3.8 Post Investment Services Types of Sleman and Kulonprogo Regency

No.	Post Investment Services	KP3M Sleman Regency	BPMPT Kulonprogo Regency
1.	Investment Information Service	Investment website, e-mail coordination system,	Investment website, SPIPISE
2.	Investment Development Service	Business gathering, Investment Exhibition, Investment Mission	Feasibility Study, Investment Exhibition
3.	FDI Specification Services	Resident Permit, Tax Regulation, Land Usage and Ownership System	Not specified.

Source: Processed from KP3M Sleman and BPMPT Kulonprogo, 2013

From the table 3.8, it can be seen the different service types delivered by the KP3M Sleman and BPMPT Kulonprogo. Both have different form of institution, which the Investment Office of Sleman Regency were separated with the licensing office while Kulonprogo Investment Office has been integrated with license office. In addition, BPMPT Kulonprogo has been allowed by the Central Investment Coordinating Board (BKPM) use the Electronically Investment License Service (SPIPISE). The SPIPISE system was not allowed in Sleman because the office structure was still separated from the Licensing Service Office (KPP Sleman). The Sleman and Kulonprogo Regency were setting out the strategy on how to increase the interests of business actors through Investment Exhibition Events. Sleman Regency is also regularly held the business gathering with current Investors and also with the prospective investors.

Ir. Robby Amra Y, the Head of Investment Division of BPMPT Kulonprogo, stated:

> *"........BPMPT Kulonprogo is always renewing the investment potentials and information on the website and in the booklet and investment promotion book."*

He added that the BPMPT Kulonprogo wasn't differentiating the post investment services between domestic and foreign investor. It is caused by there are only 3 FDI companies investing in Kulonprogo.

According to Gabriele Waegerle, the Consulting Service Investor of PT. Jibril and Jill Consult, the foreign companies that investing in Sleman since 2005 stated as follows:

> *"The regency administration is very cooperative, helpful, friendly and quick in processing business licences according to prevailing regulations".*

In addition, Arjunandir, Head of Investment Marketing of KP3M Sleman, stated that the KP3M Sleman formed such team to do the controlling regularly to each company, especially the foreign companies.

The KP3M Sleman also intimately conducting two-way communication either directly or indirectly by e-mail or other communication services. Furthermore, KP3M Sleman also held such business forum and investor gathering annually in order to create conducive investment climate in the region. Hence, it is hoped that the investment in Sleman Regency will be increased and the investors stay feeling happy to invest in Sleman and even broaden its businesses.

In order to enhance the investment service, KP3M Sleman held exhibition of investment in the regency, province, and international. This year, the Investment Office of Sleman (KP3M) will send the investment mission to Singapore on May cooperated with General Consulate of Republic Indonesia (KJRI) in Singapore. On June, KP3M Sleman will be in South Korea in order to hold an investment promotion (Sriyono, The Head of Investment Development of KP3M Sleman, on interview in 17 February 2014).A crucial critical issue about the regulation of the government of Sleman Regency that complained by most of FDI investors was the land ownership. According to Kim Min Joon, the President Director of PT. Eagle Glove Indonesia stated as follows:

> *"It is indeed a dilemma with the administration's offering land lease as alternative while on the other hand employers want to buy the land instead as a company's asset that can be used as collateral to seek for additional working capital. This needs to be evaluated. Such a policy can only be applied on small and medium sized businesses".*

Other problem of the FDI was the resident permit regulation for the foreign worker. As the Gabriele Waegerle suggested that one thing that needs to be improved is the immigration documents for foreigners so as to make it is possible for the foreigners not to extend the documents annually. In addition, Kim Min Joon also suggested that regarding to policy on foreign employees, there is a need to synchronize between regulations residence permit for investors and for foreign employees because there are still many differences in them. He hoped that in the future the investment policies of DIY as well as Sleman Regency are benefiting the business world.

2. **Agglomeration Economies leverage toward Investment**

   A. **The proportion of PDRB from FDI by sectors in Sleman and Kulonprogo Regency**

Gross Regional Domestic Product (GRDP/PDRB) defined as total of gross value added of goods and services in the certain period of a region. GRDP of Sleman Regency on the base of current price in 2012 was 16.696 billion rupiahs while the value of GRDP at current market prices of Kulonprogo Regency about 4.196 billion rupiahs in the same year. Meanwhile, the GRDP of Sleman Regency on the base of constant price of the year 2000 in 2012 was 7.069 billion rupiahs and the GRDP of Kulonprogo Regency on the base of constant prices of the year 2000 in 2012 was 1.963 billion rupiahs, its increased 93.69 billion rupiahs compared the previous year.

If the size of PDRB based on prevailing prices was made by Regency/City compares to the size of PDRB of DIY Province, hence, considered the contribution of each regency/city toward the formation of provincial economy. From the size of contribution showed which regency/city that most contributed on the formation of Provincial PDRB of DIY.

Table 3.9 Contribution of PDRB of Regency/City on the Formation of Provincial PDRB based on the Prevailing Prices 2011

No	Regency/City	PDRB (Million rupiahs)	Contribution (%)
1.	**Kulonprogo**	**3.867.136**	**7,85**
2.	Bantul	10.097.345	20,49
3.	Gunungkidul	7.250.682	14,71
4.	**Sleman**	**15.097.600**	**30,64**
5.	Yogyakarta	12.962.435	26,31
Total		**49.275.198**	**100,00**

Source: Regional Statistic Board of DIY Province 2012

From the table 3.9 it seen that in 2011, Sleman Regency occupy the highest position of the formation of Provincial PDRB of DIY with contribution of 30, 64 per cent. As the capital city of DIY, Yogyakarta City was give amount of 26, 31 per cent of contribution. In addition, Bantul Regency as the buffer zone of the city contributed amount of 20,49 per cent while another two regencies barely give a small contribution, which is Gunungkidul Regency contribute amount of 14,71 per cent and Kulonprogo Regency with the smallest contribution of 7,85 per cent.

The Sleman Regency is the area that has the fast growing among other regencies/city in the province of DIY. Sleman Regency has the competitive advantages in the infrastructures completeness and it geographical location. The advantages of natural resources such as the fertile soil, the rock and sands excavation and the historical heritages as a tourist attraction can be used as development capital. Furthermore, Sleman Regency also known as the centre of education facilities range from the primary education up to universities level. For instance, the existence of Gadjah Mada University, State University of Yogyakarta, and other private universities support the economic movements in the sectors of Trade, Hotels, Provision of Food and Drinks, Constructions and another related sector.

Other potential of Sleman Regency is the existences of the large and medium industries. The processing industry that has export orientation in Sleman Regency such as textile industry, confection, golf gloves, light, furniture, and other products. While the micro or small industries produces roof, brick, woven bamboo, bread, eel chips and many more products producing in the industrial processing.

Table 3.10 Contribution of PDRB based on Business Field of Sleman and Kulonprogo Regency 2009-2011

No	Business Field	Contribution (%)					
		Sleman Regency			Kulonprogo Regency		
		2009	2010	2011	2009	2010	2011
1.	Agriculture/ Excavation	13,6 1	13,02	12,7 4	25,1 6	23,8 6	24,5

2.	Processing Industry	14,18	14,16	14,39	15,10	15,52	14,31
3.	Trade, Hotels and Restaurant	22,82	22,76	22,87	16,40	16,56	16,97
4.	Services	18,50	18,80	18.85	19,92	20,77	21,10
5.	Others	30,88	31,27	31,16	23.42	23,27	23.13

Source: Regional Statistic Board (BPS) of Sleman and Kulonprogo Regency,2013

From the table 3.10 above, concluded that the most leading sector/ business field of Kulonprogo Regency was Agricultural sector. It is contributed the highest portion of the PDRB formation of Kulonprogo Regency, even though it was decreased in 2012. It also can be seen that the sector of Trading, Hotels & Restaurant and Services was increasing year by year; it could be the impact of the agglomeration economies of Yogyakarta was reached some strategic area in Kulonprogo. It is presumably increase in the next coming years in accordance with the mega project of new International Airport and Fishery Harbour that built in that regency.

The agricultural sector has an important role in the national economy, likewise for regional economic development of Kulonpogo. The role of the agriculture sector among others as a source of basic commodities, clothing, and housing, providing employment for most of the population and giving contribution to regional and national income. The agricultural sector consists of 6 subsectors, which is food crops, horticulture, plantation, animal husbandry, fishery, and forestry. Food crops include paddy (rice fields and fields) and crops. Maize, cassava, sweet potatoes, peanuts, soybeans and green beans are categorized as crops. Horticultural crops include fruits, vegetables, herbs, and decorating plants.

Production of paddy in 2012 reached 135,238 tons or has increased 1.60 per cent compared with 2011 which reached 133,100 tons. Among total production of paddy, 132,982 tons produced from wetland paddy, and 2,256 tons from dry field paddy. Meanwhile, the productivity of wetland paddy is about 69.52 kW/ha and dry field paddy about 31.91 kW/ha.

Production of crops in Kulonprogo Regency was dominated by cassava by 47,445 tons, maize by 31,233 tons, soybeans by 5,091 tons, and peanuts by 1,087 tons. While other crops were have a relatively small production such as sweet potatoes and green bean, with production about 313 tons and 98 tons. In general, the production of crops of Kulonprogo Regency in 2012 was increased compared to 2011, except for sweet potatoes commodity which decreased by 19.74 per cent. Production of soybeans increased 177.44 per cent, peanuts increased 36.90 per cent, green beans increased 19.51 per cent, and cassava increased 2.54 per cent and production of maize increased 4.03 per cent.

On the other hand, Sleman Regency that have role as the urban sprawl of DIY, has been dominated by the urban main sectors/business field such Trading, Hotels and Restaurant that fluctuating year by year. The dominant sector that able to give impacts on the entire economic growth called as the *leading sector*. With observe the changes of contribution of each sectors per year, hence, could be discovered which sectors that increasingly dominated and which sectors that increasingly weak in that regional economic cycle.

In recent years, the economic growth of Sleman Regency was dominated by four sectors. Those four sectors successively were Trading, Hotels and Restaurants sector; Services sectors; Processing Industry and Agricultural sector. About 69 per cent of the added-value of economic activity in Sleman Regency was the role or added value from those four sectors. Another five sectors were contributed about 31 per cent of the total added value created in Sleman Regency.

The sector of Trade, Hotels and Restaurants is the sectors that contributed the highest portion on the formation of the added value in Sleman Regency. In 2011 this sector are able to contribute about 22, 87 per cent toward the total PDRB of Sleman Regency. In 2012, the export realization was USD 44,968,623.39 and the volume was 4,779,343.84

kilogram. Synthetic gloves, Clothes and Leather gloves have dominant contribution to the value of export in Sleman Regency. Those contributed 86.88 per cent of the total value of export in 2012.

According to the destination country, the United State of America is the most important destination which has highest contribution to the value of export (39.10%) and is followed by some other countries that are Japan (27.23%), and South Korea (7.98%). In addition, the number of hotel/inn in Sleman Regency in 2012 decrease than 2011, that is 395 hotels. It is followed by the number of room and the number of bed that is 9.239 beds. Moreover, the number of room is more than the year before, which are 6.314 rooms (Regional Statistic Board (BPS) of Sleman Regency, 2013).

Table 3.11 Growth of Tourism Objects Visits in Sleman Regency 2010-2012

Tourists	2010	2011	2012
Foreign	285.424	262.351	341.578
Domestic	2.941.552	3.015.387	3.076.676
Total	**3.226.976**	**3.277.728**	**3.418.254**

Source: Modified from Investment Office (KP3M) of Sleman Regency

The number of foreign tourist can be categorized into 4 categories which are based on the continent. The highest number of foreign tourist is from Asia continent that was 7,200 tourists which is dominated by visitors from Malaysia and Singapore. The number of visitors from Europe was 5.541 which are dominated by visitors from Denmark and France. Moreover, there were 1,427 tourists from America continent and 1,255 visitors from Australia and its neighbour countries. The second highest sector was the services sector with amount of 18, 85 per cent, followed by the industrial sector with amount of 14, 39 per cent and agricultural sector with amount of 12, 74 per cent. The growth level of those four sectors would be most affecting the economic growth in Sleman Regency as a whole. The higher these sectors grow, the sooner the economy of Sleman

Regency develops, and vice versa. However, the domination of these four sectors didn't mean that another economic sector hasn't role in the economic cycle of Sleman Regency.

The investment growth in DIY is mainly from the tertiary sector, especially in the sectors of hotels and trade. The FDI (PMA) companies as well as the previous year, was gives the significant growth on the sector of hotels, services, restaurant, processing industry, trade, and transportation. The details of the FDI companies those realized it investment (Active) in DIY in 2012 is amount of 111 Companies which is 42 of the companies was operated in Sleman Regency and only 3 companies were concerning its investment in Kulonprogo Regency. In 2013, Sleman Regency has 44 FDI companies while Kulonprogo still with 3 companies as the previous year.

Table 3.12 Number of FDI Company by Sector in Sleman and Kulonprogo Regency 2013

No.	Regency	Number of FDI Companies by Sector		
		Primer	Secondary	Tertiary
1.	Sleman Regency	2	21	21
2.	Kulonprogo	1	2	-

Source: Investment Office (KP3M) of Sleman Regency and Investment and Integrated Licensing Office (BPMPT) of Kulonprogo Regency

From the table above, it can be seen the differences of the FDI in Sleman and Kulonprogo Regency. Sleman Regency is dominated by the secondary and tertiary sectors. Both sectors have 21 FDI companies while the primary sector is only able to have 2 FDI companies till the end of 2013. In addition, Kulonprogo Regency is only has 3 FDI companies as a whole, each were in primary and secondary sectors while the tertiary sectors is still none.

Table 3.13 Investment Realization of PMA/PMDN per Regency/City from 2009-2012

No	Regency/City	Investment Realization of PMA/PMDN Per Regency/City (Million Rupiahs)			
		2009	2010	2011	2012
1.	Bantul	220,461	244,151	378,282	417,262
2.	Sleman	1,964,030	2,055,669	3,415,269	3,518,179
3.	Gunungkidul	88,815	107,179	38,419	131,843
4.	Kulonprogo	32,185	36,934	127,358	37,096
5.	Yogyakarta City	2,085,155	2,137,040	2,464,252	2,951,686
Total		4,390,646	4,580,973	6,423,580	7,056,066

Source: Cooperation and Investment Board (BKPM) of DIY, 2013

Table 3.14 Contribution of PMA (FDI) by Sector in DIY 2011 (%)

No.	Sectors	FDI
1.	Agriculture, Forestry, and Fishery	1.33
2.	Industry	17.64
3.	Construction	0.00
4.	Hotels	22.46
5.	Transportation	0.12
6.	Housing and Office Affairs	0.00
7.	Other services	58.46
Total		**100.00**

Source: Cooperation and Investment Board (BKPM) of DIY, 2013

Based on RPJMD, the investment growth is expected to occur significantly in DIY performance on period of 2013-2017, especially in Kulonprogo, Gunungkidul and Bantul, which is still lags behind of Sleman and Yogyakarta City.

Regionally, the investment seems was still concentrated in Sleman Regency and Yogyakarta City with the portion reaching about 90 per cent of both PMA and PMDN. Other three regencies were only holding 11 per cent for PMDN and less than 10 per cent for PMA (FDI). This condition is certainly impacting the economic gap between regions. In the Agglomeration theory, this condition is very possible to happen. There are several factors that causing Agglomeration, such as the Infrastructure Carrying Capacity, Human Resources Quality, and other factors that may influence the production efficiency. PMDN and PMA (FDI) were dominated by three main sectors of Industry, Hotels and services. In 2011, these three sectors have its share of FDI almost 98 per cent.

B. The spatial/location of the investment and (or FDI) development in Sleman and Kulonprogo regencies

The FDI number based on sectors and spatial in Sleman and Kulonprogo Regency is presented on the Table 3.15 and Table 3.16 as follows:

Table 3.15 List of FDI Company based on Sectors and Spatial in Sleman Regency 2013

No.	District	Company	Sector	Status
1.	Berbah	Lezax Nesia Jaya, pt.	Industry	FDI (PMA)
2.	Depok	Plaza Ambarukmo (Putra Mataram Mitra Sejahtera, pt.	Services	FDI (PMA)
3.	Depok	Sheraton Mustika Yogyakarta Hotel & Spa (Mustika Princess Hotel, pt.)	Tourism	FDI (PMA)
4.	Depok	Jogjakarta Plaza Hotel (Adichandra Graha Wisata, pt.)	Tourism	FDI (PMA)
5.	Depok	Paradise Bali Indah, pt.	Tourism	FDI (PMA)
6.	Depok	Lotte Shopping Indonesia, pt.	Trade	FDI (PMA)
7.	Depok	Jibril and Jill Consult, pt.	Services	FDI (PMA)
8.	Depok	Queen Spa, pt.	Services	FDI (PMA)
9.	Depok	PT. Azimuth Adventure Travel Ltd.	Tourism	FDI (PMA)
10.	Depok	Pravianty Vantasia, pt.	Industry	FDI (PMA)
11.	Depok	PT. Lion Superindo	Trade	FDI (PMA)

12.	Depok	Bayuaji Cook Ateliers, pt.	Services	FDI (PMA)
13.	Depok	Meta Communications, pt.	Services	FDI (PMA)
14.	Depok	Agrisoft System Indonesia, pt.	Services	FDI (PMA)
15.	Depok	Gameloft Indonesia, pt.	Services	FDI (PMA)
16.	Depok	Tozi Sentosa, pt.	Trade	FDI (PMA)
17.	Gamping	Talaido Interior, pt.	Industry	FDI (PMA)
18.	Gamping	Sinar Kencana Makmur Jaya, pt.	Industry	FDI (PMA)
19.	Gamping	Niaga Merapi, pt.	Industry	FDI (PMA)
20.	Gamping	TIrta Investama, pt.	Trade	FDI (PMA)
21.	Gamping	Teak Works, pt.	Industry	FDI (PMA)
22.	Kalasan	Home Spirit, pt.	Industry	FDI (PMA)
23.	Kalasan	Java Gloves Perdana, pt.	Industry	FDI (PMA)
24.	Kalasan	Eagle Glove Indonesia, pt	Industry	FDI (PMA)
25.	Kalasan	Poeri Devata Resort & Hotel (Taman Sakura Martani, pt.)	Tourism	FDI (PMA)
26.	Kalasan	Kiho Bali Korin,pt.	Industry	FDI ([MA)
27.	Kalasan	Japanese Ina Basic, pt.	Industry	FDI (PMA)
28.	Kalasan	Japan Indonesia Basic	Services	FDI (PMA)
29.	Mlati	Borneo Melintang Buana Eksport, pt.	Industry	FDI (PMA)
30.	Ngaglik	Craftex International, pt.	Trade	FDI (PMA)
31.	Ngaglik	Almi Furniture Perdana, pt.	Industry	FDI (PMA)
32.	Ngaglik	Bothwell Indonesia, pt.	Industry	FDI (PMA)
33.	Ngaglik	Japan Indonesia Economy Centre, pt.	Trade	FDI (PMA)
34.	Ngaglik	Haruna Wisata Indonesia, pt.	Tourism	FDI (PMA)

35.	Pakem	Takii Indonesia, pt.	Agriculture	FDI (PMA)
36.	Pakem	Bamboo Nusa Verde, pt.	Agriculture	FDI (PMA)
37.	Prambanan	Indo Merapi, pt.	Industry	FDI (PMA)
38.	Sleman	GE Lightening Indonesia, pt.	Industry	FDI (PMA)
39.	Sleman	Java Connection, pt.	Services	FDI (PMA)
40.	Sleman	Sport Glove Indonesia, pt.	Industry	FDI (PMA)
41.	Turi	Padma Citra Amahi, pt.	Industry	FDI (PMA)

Source: Investment Office (KP3M) of Sleman Regency.

Table 3.16 List of FDI Company based on Sector in Kulonprogo Regency 2013

No.	District	Company	Sector	Status
1.	Wates	Sung Chang Indonesia, pt.	Processing Industry	FDI (PMA)
2.	Wates	Epotech Indonesia, pt.	Chemical Industry	FDI (PMA)
3.	Galur	Jogja Magasa Iron, pt. (JMI)	Mining	FDI (PMA)

Source: The Investment and Integrated Licensing Office (BPMPT) of Kulonprogo Regency 2013

From the table 3.15 and 3.16 above, it can be seen that the FDI of Sleman Regency was mainly located in Depok, Kalasan and Gamping District. Those three areas were the agglomeration area of DIY; hence, it may assume that the agglomeration economies as well as the population growth have the significant influence toward the investment. Following is the statement of the Arjunandir, the Head of Investment Marketing of KP3M Sleman:

"The FDI Companies in Sleman Regency mainly located in the industrial area such as Depok, Kalasan, Berbah, Kalasan,

Mlati and Gamping. Those are the area where the domination of industrial and economic activity takes place. In addition, the areas that dominated by the industrial activity is Minggir, Moyudan and Sayegan, while the area of water conservation is Cangkringan, Pakem and Turi".

In Sleman Regency, FDI was dominated by the sectors of trade, industry, services and tourism. It is because of regency as the centre of development, where the skilled manpower, modern life style live in line with adequate infrastructures. While in Kulonprogo, two of the FDI companies were located in Wates District, which in the sectors of industry while the one other was located in south coast of Kulonprogo in the sector of mining.

More than half of the total habitants of DIY were live in urban area; it is about 60 per cent of the people as a whole. DIY is the most densely province in Indonesia after DKI Jakarta. An average of the density of DIY in 2010 is amount of 1.084 people/km2 with the highest density in Yogyakarta City (11.941 people/km2) and the lowest in Gunungkidul (454 people/km2). The agglomeration of population of DIY are tend to be in Yogyakarta City and Sleman Regency (See Table 3.15).

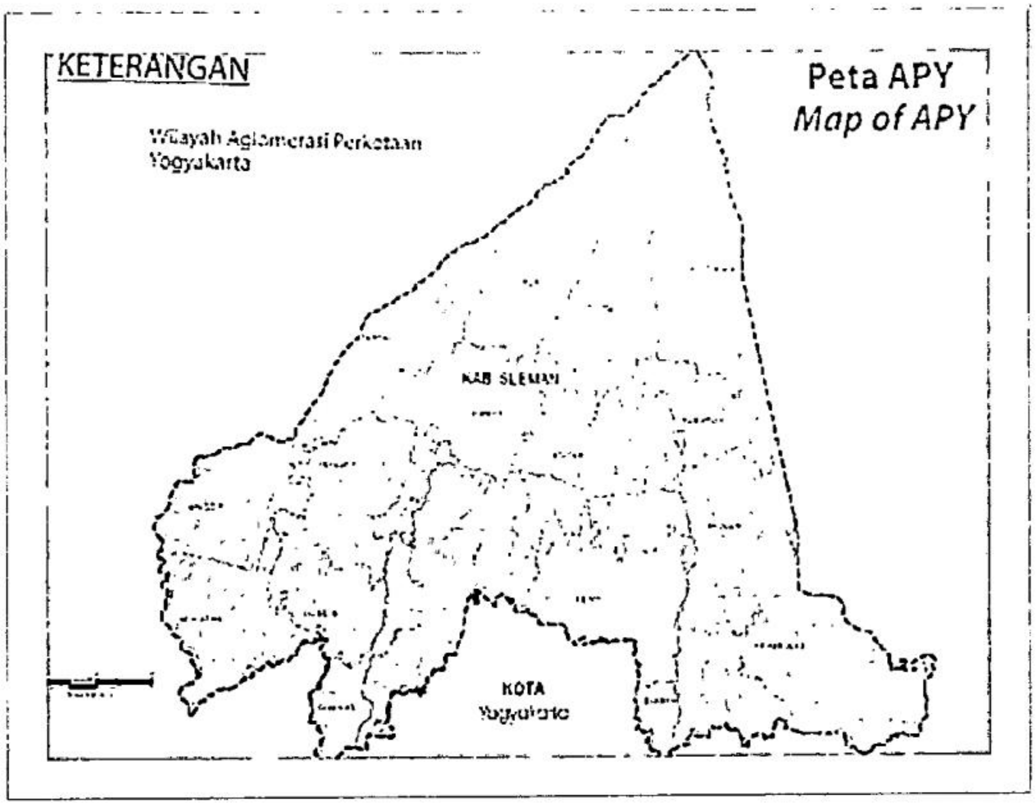
Table 3.17 Population Number by Regency/City in DIY Province year 2000-2010

No	Regency/City	2000		2010		Growth Rate 2010 (%)
		Total	%	Total	%	
1.	Kulonprogo	370.965	11,88	388.755	11,26	0,47
2.	Bantul	781.059	25,02	910.572	26,37	1,55
3.	Gunungkidul	670.544	21,48	674.408	19,53	0,06
4.	Sleman	901.735	28,89	1.090.567	31,5	1,92
5.	Yogyakarta City	397.398	12,73	388.088	11,24	-0,22
DIY Province		**3.121.701**	**100**	**3.452.390**	**100**	**1,2**

Source: Regional Statistic Board (BPS) of DIY in Kuncoro, M, 2010

In Sleman, there is high activity in population to a growing number of immigrants, increase birth rate, and the number of couples of childbearing age. In turn, this indicates the growing phenomenon of the Yogyakarta City, especially *extended Yogyakarta urban region*, namely the Yogyakarta City plus districts in Sleman and Bantul Regency that directly neighbouring to Yogyakarta City. With the population growth 1, 92 per cent in 2010, Sleman Regency has the highest population growth in DIY Province, followed by Bantul, Kulonprogo, and Gunungkidul Regency.

Image 3.3 Urban Agglomeration Area of DIY



Source: The Investment Office (KP3M) of Sleman Regency, 2012

From the Image 3.3 above, it seen that the agglomeration in DIY placed in several areas of Sleman Regency as the urban sprawl of Yogyakarta City (Extended Yogyakarta Urban Region). The districts of Mlati, Depok, Godean, Berbah, Kalasan and Gamping were the areas of urban agglomeration in DIY Province. Some areas of Bantul Regency such as Sewon, Kasihan and Banguntapan were also included as the *extended Yogyakarta urban region* (Kuncoro et al. (2008); Kuncoro (2009)).

Table 3.18 Number of Population of Sleman Regency by Sex and District, 2012

No.	District	Allocation		
		Male	Female	Total
1.	Moyudan	10.176	9.014	19.190
2.	Minggir	11.159	7.964	19.123
3.	Seyegan	16.000	13.745	29.745
4.	Godean	20.530	15.592	36.122
5.	Gamping	28.736	24.669	53.405
6.	Mlati	27.811	20.991	48.802
7.	Depok	30.541	23.605	54.146
8.	Berbah	11.009	10.315	21.324
9.	Prambanan	13.025	13.509	26.534
10.	Kalasan	21.765	16.793	38.558
11.	Ngemplak	13.915	12.480	26.395
12.	Ngaglik	22.772	19.410	42.182
13.	Sleman	17.296	14.775	32.071
14.	Tempel	13.973	11.993	25.966
15.	Turi	10.545	8.848	19.393
16.	Pakem	8.998	7.673	16.671
17.	Cangkringan	6.875	4.775	11.650
Total		**285.126**	**236.151**	**484.621**

Source: The Regional Statistic Board (BPS) of Sleman Regency, Sleman Regency in Figures 2013

It can be seen in details, the contributor of the highest number of population in Sleman Regency were Depok, Gamping, Mlati, and Ngaglik Districts that located in the south side of Sleman. These districts are the area that developed in order to support the agglomeration development of Yogyakarta City. These four districts was faced the high growth in the number of population and economic activity as the impacts of the added number by students and immigrants/outsiders.

As the results, it is concluded that those areas are the urban growth or urban areas in Sleman Regency. Considering the composition of the population of Sleman Regency, it may assumed that the area of southern Sleman that including Gamping, Mlati, Ngaglik, Depok, plus the Godean

Districts and Sleman City was actually as the basis of urban growth that formed a pattern of agglomeration with Yogyakarta City. Furthermore, Godean, Sleman, and Ngaglik have developed to the direction of economic activities of the people in the districts of its surrounding areas.

The dynamic of economic activity in DIY was forming the concentration of economic activity in the area of Yogyakarta City and Sleman Regency. The agglomeration economies in both areas seems having faster growing as reflected on the economic growth that was so high even more than the average of economic growth of DIY.

Table 3.19 Number of Population of Kulonprogo Regency by Sex and District, Result of 2010 Population Census

No.	District	Allocation		
		Male	Female	Total
1.	Temon	11.993	12.478	24.471
2.	Wates	21.571	22.424	43.995
3.	Panjatan	16.281	17.116	33.397
4.	Galur	14.408	14.712	29.120
5.	Lendah	18.113	18.334	36.447
6.	Sentolo	22.054	22.471	44.525
7.	Pengasih	21.961	23.214	45.175
8.	Kokap	15.346	15.778	31.124
9.	Girimulyo	10.694	11.199	21.893
10.	Nanggulan	13.197	14.042	27.239
11.	Kalibawang	12.948	13.854	26.802
12.	Samigaluh	12.128	12.553	24.681
Total		**190.694**	**198.175**	**388.869**

Source: Regional Statistic Board (BPS) of Kulonprogo, Kulonprogo in Figures 2013

From Table 3.19 above, it can be seen that the districts that contribute highest portion of population number in Kulonprogo Regency were Pengasih, Sentolo, Wates, and Lendah Districts. Based on the spatial planning of Kulonprogo Regency, there has been settled the strategic area in light of economic growth interest in example: metropolitan areas, special economic zones, integrated economic development area, un-developed area, and also free trade zone and free port zone. The strategic area in Kulonprogo Regency were: (a) strategic corridor area that links

Temon-Wates-Yogyakarta; (b) strategic economy area in the district of Galur, Sentolo, and Lendah; (c) Sentolo industrial Area; (d) Agropolitan region, include: District of Kalibawang and Temon; (e) Minapolitan region, include: District o Wates and Nanggulan.

The identification of urban area also can be refers to the spatial concentration of each districts from the Medium-Large Industry (IBM) that there are in Sleman Regency. With used the cluster identification method that has been developed in latest industrial literature (Kuncoro, 2002), it can be seen the IBM concentration was mainly located in Southern Sleman Area where is the agglomeration area of Yogyakarta City. The existence of road, especially *ring road* and main road linked Yogyakarta City and Magelang, was contributed as the factor that have role on formation of agglomeration pattern along those roads.