

## CHAPTER IV

### CONCLUSION

From the previous chapters, indicates that both local governments of Sleman and Kulonprogo Regency are less concern toward the treatment for the Foreign Direct Investment (FDI). There are seems no specific consideration, policy and strategy on how attracting treating and maintaining the FDI in the region.

#### 1. Policy Frameworks to the FDI

- a. Both Sleman and Kulonprogo Regency have different autonomy of form of its investment institutions. Sleman Regency's Investment office called KP3M is fully deal with all investment matters (Investment, Capital Strengthening and Inclusion) while the Kulonprogo Regency's Investment office based on Regulation No. 25/2007 about Investment, Government Regulation No.27/2009 about One-Stop Service (PTSP) in investment field and the regulation of the head of Investment Coordinating Board (BKPM) No. 16/2012 about the Ways of Implementation and Reporting PTSP in Investment field, is mixed with the Integrated Licensing Office.
- b. From the entry and operating regulations, the KP3M Sleman presents a clear licensing procedure for both domestic and foreign investors. It is in order to conduct a conducive investment climate to accelerate the economic growth of the region. On the other hand, Kulonprogo Regency is not presenting clear procedures and licensing direction especially for the foreign investors. The regency is only displaying the license procedures of investment in general.
- c. According to the Special Region of Yogyakarta Governor Regulation No. 11 of 2008 about Sub-District Property Usage System, explained the Rental Mechanism, Cooperation and Build Transfer Operation and Build Operation Transfer, were arranged

by the law. The Sleman Regency is displaying this explanation and information about the regulation as well as the policy standard for FDI while Kulonprogo Regency is not considering this Policy and even didn't serving well information about the policy standard for the FDI.

- d. Both Sleman and Kulonprogo Regency were serving the information about its investment potentials clearly. Sleman Regency is presumably more concern to the information system of their potentials and other crucial needed information related to the Investment. The regency is not only serving up-to-date information through official website of investment office, but also through the investment promotion book, leaflets, and investment profile. On the other side, Kulonprogo Regency is only serving the information through official website and investment promotion book. If seen from the complete information served in the website as well as the investment promotion book, it may assumes that Kulonprogo is less informing its up-to-date and crucial information like the Sleman Investment Office did.
- e. Sleman Regency is selling skilled-educated manpower, physical infrastructures, easy-to-reach, and its heterogeneous and friendly society as well as strength as the urban sprawl of DIY as the competitive advantages of the regency. Meanwhile, Kulonprogo Regency is offering low-cost labour, near future mega projects development (International Airport and Modern Fishery Harbour) and its role as one of the location of special industrial zone in DIY as regulated on the 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.

## 2. Economic Factors

- a. From the previous chapter, concluded that generally the FDI Companies in Sleman Regency is seeking for market, efficiency

and capabilities rather than resources, it is because Sleman Regency has less natural resources as well as reduced availability of land and land usage limitation because of its function as the water catchment area of DIY. On the other hand, Kulonprogo Regency is mainly attracted the investors that seeking for the resources and efficiency. It is because the regency has rich natural resources especially for agriculture and mining industry. The market seeking FDI is barely investing in Kulonprogo because the regency's Human Development Index (HDI) was below the average of Provincial Human Development Index.

### 3. Business Faculties

- a. Both Sleman and Kulonprogo Regency are concern toward the importance of image creation or branding to attract FDI. Sleman Regency create an investment brand "Sleman-ETI (Education, Tourism, and Investment)" while Kulonprogo Regency create a brand image as "Kulonprogo The Jewel of java".
- b. Regulations of Trades, Industries, Mining and Tourism in Sleman Regency are accommodative to investor as well as the Development Planning Policies with the good direction and orientation of economic policy. Kulonprogo regency also gives the easy investing offers through incentives to the investors. It is noticed in the Local Regulation No. 21/2012 about advocating, incentives, and investment easiness.
- c. The Sleman Regency presents its strong points compares to other regencies/city in DIY, such as easy-to-reach, skilled and educated manpower, physical infrastructures and other profitable advantages potentials. Kulonporogo Regency is realizing its inferiority toward Sleman Regency and offering prospective profitable investment for the near future related to the mega project of International Airport.
- d. In the matters of quality of life between Sleman and Kulonprogo Regency, Sleman Regency is have a lower rate of poverty compares to Kulonprogo that becomes the regency that has a

highest poverty rate. It is 23,15 per cent in 2010 while Sleman Regency is only 7 per cent in the same year.

- e. Both Sleman and Kulonprogo Regency is didn't give the effective policy about the residents permit for the FDI employees. It is suggested by some investors to create a more effective policy about the residents permit.
  - f. Sleman Regency has conducting broaden Investment linkage and networks. It is proven in the previous chapter, that the KP3M Sleman has regularly conducting investment promotion and cooperation up to international level. Kulonprogo Regency is seems less concern on that matters.
4. Agglomeration economies leverage toward investment
- a. The leading sector in the formation of PDRB in Sleman Regency is the tertiary sector, which is Trade, Hotels and Restaurant sub-sectors. While the leading sector in the formation of PDRB in Kulonprogo Regency is the primary sector, which is Agriculture sub-sector.
  - b. The FDI realization of Sleman Regency is higher compares to Kulonprogo Regency.
  - c. Based on the spatial/location of the FDI, FDI in Sleman Regency is mainly located in Depok, Kalasan and Gamping Districts. Those all districts were include as the agglomeration area of DIY. The FDI in Kulonprogo Regency is mainly located in Wates District.

#### **A. Recommendation**

Considering several problems founded in the previous chapter, here is some recommendations listed:

- a. Both Regency is still need to reform its investment policy and regulations in order to conduct conducive investment climate and attract more foreign investors by arranged such friendly-investment policy especially for the FDI.
- b. Recommendation for Sleman but more specifically for Kulonprogo Regency to take into account the importance of licensing

procedure and information toward FDI. Good investment governance becomes one of attraction points for the many potential FDI.

- c. Normatively and operationally, both domestic and foreign investment have different characteristics, so that it need to be noted that in delivering service must be there are some differentiation or so to say the “specialization” services to the FDI. It is aimed to influence the determination of FDI toward the regency. Every aspects of this life, include human beings, are pleasing to be specialized and so do FDI.
- d. To make Sleman and Kulonprogo Regency attracted to the FDI, both need to rising up its uniqueness or extraordinary potentials that have a high investment value to the FDI and improving the capacity of the supporting infrastructures, manpower, security and services.
- e. Sleman Regency has spread broad linkage and network of cooperation up to international level, it needs to be increased. While Kulonprogo need to starts do the same in order to strengthens its image branding “Kulonprogo The Jewel of Java” as the regency’s gun to go international.
- f. Both regency are needs to improve all the economic, social, cultural and capabilities and wrap all these points into a complete packaging, hence, the better the packaging, the higher the FDI concerning. As the results, not only certain types of FDI attracted, but all the types of FDI invited.
- g. Promotion or marketing is one of important matters in economic science. Suggestion for both Sleman and especially Kulonprogo to serving as complete as possible the information that needed by the prospective investors. For Kulonprogo, it no need just explain how much the investment potencies you have, but more important to present other information related to the investment. Such as investment realization, competitive advantages, and other points to ensure the Investors doubtless about the regency’s capability.

- h. Sleman Regency is suggested to improve the Investment Officers capacity on giving the right and appropriate services to the investors.
- i. Sleman Regency based on the complaint of some investors and foreign workers about residents' permits need to create a more sound friendly policy to the investors and foreign workers in Sleman.
- j. Kulonprogo is suggested to develop the tertiary sectors as the main attraction source of investor's determinant in another urban area like Yogyakarta City and Sleman Regency.
- k. Kulonprogo Regency need to enhance the ability of the Investment Officers in order to faces a more competitive tone of Investment in the region in the near future.
- l. Kulonprogo need to conduct conducive investment climate and a sound friendly policy so that all stakeholders (Government, Private, and Society) are satisfied.
- m. Kulonprogo Regency need to repair the relation between Private (Investors) and the Society, hence, there will not be repeated the same mistakes and misunderstanding.