

# Grand Design of Investment Cooperation in West Java Province

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## Abstract

*Government of West Java Province, has many limitations to explore the existing potential. While the demands of such rapid development, in order to realize a prosperous society in West Java. To that end, the pattern of investment pattern of mutually beneficial cooperation and can provide added value to regional development.*

*The problem that occurs is the absence of a standardized format of the grand design of investment, both in West Java or Indonesia. Many double standards or policies applied between one region and another differently so confusing even made into dissuade investors to invest in Indonesia. Preparation of investment cooperation policy in West Java is certainly not out of the existing corridor signs. Some references staples like; West Java Provincial Regulation No. 21 of 2011 on investment; or the West Java Governor Regulation No. 80 of 2013 on the general plan of capital investment in West Java province. Thus, policy making investment cooperation, has a clear technical guide because it has no line of policy and legal law.*

*The purpose of this study was to overcome the problem of investment and investment in West Java because there are no specific guidelines made by the region. So this led to the existence of a double standard on the part of investors and local. grand format design investment cooperation can be used as a reference for the Agency for Investment and Promotion Coordination West Java as well as the investors in the country and abroad.*

**Keywords:** Investment, Grand design, Jawa Barat

## I. BACKGROUND

Increasingly rapid exchange occurs in areas of the economy that is increasingly growing, can lead to the occurrence of a control by the community with one another, whatever the field. This mastery is not only economic, but also transmitted to the political, cultural, and so on. This intervention is popularly known as inter-societal stratification, or statifikasi between communities. Experience says that people who come out a winner whose structure is complex. This climate allows the parasitic exploitation thrive. To that end, the investment policy is well planned, it will argue that experience.

Under the West Java Provincial Regulation No. 21 of 2011 on capital investment, the purpose of the implementation of the investment can be grouped to:

- (a) Promote regional economic growth
- (b) Creating employment
- (c) Increase sustainable economic development and environmental,
- (d) Enhancing the competitiveness of local businesses
- (e) To increase the capacity and technological capabilities
- (f) To encourage the development of community economy
- (g) Rework economic potential into real economic strength, using funds derived from both domestic and from abroad.
- (h) To improve the welfare of society.

Based on data from BPS in 2007-2012, West Java Economy grew an average of 5.86% with the highest achievements in 2011 at 6.48%. Here is the data rate of economic growth in West Java in 2008-2012.

Table1. West Java LPE 2008-2011

Tahun	LPE (%)
2007	6.48
2008	6.21
2009	4.29
2010	6.09
2011	6.48
2012	6.21

Source: BPS Jawa Barat

Government of West Java Province, has many limitations to explore the existing potential. While the demands of such rapid development, in order to realize a prosperous society in West Java. To that end, the pattern of investment pattern of mutually beneficial cooperation and can provide added value for regional development worth drafted.

Investments are measured from gross fixed capital formation (GFCF) at current prices during the period 2008-2012 an increase in average 13:36% per year from Rp. 106.11 trillion in 2008 to Rp. 175.20 trillion in 2012. However, the contribution of GFCF needs to be improved by encouraging investment that can absorb labor and using local resources.

Realization of investments based on permanent business license (IUT), published in 2011 has increased, whether through foreign direct investment (FDI) or through domestic investment (DCI). Pesebaran investment relatively uneven between regions in West Java. In 2011, the number of projects increased by 4.92% or increased to 767 from 731 in 2010. The activities of the investment value increased by 4.61%, up from 46.6 trillion becoming 48.7 billion of 2010. The number of workers increased by 81.78% from 218 239 people were 398 710 from 2010.

Investment objectives for the region of West Java is largely Bekasi Regency, Bandung and Cirebon with each investment 13.2 trillion, 9.5 trillion and 7 trillion. Population growth in West Java, each year continues to grow. Especially in the area of economic knot knot, which is driven by the high level of investment. This growth rate, not just because of the natural growth, but more important is the attention to in-migration. Knots economy is the appeal of job seekers, especially for the manufacturing sector.

In accordance Pergub No. 80 of 2013 on the General Plan Investment West Java, the direction of investment policy should look at the potential for Regional Development (WP), to the creation of equitable development. Of Regional Development of existing, potential investment for all sectors (primary, secondary, tertiary) relatively open, although with different degrees. In addition, the rapid growth of infrastructure in West Java, making the dynamics of investment is growing rapidly. Various facilities are there for this, with the smallest possible investment risk, has become the driving force investors to invest in

West Java. The question now is, how well the Local Government organize the existing opportunities, and make optimum use of its resources.

The investment is a strategic factor for the development process continues to an increase in West Java. In 2012, investment (GFCF) at current prices reached Rp.175,2 trillion. This figure is an increase of 12.06 percent from the previous tahun. Some things that allegedly slow down and hinder the realization of investments, among others: security, rule of law, transparency in permit investment, employment, land and the environment, raw materials, regional competitiveness.

In addition to this, the existing problems is the lack of standard formats that have emerged and publish about the grand design of investment, both in West Java or Indonesia. Many double standards or policies applied between one region and another differently so confusing even made into dissuade investors to invest in Indonesia. Preparation of investment cooperation policy in West Java is certainly not out of the existing corridor signs. Some references staples like; West Java Provincial Regulation No. 21 of 2011 on investment; or the West Java Governor Regulation No. 80 of 2013 on the general plan of capital investment in West Java province. Thus, policy making investment cooperation, has a clear technical guide because it has no line of policy and legal umbrella. Based on this, the authors will try to make a grand design of investment cooperation that can be used as standard rules or guidelines for the parties concerned.

### 1.1 Problem Identification

Under the circumstances that have been described above, the problem in this research is the absence of guidelines and standards for investors who want to invest in West Java so it takes a grand design of investment cooperation.

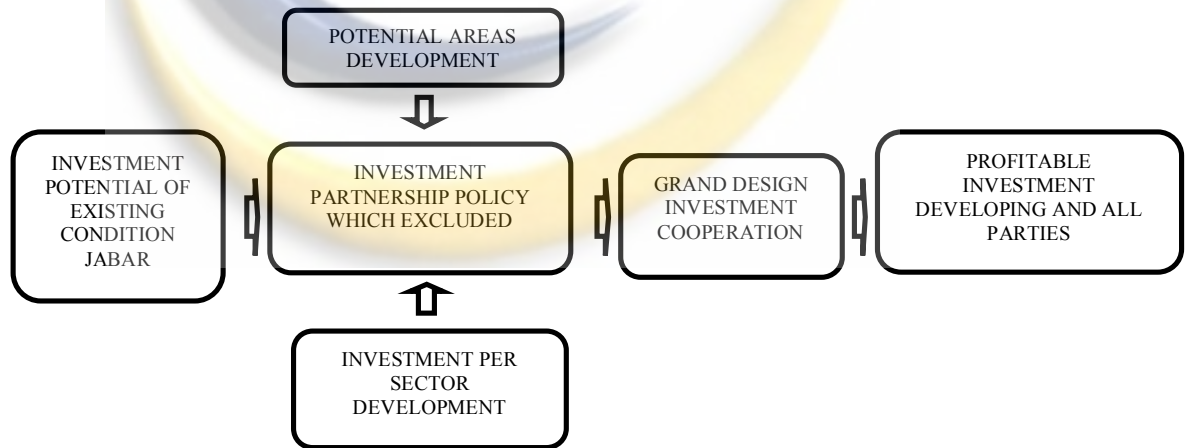
### 1.2 Benefits of research

The benefit of this study is to provide investment cooperation grand design format that can be used as a reference for the Agency for Investment and Promotion Coordination West Java as well as the investors in the country and abroad.

### 1.3 Framework

Framework research is an important part in a research reports. In addition to describing the conceptual model of research, as well as a general overview of the research process is done. The concept of thinking in this study is

Figure 1. Framework



## II. LITERATURE REVIEW

### 2.1 understanding investment

Investment or investment or establishment means any activity that can increase the ability of the economy to produce output in the future. In general, the investment can be defined as expenditures for the purchase of goods and capital and production equipment in order to increase the production capacity of

goods and services in the economy. Increase the amount of capital allows the economy produces many goods and services in the future.

Investment is the economic variables that the link between the conditions at the present time the situation in the future, and also the connection between the goods market and money market. The role of interest rates is crucial in bridging both markets. Investment is also the most volatile component of GDP. Investments can be defined as an activity undertaken by a private (natural person) or a legal entity in order to increase the value of their capital. Investment is the expenditure component that is large and easy to change where investment often leads to changes in overall demand and affects the business cycle.

According Sadono Sukirno (1996) mentions the investment can be interpreted as an expenditure or capital investment expenditures or companies to purchase capital goods and production equipment to increase the production capacity of goods and services available in the economy. The addition amount of capital allows the economy to produce more goods and services in the future. Which can be classified as investment expenditures include the following:

1. Purchase of various types of capital goods, namely machinery and other production equipment to set up various types of industries and companies.
2. Expenditure to set up homes, office buildings, factory buildings and other structures
3. Added value of unsold inventory, raw materials and goods that are still in production at the end of the national income accounts.

According to Gordon, there are three (3) types of investment types, the first is the private investment and the second is inventory investment. Private investment is the portion of the final product that can increase the income of a country and produces physical assets or which replace physical assets that have been using. Inventory investment is the change in the stock includes all raw materials, parts and finished goods held by business. And the last type of investment is fixed investment is included all final goods purchased by businesses that are not intended for sale.

## 2.2 Understanding Grand design

The term grand design consists of two (2):

- (1) Grand which means that the most important thing, great, became the parent;
- (2) Design which means a scheme of arrangement, something that is intended as a guide for implementing an other.

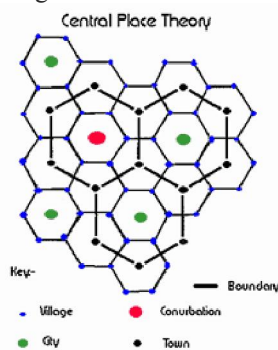
So it is practical, the grand design is often implemented as a master plan or main frame.

## 2.3 Central Place Theory

Central place theory proposed by Walter Christaller in 1933. This theory states that a location can serve a variety of needs which is located at a place which is called as a central place. The central place to have certain levels within its capabilities to serve the needs of the region. The services described in the form of a hexagon / hexagonal. This theory can be valid if it has the following characteristics

1. flat and not hilly territory
2. The rate of economic and population's purchasing power is relatively equal
3. Residents have the same opportunity to move into different directions

Figure 2. Central Place theory



Sumber: csiss.org



### III. METODE

The method used in this study is descriptive analysis method to study engineering approach to literature. The type of data collected is secondary data obtained from the study of heritage, review of documentary and data from the Investment and Promotion Coordination West Java and SKPD related to this study.

Secondary data that will be collected through the study of literature, review of documentary and the results of previous studies. Secondary data collected material as follows:

1. The development potential of the economy, investment and capital investment as well as social culture in West Java Province.
2. Facilities and infrastructure development in the province of West Java
3. Vision, Mission and policy development in the province of West Java investment policy and investment
4. Rules and regulations related to investment cooperation and investment

### IV. RESULT AND DISCUSSION

#### a. The concept central place theory approach

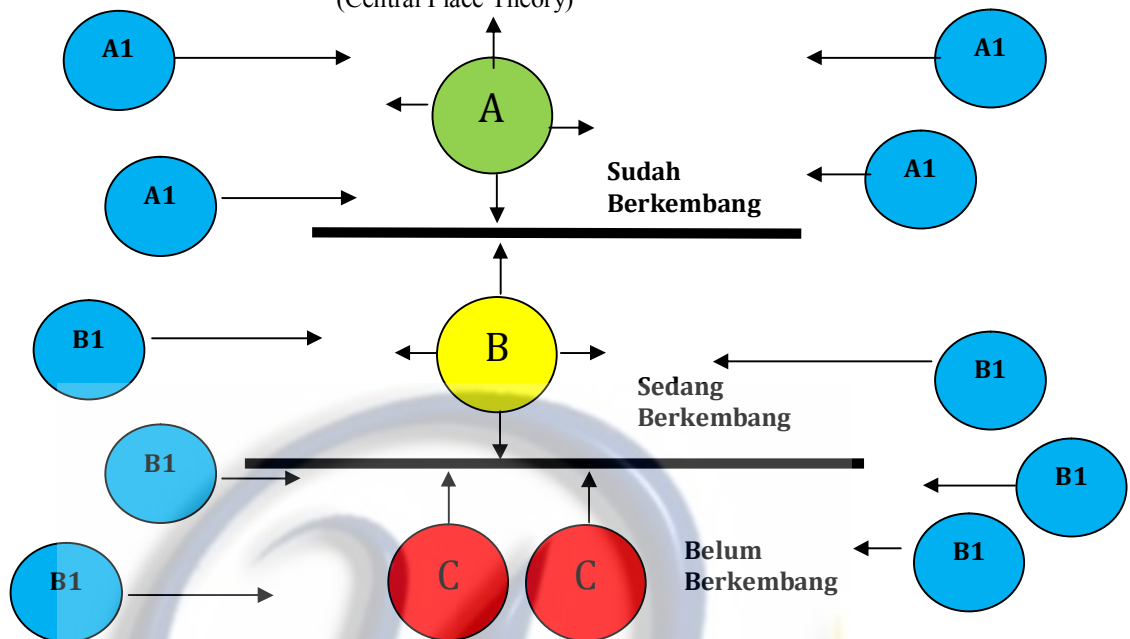
The concept of development with a macro approach, optimization of resources in a particular area, require access and the guarantee of continuity of resource utilization. In theory base (Economic Base Theory), stated that the continuity of resources in a region or area is strongly influenced by demand (demand) both of these areas, neighbors, and from abroad. This theory suggests that the direction of economic development potential should be adjusted to market opportunities and demand. Or in other words, the development of an activity (including investments), is very important concerned the market (market).

Besides West Java needs to look at, the direction of development of the existing potential, adapted to each sub area (Central Place Theory), the criteria are already developed, developing, or underdeveloped. Application of this theory to realize the pattern of development of differentiated investment in accordance with the potential and development targets set. The function of each area (region) or vertices though differentiated, but must be integrated into a force, so as to create regional competitiveness.

Model development investment in West Java, tend to have followed this theoretical basis. By making the designation of each area of development, is basically how regional efforts to move forward and backward region. Model development of these areas will be a tug of war or interdependence between one and the other.

How to model the development of the investment can be seen in the concept development of the territory as below

Figure 3. Customized Investment Development Planning Model With Sub-area development / Regional Development In West Java (Central Place Theory)



Information :

- A Economic node that has evolved with the indicator
  - People are more likely to move in the trade and services sectors.
  - Relatively better educational facilities
  - Education level of society better
  - Means of transport, public transport, and better access roads
  - The use of power (electricity) and other relatively high.
  - Other facilities are relatively complete
  - In migration, from other regions is very prominent to the region and a destination for job seekers
  - Using high technology, and other media.
- B The Emerging Economic knot
  - Communities began to think positive and realistic and moving in various development sectors
  - Education starts to become a necessity
  - The level of people's income is dominated by the middle class and low
  - Access roads and transportasi already open well
  - Small industries are well developed, although the raw material is not or has not been from the local area
- C The Economic knot Not Developing
  - Growing economic sectors in the region are generally in the primary sector with small scale
  - View of life in society is dominated by the traditional view, with the level of efficiency that tranquility and low productivity.
  - The average level of education is relatively low
  - Products are marketed under the local segment, or at least far into another district
  - Still rely on natural resources which have not been processed
  - Income per capita is relatively low society

b. The pattern of investment cooperation

Cooperation investment in West Java is done with the intention to optimize existing resources. Of not having economic value, transformed into economic value. But we realize, to change something that has economic value, require significant funding. West Java Provincial Government funds are not enough to change the earlier potential. Strategic breakthrough in order to address these obstacles is to involve other

parties (investors), both domestic and abroad. Wake patterns of investment cooperation is expected to be beneficial to both parties. Neither the owner of the assets, as well as investors.

For the government of West Java, the pattern of investment cooperation are built should remain favorable, both short, medium and long term. Choice of investment cooperation pattern even this does not violate the signs signs have been determined.

Investment is one of the shortcuts to overcome the problem of financial scarcity in the development process. Of course there are many other ways that used to cover the funding shortfall. Choosing the investment policy, the inherent risks to be faced, then there are two types of investments based on risk level:

- a. Free risk investment  
Investments that have a relatively small level of risk. This type of investment would give a lower profit.
- b. Risk investment  
The type of investment return and risk fluctuate, the investment model is the investor may not get benefits or otherwise. For it makes the appropriate calculations and predictions of various future possibilities is needed even if external factors are difficult to predict.

The literature says there are two types of investments:

- a. Real investment  
A certain amount of funds invested in tangible assets such as land, gold, and other buildings.
- b. Financial investment / loan  
A certain amount of funds invested in financial assets such as deposits, stocks, bonds and others.

Theoretically, financial investment / loan including one pattern of investment cooperation. But the law of investment, only the bonds are regarded as one of the investment scheme. Therefore, West Java province when taking the decision to cooperate with the Chinese side in developing and providing assistance or "Financial Investment" or "Loan" in building infrastructure projects, such as dam-hydropower Jatigede and Highways / Raya Cisumdawu (Cileunyi -Sumedang-Dawuan), need to be returned if included in the pattern of investment cooperation and not out of the law of investment.

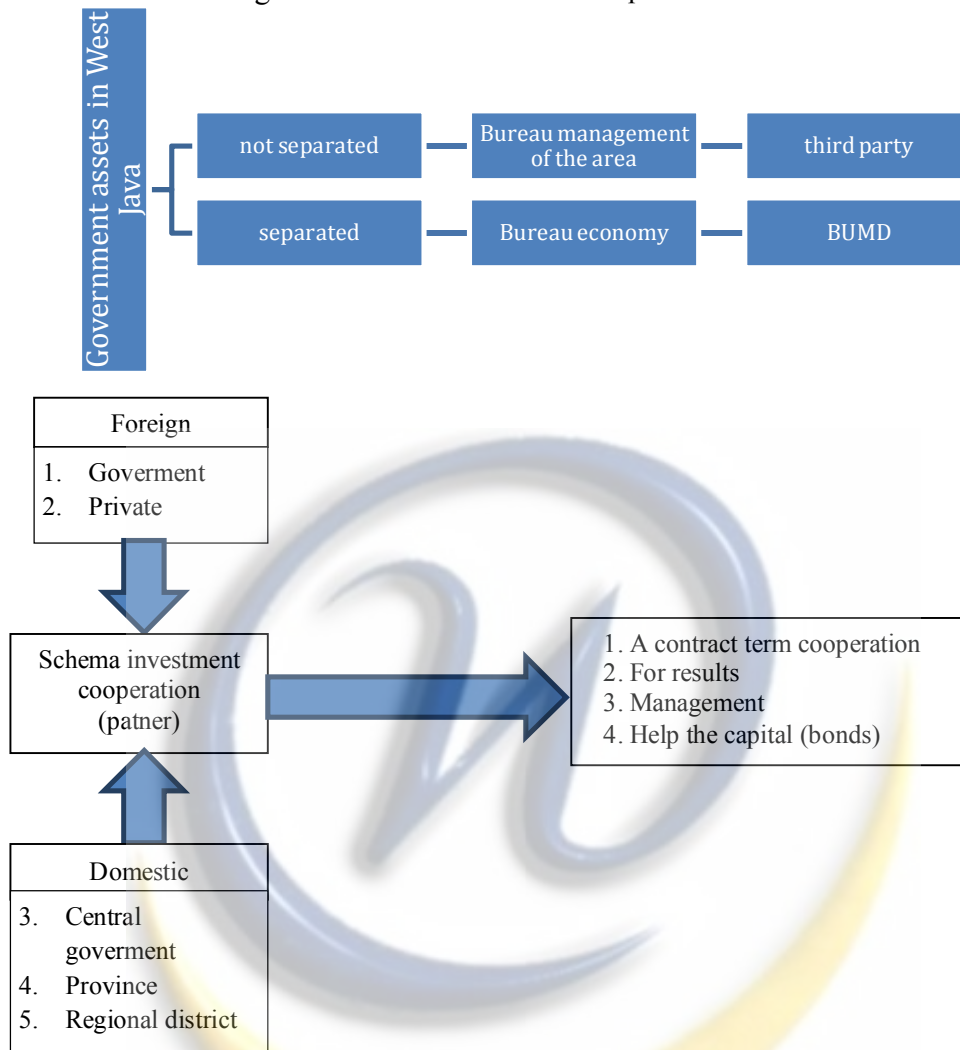
Table 2. Investment cooperation program in West Java

Cooperation Programme	Cooperation strategy	
	Cooperation activities	Model Cooperation
Climate Improvement Program, Promotion of Investment Cooperation	Cooperation increase in realized investment (FDI + DI) in West Java between the Government of West Java Province with the Central Government, District Government / City in West Java provincial government	Regions By Region (Inter-regional)
		Regions with Third Parties (K / L, Legal Entity Institutions, Individuals Legal Entity, enterprises, SOEs)
Guidance and Development Program enterprises and Non Banking Financial Institutions	Cooperation to increase the contribution of the existence of public enterprises to the PAD per year between the Government of West Java Province with the Central Government, District Government / City in West Java provincial government other, High Perguruan institutions and international organizations	Regions By Region (Inter-regional)
		Regions with Third Party (K / L, Legal Entity Institutions, Individuals Legal Entity, enterprises, SOEs)
		Areas with Abroad (Government To Government And Government To Business)

c. Grand design investment cooperation

Investment cooperation schemes in West Java, developed in accordance with the dynamics of the construction going on. Especially in recent decades the business units under the government of West Java are well-developed business. The development is in accordance with the dynamics of development which in turn provides revenue (income) against the government of West Java province. On the other hand, the idle assets owned by the government of West Java has not been used optimally for the welfare of the people of West Java. The cooperation scheme for investments made are expected to encourage the well-being of people of West Java. The pattern of investment cooperation schemes in West Java in view of the following picture:

Figure 3. Scheme Investment Cooperation Patterns



West Java government assets divided into 2 (two), namely: (1) are separated and (2) were not separated. Understanding separated and not separated here is not in the physical sense but in the sense of management. The assets managed by the agency are not separated management of the area while the separated assets managed by the bureau economy. Assets are separated automatically into the authority and its business enterprises (Regional Enterprise) West Java Province.

Scheme or pattern of this cooperation made such and separated between foreign and domestic parties. Foreigners usually through employment contracts (investment partnership) in the form of projects large scale. Investment cooperation with foreign parties, more in assets that are not separated. Thus, the foreign party is more often associated with management of local bureaus. As for the enterprises more related to domestic investors.

Pattern operational investment cooperation can be in the form of the contract term. This pattern means the time measured, and usually after the contract is completed, the investment belongs to the local government of West Java. Patterns of cooperation for the results applied to the service sector such as hotels. This cooperation pattern is highly dependent on the turnover obtained. The larger the sales turnover obtained the greater the acceptance of the results. Vice versa. To that end, the pattern of investment cooperation always strives for maximum results improve performance to boost sales.

Management schemes, usually in the form of management of the investment made. These contracts usually in the form of toll road or the other. Investment cooperation between the provinces do like



water taps. Its source is in West Java, while marketing bias in Jakarta or other areas. As for the investment pattern in the form of bonds could be in the form of large investments.

Based on the above, it appears that the growth of investment in West Java showed an increase from year to year. From 2006 until 2013 the trend of the realization of investment in West Java showed positive changes, especially in 2009 and 2013. In 2010 the realization of the investment had declined, but in 2013 investments increased to Rp. 95,518,909,767,520. The increase is quite high in West Java, namely in 2008 and 2012. 2007 is the current condition of the ailing global economy because it begins with a property crisis in the United States. Untuk optimalisasi pemanfaatan asset-aset pemda Jawa Barat, diperlukan strategi tertentu guna mewujudkan tujuan-tujuannya.

The strategy is to organize the patterns of investment cooperation with third parties for mutual benefit. In the modern business etiquette in the era of globalization and marked with the "hyper competition" mutually beneficial cooperation is obligatory.

Investment cooperation, in the realm of economic policy. Product cycle theory, where industry tends to shift to low labor wages country. Fordism and post-Fordism concept introduced by French regulation theory or repetitive movements that apply the system of a live assembly, subtle in this era of globalization. The investors (mainly from abroad) will try to see the best opportunities for investment cooperation. Moreover, West Java, in recent decades so incessant building infrastructure that can reduce the cost of each investment Productivity here.

## V. CONCLUSION AND RECOMMENDATION

### 5.1 Conclusion

1. Cooperation investment in West Java consists of two (2) forms of cooperation, namely climate improvement and promotion of investment cooperation as well as the promotion and development of enterprises and non-bank financial institutions.
2. Development in West Java with high acceleration has invited potential investors to invest in this province. In accordance Pergub No. 80 of 2013 on the General Plan Investment West Java, the direction of investment policy should look at potential areas Pengembangan (WP). In every area of development (WP), the potential investment for all sectors (primary, secondary, tertiary), relatively different. West Java West Java embraced the concept of development of North, Central, and South America. This policy is to balance the development of the North and South West Java, through an investment strategy. Thus, the growth of South Jabar in turn will offset the growth in the North West Java.
3. The pattern of investment cooperation in West Java, although with different schemes but still refer to the rules that have been set. All this is to maintain the viability of development in West Java. Good potential investments owned by the Government of West Java Province, as well as potential investments in the West Java Regional Government but not assets. Assets owned by the provincial government composed of non-segregated and separated. For assets that are separated by the Bureau of Economic dilola, while assets managed by the Bureau of unsorted goods management area. Of all the assets that can be cooperated to a third party. Cooperation between countries that can, provincial, and district / municipality. Judging from his status there is also a public and private.

### 5.2. Recommendation

1. The long economic chain, from upstream to downstream, is a common thread investments that can increase income and welfare of the community. To that end, backward and forward linkages linkages a primary consideration in matters of investment. That is, the interests of West Java is the main one, so the designation, type of business is saturated and the types of investments that have a high economic value. When autonomous investment entail substantial costs, with investors is a credible solution. Because every sector of the economy (primary, secondary, and tertiary), always consider the issue when the infrastructure will invest.
2. From the pattern of existing cooperation, should still puts the interests of West Java Province, including the Regency / City. Scheme of cooperation (partnership) which was built during this time, either through futures contracts, profit sharing, management, capital fund or bond, the feasibility study can provide measurable keuntungan. HR weakness in preparing feasibility studies, can be covered with the cooperation of experts from universities such. Schema any investment cooperation carried out in both the primary, secondary, and tertiary, it should be noted that the resources (natural, labor, markets, etc.) from West Java used optimally. Membuat Buku Pedoman Teknis Implementasi Grand Design

- Kerjasama investasi Provinsi Jawa Barat yang memuat Panduan Kerjasama investasi dalam mengimplementasikan Kerjasama investasi Provinsi Jawa Barat. □
3. It should be immediately issued Regulation of the Governor and the Grand Design Technical Guidelines for the implementation of investment cooperation of West Java Province as the legal basis for investment cooperation



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