



Evaluating the Efficiency of Batam's Regional Investment Policies: Challenges and Solutions for Sustainable Economic Growth

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Abstract: This study aims to evaluate the efficiency of Batam's regional investment policies, focusing on their effectiveness in fostering sustainable economic growth. Batam, one of Indonesia's fastest-growing cities, has experienced significant industrial development, making investment policies a crucial factor in ensuring continued economic progress. The research examines key aspects of these policies, including efforts to reduce bureaucracy in investment processes, create incentives that align with regional development goals, and enhance the monitoring of investment activities. By analyzing the current policies through a comprehensive evaluation framework, this study identifies challenges such as institutional dualism, legal uncertainties, and slow investment growth, which hinder the city's economic development. Additionally, it explores solutions for optimizing these policies to improve their efficiency, thereby contributing to sustainable growth and greater competitiveness for Batam. The findings of this study provide critical insights for policymakers seeking to enhance Batam's investment climate and overall economic performance.

Keywords: Regional Investment Policies, Economic Growth, Investment Efficiency, Regional Development Goals, Economic Competitiveness.

1. INTRODUCTION

Due to the unique policies implemented and the differences from other regions in Indonesia, Batam has been identified as a special area since the 1970s, specifically at the onset of Pulau Batam's development. As one of Indonesia's fastest-growing cities, Batam operates under a special regulatory framework. In terms of development and economic benefits, Batam stands out as it has not experienced a financial crisis like other regions in Indonesia. While Batam continues to attract significant investment compared to other parts of Indonesia, this trend was particularly evident in the 2000s when foreign direct investment (FDI) in Indonesia declined following the economic crisis. Infrastructure development is closely tied to Batam's progress. For example, hotel construction can spur economic growth, and improvements in other infrastructure can make Batam more prosperous. Effective regulations are necessary to guide this development and ensure that it aligns with long-term goals.

The concept of regional autonomy has been a cornerstone of regional development, empowering local governments to independently carry out development in line with the characteristics and needs of their regions. Regional development is a crucial component of national development, as defined in Government Regulation No. 8 of 2008, Article 1, which emphasizes the utilization of local resources to improve the welfare of the community. This includes enhancing income, employment opportunities, business prospects, access to decision-making, competition, and human development indices. Sustainable regional development is

necessary to improve both the economy and the wellbeing of the population. The success of regional development can be assessed through its competitiveness, which is an essential factor in sustainable development. The Regional Competitiveness Index (IKD) aims to illustrate a region's capacity to utilize its resources effectively, fostering efficiency, added value, and healthy competition both domestically and internationally, contributing to stable and sustainable economic growth.

Since the Republic of Indonesia is divided into provinces, which are further divided into districts and cities, regional governments operate within the boundaries set by law. This framework grants local governments autonomy to manage their affairs, except for matters concerning defense, security, finance, justice, and other urgent matters. In 2013, the central government introduced three key metrics to evaluate the success or failure of regional autonomy implementation: improving the welfare of the community, enhancing public services, and boosting regional competitiveness. These indicators are aligned with the vision of the National Long-Term Development Plan (RPJPN) 2005-2025, which aims to create an independent, prosperous, and just society. Thus, local governments are expected to dedicate themselves to developing regional autonomy to achieve living standards comparable to more advanced regions in Indonesia.

In a statement reported in Batam News on March 3, 2023, Muhammad Rudi, Director of BP Batam, emphasized that infrastructure investment could boost the region's economic sector. This is reflected in Batam's positive economic performance, with its growth rate reaching 6.84% in 2022, according to data from Batam City Statistics Office. This marks a 2.09% increase from 2021, which saw a growth rate of 4.75%. With this growth rate, Batam has become the city with the highest economic growth over the past five years, surpassing both the economic growth of the Riau Islands Province at 3.15% and the national growth rate of 5.31%. Based on the background above, this study aims to explore the issues presented through the research titled "Evaluating the Efficiency of Batam's Regional Investment Policies: Challenges and Solutions for Sustainable Economic Growth."

2. LITERATURE REVIEW

Policy is a critical component of governance, serving as a guiding framework that directs actions and decisions within organizations and governments. It establishes the means to achieve specific objectives by outlining a structured course of action. According to Syukri & Widiastuti (2021), policy is essentially a set of guidelines designed to ensure coherence in

action and avoid irrational choices. The United Nations (UN) further expands on this definition, noting that policies can range from simple to complex, broad to narrow, and general to specific. Policies can be qualitative or quantitative and can exist in both public and private sectors (Abdul Wahab, 2021). The UN's perspective underscores the flexibility and versatility of policies, highlighting their role in addressing global challenges through tailored solutions. In governance, Noeng Muhadjir (2021) stresses that policy aims to tackle social issues for the collective benefit of society, while upholding the values of justice and welfare. According to Muhadjir, a policy's primary goals include improving living standards, ensuring justice in law and opportunity, promoting citizen involvement, and ensuring sustainable development. These objectives reflect broader societal aspirations, as evidenced by global initiatives like the United Nations' Sustainable Development Goals (SDGs), which focus on improving quality of life and fostering justice and equality.

In terms of policy classification, Muhadjir (2021) distinguishes between Implementation Policy and Content Policy. The substantive policy is based on selecting a strategy to address a problem, while the implementation policy focuses on putting the chosen approach into action. Arliman S (2018) further elaborates on this distinction, explaining that effective policies require both sound planning and efficient execution. For example, Indonesia's national policy on poverty alleviation integrates both substantive and implementation policies, where the content focuses on reducing poverty, while the implementation measures include social safety nets and employment generation programs.

Development, on the other hand, is a multifaceted concept that involves structural changes in economic and social systems. It is seen not only as economic growth but as a broader societal transformation, as noted by Rahmawati (2014). This perspective aligns with the findings of the World Bank (2019), which emphasizes that development is a combination of economic, social, and institutional improvements that contribute to a better quality of life. Development is often framed in terms of sustainable human development, as proposed by the UN Development Programme (UNDP), which highlights the importance of inclusive growth that benefits all members of society. Rogers (2011) defines development as a positive shift toward a more established and sustainable societal framework. Abdul (2004) also highlights that development follows a linear trajectory from underdeveloped to advanced societies, particularly in terms of national economic growth. For example, countries like South Korea and Singapore have undergone rapid economic development over the past few decades, reflecting the impact of both internal reforms and external economic factors. These examples

demonstrate the multidimensional nature of development and the need for tailored strategies based on the unique circumstances of each country.

The role of individuals in development is emphasized by scholars who argue that personal well-being is integral to societal progress. People who are secure, happy, and free from fear are more likely to contribute creatively to development. For instance, the Global Happiness Index (2020) ranks countries like Finland and Denmark high for citizen happiness, which is correlated with their levels of social development and innovation. Thus, development strategies must not only focus on economic indicators but also on fostering environments where individuals can thrive.

Policy evaluation is an essential process for assessing the effectiveness of policies, examining their design, implementation, and impact. W. Dunn (2008) defines policy evaluation as the application of value-based measures to assess policy outcomes. Evaluation involves analyzing policy effectiveness, determining the extent to which it has met its objectives, and identifying areas for improvement. According to Kornel Munthe (2021), policy evaluation provides valid, reliable information about whether government actions align with societal needs and values. For example, the evaluation of the U.S. Affordable Care Act (ACA) has been instrumental in determining its success in expanding healthcare coverage and identifying areas for further reform. Similarly, the World Bank regularly evaluates development projects to ensure that investments lead to meaningful, measurable outcomes in poverty reduction and sustainable development.

Anderson (2008) further explains that policy evaluation helps identify gaps between expected and actual results. This type of assessment is crucial for policymakers to make necessary adjustments to improve the effectiveness of policies. In a global context, evaluations like the annual Human Development Reports by the UNDP provide valuable insights into the outcomes of development policies on a global scale. The UNDP's 2020 report highlights that countries with robust evaluation frameworks, such as New Zealand and Norway, are more successful in achieving their developmental goals. Stewart and Lester (2008) outline two primary objectives of policy evaluation: to measure the impact of a policy and determine the appropriate response, and to establish clear criteria for success or failure based on predefined goals. These objectives are essential for refining policies to ensure they remain relevant and effective. For instance, the evaluation of India's National Rural Employment Guarantee Act (NREGA) has shown its positive impact on poverty alleviation, although there have been calls for improvements in its implementation, particularly in rural areas.

Policy evaluation methods vary, and each approach serves different purposes. Pseudo-Evaluation, as discussed by Dunn (2008), offers a general overview of policy outcomes without focusing on individual contributions or societal merits. This approach is often used in high-level assessments where quick insights are needed but in-depth analysis is not possible. Formal Evaluation is more structured and involves generating valid and reliable data based on predefined goals, as used in international development projects. The Theoretical Decision Evaluation generates data through an open process that often includes feedback from those directly affected by the policy. This approach is particularly useful in policies that directly impact citizens, such as social welfare programs.

Effective evaluation relies on five key indicators, as proposed by William Dunn: Efficiency, Adequacy, Equity, Responsiveness, and Accuracy. These indicators are crucial for understanding how well policies meet their intended goals. For example, the Efficiency of a policy can be assessed by examining the ratio of resources used to achieve outcomes. The Adequacy of the policy can be measured by assessing whether it fully addresses the problems it aims to solve. Equity focuses on fairness in policy distribution, ensuring that marginalized groups are not left behind. Responsiveness assesses how well the policy adapts to changes in circumstances or emerging issues, while Accuracy measures whether the policy produces the intended results based on reliable data. In conclusion, the literature on policy, development, and evaluation underscores the importance of strategic policymaking, effective implementation, and thorough evaluation. Policies should not only be designed to address immediate issues but should be adaptable to future challenges. Development, which involves both economic growth and social transformation, should be inclusive and human-centered. Policy evaluation, with its emphasis on accountability and continuous improvement, ensures that policies remain effective and aligned with the evolving needs of society. Supporting data, such as global happiness rankings, international development indices, and policy-specific evaluations, provide crucial insights into the success and challenges of these processes.

3. METHODS

The methodology used in this article adopts a qualitative approach. Qualitative research is a method aimed at understanding the meaning and complexity of phenomena, events, or occurrences through the collection and analysis of non-numerical data such as interviews, observations, and documents (Creswell, 2013). This approach is employed to describe and understand phenomena that are difficult to measure quantitatively, such as culture, norms, values, beliefs, experiences, and behaviors (Denzin & Lincoln, 2011). In this study, the

researcher uses observations, interviews, and document analysis as data collection methods. The data analysis will be conducted using qualitative data analysis techniques (Miles & Huberman, 1994). This methodology allows for an in-depth exploration of the role of policy and development in effective policy evaluation, particularly focusing on understanding the experiences and perspectives of stakeholders involved in policy evaluation processes. By combining multiple data sources and employing thematic analysis, the research aims to provide a comprehensive understanding of the factors influencing policy evaluation and its effectiveness in achieving development goals.

4. RESULTS

In this study, the focus is on analyzing regional policies in Batam City, one of the fastest-growing cities in Indonesia, to ensure that the implemented policies are effective, efficient, and bring the maximum benefit to the local community. The evaluation of regional policies is crucial as it assesses the performance of policies executed by the local government. The primary goal of this evaluation process is to measure the effectiveness, efficiency, and impact of policies and to identify areas for improvement in policies that are insufficient or ineffective (Lorita, 2016). One of the policies that can be evaluated in Batam City is the investment policy. Batam is a city with a growing industrial sector, making investment policies essential for ensuring sustainable economic growth. Evaluating the investment policy in Batam focuses on its effectiveness and efficiency, particularly in terms of reducing bureaucracy in investment processes, creating incentives that align with regional development goals, and improving the monitoring of investment implementation. A well-structured investment policy can boost the city's competitiveness and attract further investment.

Moreover, Batam's education policy is another area for evaluation. Education is a crucial sector in regional development as quality education contributes to the development of human resources, which positively affects economic growth. The evaluation of Batam's education policy is based on the effectiveness of educational programs, such as improvements in teacher quality, school facilities, access to education, and the quality of student learning outcomes. Evaluating these aspects helps assess whether the educational policy is being implemented efficiently and whether it meets the needs of the community. This type of evaluation is critical for making necessary adjustments to the policy and improving its impact on the local population.

When evaluating regional policies in Batam, it is important to involve the community as a key stakeholder in the evaluation process. Community involvement ensures that policies are more responsive to the needs and desires of the people (Yuridis et al., 2003). In addition, regional policy evaluations can be based on performance indicators established by the local government. These indicators may include economic growth rates, unemployment levels, poverty rates, and other relevant factors. By continuously evaluating regional policies, the local government can refine ineffective policies, improve overall performance, and ensure that the policies maximize benefits for Batam's residents.

The local government's role as a coordinator is essential in implementing, coordinating, and supporting various policies. It is responsible for managing decentralized governance, ensuring that the development policies formulated by the government are effectively executed at the local level. However, Batam faces several issues, including institutional dualism and jurisdictional conflicts between the Batam City Government and the Batam Free Trade Zone Authority (BP Batam). These challenges, along with declining investment levels, slow economic growth, legal uncertainties due to frequent policy changes, and labor issues, have raised concerns about the city's competitiveness and socio-economic stability. Social issues such as illegal housing, unrest, and poverty are also prominent challenges that need to be addressed (Jamaluddin et al., 2018).

Furthermore, the economic issues affecting Batam, such as the slowdown in investment growth and economic stagnation, are of major concern to local residents. This situation differs slightly from the perspectives of businesses and professionals in Batam, who view institutional dualism and legal uncertainty as significant concerns. From the findings of the field study, it is evident that many believe foreign direct investment (FDI) plays a critical role in driving national economic growth. FDI brings several benefits, including the creation of new businesses, market expansion, and the promotion of research and development in local technologies. Additionally, FDI enhances the local economy by supporting secondary (financial sector) and tertiary (service sector) markets, improving export industry competitiveness, increasing tax revenues, and strengthening the local currency for import financing. These factors are indispensable for further economic development in Batam and Indonesia at large.

Batam has experienced rapid industrialization, which has contributed to its economic growth, but it has also created new complexities, particularly in terms of governance and policy implementation. The dualism in institutional authority between the Batam City Government and the Batam Free Trade Zone Authority (BP Batam) has led to overlapping responsibilities and unclear policy directions, complicating the efforts to attract and manage investments. This

issue is often cited as a key factor behind the slowdown in Batam's economic growth and its reduced attractiveness for investors (Jamaluddin et al., 2018).

Further complicating Batam's policy environment are the frequent changes in local government policies, particularly regarding investment incentives and regulations. These changes contribute to legal uncertainty, which diminishes investor confidence and leads to delays in investment decision-making. According to a study by Jamaluddin et al. (2018), businesses in Batam expressed concern about the unpredictability of policy shifts, which can cause delays in project approvals and increase operational costs. This unpredictability has been identified as a significant barrier to sustainable growth and economic stability in the city.

Another significant issue that Batam faces is the local labor market's inability to fully meet the demands of its growing industrial sector. Despite the influx of investments in the manufacturing and services sectors, Batam has struggled with a mismatch between the skills of the local workforce and the requirements of employers. As a result, there has been a rise in labor-related challenges, including worker protests and a lack of skilled labor, which has negatively impacted the efficiency and competitiveness of industries in the region. Evaluating the effectiveness of educational policies and training programs becomes crucial in addressing these issues, as improvements in education and workforce development can help close the skills gap and improve the region's economic competitiveness (Lorita, 2016).

Additionally, Batam's social issues, such as poverty, social unrest, and the proliferation of illegal housing, must be taken into account when evaluating regional policies. These social problems not only affect the quality of life for residents but also have significant implications for the city's long-term development. Batam's rapid urbanization has led to the growth of informal settlements, and the lack of affordable housing has exacerbated poverty and social inequality. The government must address these issues to ensure that Batam's development benefits all segments of society. Moreover, a focus on inclusive policies that prioritize social welfare and access to basic services like healthcare and education will help mitigate these issues (Yuridis et al., 2003).

Finally, the involvement of the community in policy evaluation ensures that the voices of local residents are heard, making the process more inclusive and responsive to the needs of the people. This participatory approach can help the local government identify policy gaps and make adjustments that better align with the community's needs and expectations. Involving residents in policy evaluations also fosters greater trust in the government and encourages citizen engagement in the policy-making process. As highlighted by Yuridis et al. (2003),

community participation is vital for ensuring that policies are not only efficient but also equitable and reflective of the public's interests.

5. CONCLUSION

Evaluating regional policies in Batam City is essential to ensure that they are effective, efficient, and responsive to the needs of the local community. Key sectors such as investment, education, and social issues require ongoing assessment to address challenges like institutional dualism, legal uncertainty, and economic stagnation. By evaluating these policies, the local government can identify areas for improvement and make necessary adjustments to enhance the overall development of the city. Additionally, community involvement in the policy evaluation process is crucial for creating more inclusive and equitable policies. The participation of residents fosters greater trust in the government and helps align policies with the expectations and needs of the people. Ultimately, continuous policy evaluation and stakeholder engagement are critical for promoting sustainable growth, economic stability, and social welfare in Batam City.

LIMITATION

The limitations of this research include several factors that could influence the scope and depth of the findings. First, the study primarily relies on qualitative methods, such as interviews, observations, and document analysis, which may introduce subjectivity and limit the ability to generalize findings across different regions or contexts. While the sample size of key stakeholders provides valuable insights, it may not fully represent the diverse perspectives of all community members or stakeholders involved in the policy-making process. Second, the research is focused on Batam City, which may not fully capture the nuances of regional policy evaluations in other cities with different economic, social, and political conditions. Thus, the conclusions drawn from this study may not be directly applicable to other regions with varying levels of industrialization or governance structures.

Furthermore, the study examines regional policies at a specific point in time, and the dynamic nature of policy environments means that the findings could become outdated as new policies are implemented or existing policies are revised. The impact of policy changes may take time to manifest fully, and this study may not account for the long-term effects of policy adjustments. Finally, while the research emphasizes the importance of community involvement in policy evaluation, it is limited by the availability and willingness of local residents to participate in the evaluation process. The perspectives gathered may not encompass the entire

population, and the findings may be influenced by the particular biases or interests of the participants.

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