



**Rethinking Metropolitan Governance:  
An Exploration of Urban Entrepreneurialism in  
Decentralized Indonesia  
The Case of Jakarta Metropolitan Region (JMR)**

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## List of Acronyms

APBD	<i>Anggaran Pendapatan dan Belanja Daerah</i> /Regional Revenue and Expenditure Budget
BAPPEDA	<i>Badan Perencanaan dan Pembangunan Daerah</i> /Regional Development Planning Board
BKPM	<i>Badan Koordinasi Penanaman Modal</i> /Indonesia Investment Cooperating Board
BKSP	<i>Badan Kerja Sama Pembangunan</i> /Development Cooperating Board
BPS	<i>Badan Pusat Statistik</i> /Statistics Indonesia
CBD	Central Business District
CSR	Corporate Social Responsibility
DAK	<i>Dana Alokasi Khusus</i> /Special allocation fund
DAU	<i>Dana Alokasi Umum</i> /General allocation fund
DBH	<i>Dana Bagi Hasil</i> /Revenue sharing fund
DKI	<i>Daerah Khusus Ibukota</i> /Special Capital Region
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GRDP	Gross Regional Domestic Product
JMR	Jakarta Metropolitan Region
KSN	<i>Kawasan Strategis Nasional</i> /National Strategic Area
LKPM	<i>Laporan Kegiatan Penanaman Modal</i> /Investment activities report
PAD	<i>Pendapatan Asli Daerah</i> /Own-source Revenue
RDTR	<i>Rencana Detail Tata Ruang</i> /Regional Detail Spatial Plan
RPJMD	<i>Rencana Pembangunan Jangka Menengah Daerah</i> /Medium-term Regional Development Plan
RPJPD	<i>Rencana Pembangunan Jangka Panjang Daerah</i> /Long-term Regional Development Plan
RTRW	<i>Rencana Tata Ruang Wilayah</i> /Regional Spatial Plan



## **Abstract**

Past studies of urbanization in Indonesia found that market-oriented policies in Soeharto's regime in the late 1980s already contributed to the rapid development in the Jakarta Metropolitan Region (JMR). They indicate the emergence of the phenomenon of urban entrepreneurialism which highlight an ambitious policies for gaining economic growth. However, indications are that following Indonesia's decentralization reforms, this phenomenon became more visible at the local level and resulted in inter-urban competition. The intention between good planning for all on the one hand and generating fiscal income on the other hand, has lead to unexpected, even preverse outcomes of decentralization. This study investigates the extent to which municipalities in JMR show characteristics of urban entrepreneurialism, by considering overall trends across local governments in JMR and by zooming on and comparing two such fast growing municipalities. Several general implications can be drawn from the results: First, the intra-regional competition to escalate economic competitiveness has increased regional disparities in JMR. Second, the development of spectacular places, such as shopping malls and fancy buildings – at the expense of lower income group welfare – has transformed the suburbs into new urban centers and has created development fragmentation. Third, in both cases, the urban entrepreneurialism strategies rsther cause spatial segregation and environmental problems. Finally, the emerging trends of urban entrepreneurialism phenomenon in JMR seem inevitable if seen as a political agenda of mega-project development with deep cooperation between the local government and the private sectors. In order to prevent the negative impact of the growth competition, this study proposes The Government of Indonesia to strengthen the currently weak – regional administrative body (BKSP), to empower it to intervene in the planning and implementation of JMR development as a key organization keeping in mind the interest of all.

## **Relevance to Development Studies**

Decentralization has won global acclaim for its notion to bring development closer to the people, which will increase the public service provision at the local level. However, there is an indication that decentralization, on the contrary, creates spillover problems due to the fragmented and inward-looking development. Several studies show the growing trend of urban entrepreneurialism after decentralization reforms (Firman 2008, 2014, see also Harvey 1989, Shen 2004, 2007). By exploring this phenomenon, this study is relevant to development studies through its critical examination with respect to the challenges of decentralization policy in metropolitan region development concerning with the emerging urban entrepreneurialism phenomenon at the local level. It also related to Public Policy Management (PPM) scope in relation to analyzing the strategies of local governments in developing their jurisdiction.

## **Keywords**

Decentralization, urban entrepreneurialism, inter-urban competition, regional disparities, development fragmentation, Jakarta Metropolitan Region, Indonesia.

# Chapter 1

## Introduction

### 1.1 Background

The fall of Suharto's authoritarian regime has transformed Indonesia's political system into a more democratic structure through the implementation of decentralization which enacted by regional autonomy law in 1999. Under the reforms, several authorities transferred from central government to the local government level, including spatial planning (Rukmana 2015). It is argued that decentralization policy has affected the behaviour of the local governments and has contributed to the mega-urbanization in Jakarta Metropolitan Region (JMR) (Firman 2008, 2014). Firman (2014) found that local governments compete with each other with regards to boosting their revenues by build new infrastructures and attract investments. From 1998 to 2009, the contribution of Foreign Direct Investment (FDI) of the suburbs in JMR in manufacturing, real estates and infrastructure sectors stabilized at 84-87% (Hudalah and Firman 2012).

As a result, the population distribution of JMR has shifted considerably from the core city (Jakarta) into the fringe areas (Bogor, Depok, Tangerang, and Bekasi), which resulted from the extensive land conversion (see Firman 2009). The continuity of mega-urbanization of JMR generally influenced by the development of large-scale housing and new town, infrastructures, and industrial estates (Firman 2009, Hudalah and Firman 2012). It also impacted from spatial plan violation by municipal governments and the private sectors who specifically have entrepreneurial stance and political interest (Firman 2009, Rukmana 2015). "The enforcement of spatial plans has been so weak and no sanctions have been imposed to spatial plan violations including the Jakarta city administration and the developers who convert the green areas into new homes, condominiums, malls, hotels, commercials and office buildings" (Rukmana 2015: 362).

"The continuity of growth and integration with global capitalism, coupled with decentralizing governance attributes, have made post-suburban development an inevitable phenomenon in JMR" (Hudalah and Firman 2012: 47). Despite an assumed increase in the economic growth, the expansion of urban regions could also potentially have serious environmental consequences. For instance, the high degree of mobility within the metropolitan region generates traffic congestion and greenhouse gas emission (Wheeler, 2009: 864). Moreover, it also causes excessive burden on resources such as water, forests, and high-quality farmland (ibid.: 865). In the context of JMR, mega-urbanization process has resulted in uncontrolled land development in the periphery areas which cause

environmental impacts, for instance, heavy flow commuter traffic, excessive groundwater extraction and air pollution (Firman 2009: 332).

Under the decentralization reforms, issues related to public service provision, development planning and management have become municipal government authorities. However, there are several issues beyond local authorities, which then needs institutional collective action in managing resources (Feiock 2009). As a result, it makes managing metropolitan scale become more complex, which involving various jurisdictions, both municipal and provincial governments. Moreover, according to Hadiz, “[...] decentralization has resulted in confusion about the distribution of power and authority between different levels of government” (2004: 705). Nevertheless, in order to address spillovers effects, land development in JMR should be managed in an integrated regional planning (Firman 2008).

It is believed that collective action among local governments can efficiently overcome problems beyond jurisdictional boundaries, particularly in metropolitan areas (Briffault 1996, Feiock 2009). However, Firman (2014) argued that local governments have a low concern with the regional issue which indicates inward-looking orientation. He further added, “[...] local authorities and local community leaders aim to contribute to the region according to their own socio-economic and political interests and see no need to make partnership with neighbouring local government” (ibid.: 216). Rukmana (2015) also argued that after decentralization reforms, local governments prefer to expand economic growth by rent or sell the local assets (e.g. land) to the developers in order to get local revenues. This shows the characteristics of ‘urban entrepreneurialism’ (see Harvey 1989, Hall and Hubbard 1996, Jessop and Sum 2000). In that sense, this paper wants to examine the extent to which the inward-looking orientation of local governments and urban entrepreneurialism characteristics emerged from the decentralization reforms in Indonesia, particularly in JMR.

## **1.2 Statement of Research Problem**

According to Firman (2009), the regional autonomy and fiscal decentralization policy had impacted mega-urbanization process in JMR. The municipalities have a tendency to build and develop intensively in their respective area by attracting investors in order to maximize their own income without giving consideration to their neighbourhood areas (ibid. 336). The municipal governments believe that by developing infrastructures, business center, industrial estate, entertainment, and so forth will increase economic growth and their revenue. Therefore, they promoted market-led development policy to attract investment which then caused extensive yet uncontrolled real estate and industrial development in the periphery area of JMR (Firman 2009, Hudalah and Firman

2012). The local governments also have a tendency to violate the spatial development plan which shown by the decreases of green areas as they prefer expanding built-up areas by selling the local assets to developers in order to increase their economy (Rukmana 2015). It indicates the entrepreneurialism phenomenon, where the concern of municipalities shifts into more about economic performance rather than service provision (Harvey 1989).

This entrepreneurialism behaviour toward economic development has extended urban life into the periphery of JMR or usually called 'post-suburbia' (Hudalah and Firman 2012) and eventually created inter-urban competitions (Harvey 1989). The competition of municipalities to boost economic growth has put aside some regulation, such as environmental and land use (Wheeler 2009). For example, Bogor and Cianjur regencies have allowed developers to build in the conservation area, resulted about 8000 hectares of forests were converted into built-up areas (Firman 2008). The fragmentation of the development has resulted in spillover effects beyond the jurisdictional boundaries (Briffault 1996). For instance, there are negative environmental consequences in the downstream areas, such as water scarcity in the dry season and floods in the rainy season, particularly in Jakarta. According to Feiock (2009), fragmentation of development imposes inefficiencies of public service provision, particularly in the metropolitan region. Therefore, to manage the environmental consequences, the municipal governments have to develop cooperation among themselves because several issues are beyond their jurisdictions (*ibid.*).

However, the implementation of governance at the metropolitan level is difficult due to inward-looking local governments (Firman 2008, 2014). Moreover, the major problem of decentralization in Indonesia is not related things such as technical errors, but it is much more a matter of power relations (Hadiz 2004). There is a powerful coalition of political interests to control local resources and control authority over taxes, royalties, and investment policy (*ibid.*: 705). This emerging issue has created a barrier to implementing cooperation between local governments to address problems in JMR. For example, the government of Bekasi has imposed high charges to the government of Jakarta for using the dump site in their area which created some conflicts (Firman 2014). A similar problem also occurs where the problems of floods are not only Jakarta city affairs, but also the upstream areas such as Bogor and Depok. However, the coordination between governments to overcome this problem is still hampered by political issues.

Although the impact of mega-urbanization in Indonesia's metropolises has been widely acknowledged, more studies need to be conducted to identify whether local governments play an important role in this phenomena. Firman (2008, 2014) argued that the increase of local government's autonomy after decentralization reforms has given an unexpected outcome. In his view, the local government misused their authority to increase physical development and utilize local

resources at the local level (ibid.). This parochial behaviour eventually creates problems beyond the local jurisdictions, particularly at metropolitan region. There is a vast amount of literature that focuses on the urbanization process in JMR and the characteristics of urbanization. However, little attention has been paid to the competitive and entrepreneurial behaviour of local governments which possibly intensify the urbanization pattern in JMR. Therefore, it is important to explore the urban entrepreneurialism phenomenon to identify the challenge of governance structure in JMR development.

### **1.3 Research Objectives**

The purpose of this research is to explore the phenomenon of inward-looking orientation and urban entrepreneurialism in JMR after decentralization reforms in Indonesia. This research will explore the perspectives and the interests of local governments in developing their respective area and analyze if they take an entrepreneurial stance of their local development strategies. It will examine the pro-growth policies of the local governments through attracting investment into their area and how these behaviours construct urbanization outcomes in the JMR. By focusing on municipalities in JMR, the study will highlight the two specific cases which have a high economic competitiveness (i.e. Bekasi regency and Tangerang city) and analyze its approach in urban development.

### **1.4 Research Questions**

The research attempts to answer the following central question: To what extent do municipal governments in JMR have an inward-looking orientation and show the characteristics of urban entrepreneurialism following Indonesia's decentralization reforms?

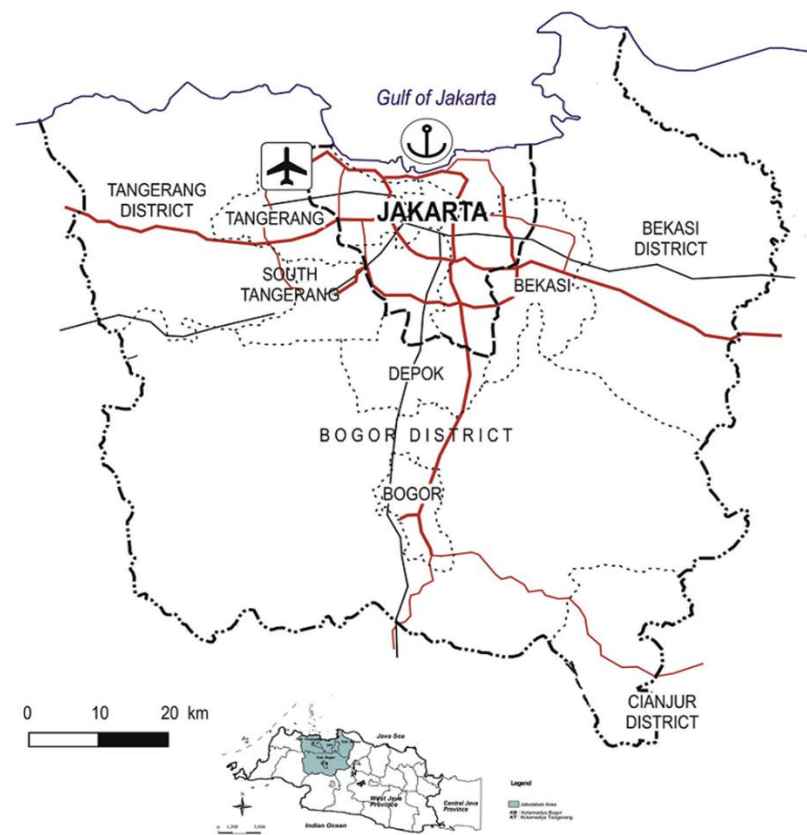
- How is the situation as regards regional economic competitiveness in JMR after the decentralization reforms?
- What are the physical elements underpinning urban entrepreneurship that the selected cases (i.e. Bekasi regency and Tangerang city) portray?
- What are the strategies of urban development both in Bekasi regency and in Tangerang city?
- What are the advantages and disadvantages of these strategies?

### **1.5 Research Methodology**

This research is classified as exploratory case study research (see Yin 2014), in which information is collected without changing the environment. The focus is limited to identify urban entrepreneurialism characteristics in decentralized Indonesia. It will specifically examine Jakarta Metropolitan Region (JMR),

Indonesia and further analyze two fast growing municipalities (Bekasi regency and Tangerang city). JMR is located in the northern area of West Java and comprises of 12 jurisdictions at two levels, province and municipalities (see **Figure 1.1**). The rationale behind this choice is because JMR, in particular, indicated inward-looking development orientation after decentralization reforms (see Firman 2008, 2009, Rukmana 2015) yet have not been studied thoroughly, which appear as an important case to be studied. Under the reforms, there was an indication of post-suburbanization, where the development in the outskirt of Jakarta increase significantly and has transformed into new urban centers (Hudalah and Firman 2012).

**Figure 1.1 Map of Jakarta Metropolitan Region**



Source: Winarso et al. 2015

### **Data Collection Methods**

Data collection methods in this research consist of collecting primary and secondary data. This study conducted a semi-structured interview to some key stakeholders in order to know their role as well as their interests with regard to urban development. The respondents are chosen by purposive sampling techniques based on the purpose of the study. The criteria are the actors who have involved in planning and development of their jurisdiction and understand JMR issues (focusly on the two municipalities). The interview also will be

conducted toward JMR Development Cooperating Board (BKSP Jabodetabekjur) to understand the issue of JMR development and the existing metropolitan governance implementation. In addition, this study also will collect secondary data related to JMR social, economy, and spatial characteristics since the year 2001. Statistical data which are needed such as GRDP growth, GRDP per capita, FDI, and so forth. The spatial development planning documents of the two municipalities also will be collected.

### **Data Analysis Methods**

This study used mixed methods analysis (quantitative and qualitative). Analysis process of this research use inductive approach, where the information in the field will indicate the urban entrepreneurialism phenomenon in JMR, as Gerring (2007) labeled as hypothesis generating. This study particularly analyzes the phenomenon specifically in two cases of municipalities which have a high degree of urbanization and economic performance. In general, there are three main steps of this research:

1. Identify regional economic competitiveness in JMR after decentralization reforms.

It will focus on the identification of economic competitiveness by adapted criteria from Jiang and Shen 2010. It will be analyzed mainly with statistical trend analysis of economic performance, economic structure and capacity, and marketization and openness. From this analysis, the rank will be made which will indicate the competitiveness of the municipalities in JMR as the indication of urban entrepreneurialism. Based on this index, the two cases which have higher rank will be chosen to take a closer look at urban entrepreneurialism characteristics.

2. Identify the characteristics of urban entrepreneurialism focusing on two selected municipalities.

A more detailed analysis of the fast growing municipalities is conducted to point out the urban entrepreneurialism characteristics. The purpose is to explore the entrepreneurial stance of the municipal government based on their focus and interests in developing their jurisdiction. Hence, the strategies of urban development will be analyzed to indicates neo-liberal policies the physical elements of urban entrepreneurship in the two cases.

3. Identify the advantages and disadvantages of the entrepreneurial strategies.

As another step of the analysis, this study will identify the impact of the strategies and the focus of urban development in the two cases. It will elaborate the advantage and disadvantage of pro-growth strategies in which Bekasi regency focus on industrial activities and Tangerang city focus on trade and service. Moreover, it will identify the externalities of fragmented development due to urban entrepreneurialism as a challenge to JMR sustainability.

## **1.6 Limitation of the Study**

This research is focused on the public sector issue of urban entrepreneurialism, which means this study will not include deep analysis of other stakeholders in the analysis. The time scope of this study is to identify the transformation of JMR since decentralization implemented in Indonesia, which is from 2001 onwards. Meanwhile, the scope of space in this study is JMR, specifically two municipalities (Bekasi regency and Tangerang city) as the focus of analysis. This study will identify the characteristic of urban entrepreneurialism through the analysis of statistical data as well as the analysis of the interviews and policy documents. The policy which will be examined is limited to spatial development planning documents (RTRW) which is directly related to the impact of mega-urbanization in JMR.

## **1.7 Research Paper Structure**

This paper has been organized into seven chapters. Chapter one is the introductory chapter which presented above. Chapter two discusses the concepts and the theoretical framework employed for the study. Chapter three presents a general overview of urbanization process in JMR and the nature of JMR governance before and after decentralization. Chapter four presents and discuss the first part of the research finding, regarding regional economic competitiveness in JMR. Chapter five present and discuss the second part of the findings, regarding urban entrepreneurialism characteristics in Bekasi regency and Tangerang city. Chapter six draws a critical analysis of theories and the findings by using comparative analysis approach. Chapter seven presents the conclusion and brief recommendation.



## Chapter 2

### Theoretical Framework

This chapter will provide a selective survey of literature on the topic related to the study. It will draw on scholars' perspectives about decentralization impacts on inter-urban competition. From there, it will discuss the concept of urban entrepreneurialism, which includes the characteristics, the relation with decentralization framework, and the concern to metropolitan governance. Lastly, the literature review will be summarized to show the analytical framework.

#### 2.1 The Concept of Decentralization

Decentralization has been regarded as a new form of governing which has objective to make government more responsive and efficient (Bardhan 2002). It is argued that “decentralization is necessary to accelerate the pace and spread benefits of growth, integrate diverse regions in heterogeneous countries and use scarce resources more efficiently to promote development in poverty stricken or economically lagging areas” (Rondinelli 1981: 133). Another argument is that decentralization involves beneficiaries or promote participation in planning and decision-making at the local level (ibid.). Furthermore, it is believed has the advantage of competition among subnational governments to improve public service delivery (Rodríguez-Pose and Ezcurra 2010). Decentralization is generally known as transfer of legal and political authority from national to the sub-national level of government (ibid.). According to Rondinelli (1981), there are three types of decentralizations based on its degree:

1. Deconcentration

It is the least extensive form of decentralization, which represents transferring administrative authority from the central government to their local representatives. The purpose is generally to bring the administrative government system closer to the people. It does not involve any decentralization of power in decision-making. “Local functions are performed under the technical supervision and control of central ministries [...]” (p. 137).

2. Delegation

It is a more extensive form of decentralization, which implies the transfer of delegated authority to plan and implement the decision of specific functions to an organization. It has ‘semi-independent authority’ to perform, and “[...] may not even be located within the regular government structure.” (p.138). For example delegation of function to regional planning and area development authorities or specific purpose functional authorities (e.g. anti-corruption commission).

3. Devolution

It is the most extensive and ambitious form of decentralization, which represents the creation of separate and autonomous units of government at the local level. The central government has little or even has no direct control to the local governments, while it remains responsible for framing and enforcing rules of central-local interaction. The local governments have geographical boundaries or jurisdictions in which they could perform their functions and exercise their authority. It involves the establishment of fully-elected local governments with, in principle, full legal rights and full authority to manage their respective areas.

Rodríguez-Pose and Ezcurra (2010) found that political and fiscal decentralization has a positive correlation with regional disparities which particularly happened in developing countries, including Indonesia. The idea that competition among jurisdiction will eventually lead to more efficient public service provision is not applied in developing countries due to institutional capacity issue (Prud'homme 1995, Rodríguez-Pose and Ezcurra 2010). Decentralizing power of the state to the sub-national level in developing countries is weaker than richer countries and potentially increase regional disparities (ibid.). Prud'homme (1995) also argued that local governments tend to collect taxes in order to be able to provide public services for its residents and resulted in the increase of inequality among jurisdictions, due to different income and redistribution policies. "In most other cases, weaker and often times more corrupt institutions, lower access to capital, smaller tax bases, and weaker infrastructural, educational, and technological endowments represent a serious handicap for poorer regions within any given country in order to deliver greater allocative and productive efficiency through decentralization" (Rodríguez-Pose and Ezcurra 2010: 623).

It is argued that the stronger economic regions have "[...] the ability of complimentary local inputs, including transport facilities (ports, airports, roads, telecommunications), a business-friendly environment, local institutional quality, and entrepreneurial talent" (Hill 2008: 44). He specifically mentioned four factors that affect better regional performance (ibid.: 46). First, location and openness which become an advantage for improving economic growth, combined with high-quality infrastructure and highly open economies. Second, clustering and scale which eventually has backward and forward economic linkage such as industrialization. Third, governance and institutions, in which government policy shapes growth pattern. The fourth factor is the natural resource endowments in the region as the potential main economic activities.

Prud'homme (1995) further argued that competition between local jurisdictions to improve local economic development which one of the main purposes of decentralization might be destructive to some extent. For example, in Argentina, there is an indication of 'fiscal perversity', in which the provincial expenditures rose rapidly whereas the revenues as a share of GDP dropped and eventually

caused a deficit of a large magnitude (ibid.). However, subnational governments do not have enough tax revenue to finance their expenditure which makes the dependency of transfer from central government considerably high (Prud'homme 1995). "Limited revenue-raising power and capacity raised questions about the supposed benefits of decentralization in improving accountability and allocative efficiency" (Taliencio 2005: 126). Therefore, it indicates that fiscal decentralization policy matters to ensure the ability of local governments to manage their budgets.

Although decentralization is believed have a number of benefits, in some practice, there are complaints that powers have been decentralized to the 'wrong' hands (Rondinelli, 1981). Prud'homme (1995) argued that decentralization might increase the opportunity for corruption at the local level. For instance, in the case of Indonesia, Hadiz (2004) found that local elites are intent on taking control over resources and business interests affecting economic policy making. Briffault (1996) also argued that local actors are strongly attached to control over local resources and to gain the merits of small political units. That implies, "[...] there is a tendency of local governments to overprovide the service to local elites at the expense of the non-elite" (Bardhan 2002: 193). There is a tendency that local governments have the most interest in a particular space, which in this case is their own jurisdiction (Cox 2010). "Local government has powers with respect to land-use planning, but it also has interests of place specific nature in its own revenue stream: 'place specific' because they have to be satisfied, more or less, from within their own territorially defined jurisdiction" (ibid.: 219).

## **2.2 The Concept of Urban Entrepreneurialism**

For the last decades, globalization has resulted in urbanization process which is characterized by capitalism deregulation, suburban sprawl, and construction of rapid transit system (Scott 2008). This process resulted from neo-liberal agenda which emphasize structural reform in order to improve economic growth. "Hitherto, urban and economic development programs have been greatly influenced by economic performance and growth-pole theories [...]" (Scott 2008: 89). This is shown in the emergence of urban entrepreneurialism in municipal governments as they tend to commercialize places to enhance economic competitiveness (Harvey 1989, Jessop and Sum 2000). "Urban leaders began to spend more time on place promotion, investing in new cultural projects and focusing on selling the city in terms of new lifestyles and experiences" (Ward 2003: 118). It represents the reorientation of urban governance, 'from managerialism to entrepreneurialism', where the focus shift from local provision services to local growth and economic development (Harvey 1998, Hall and Hubbard 1996). According to Harvey (1989: 7), there are three main characteristics of urban entrepreneurialism:

- Attempts by the local government as a facilitator to attract capital accumulation, increase the flow of financial and consumption toward their city. Encouraging Public-Private Partnership (PPP) mechanism to boost local economies.
- The practice of uncertain economic development strategies which leads to the promotion of places within the region. For instance building office parks, highway, and so forth in order to enable the environment for investment.
- A shift of state priorities, from attention to the territory (e.g. housing, education) and its people to focusing on the construction of spectacular places (leisure facilities, tourist attractions, and business services).

Urban entrepreneurialism can be identified as a neo-liberal policy as the government merely focused on competitive and market-oriented development strategies (Sager 2011: 148). “The idea of public officials as CEOs of cities selling first-rate locations in corporate clusters, and competing for finance capital, spectacular events, tourist attention, and corporate favour, is in perfect harmony with the neo-liberal quest for more market oriented behaviour from public agencies and local governments” (ibid.: 155). Hall and Hubbard (1996) argued that the entrepreneurial form of governance has hollowed out the state, as the public policies are becoming more reliant on private funding. Sager (2011: 152) pointed out fourteen neo-liberal policies according to the aspect of urban development as follows:

***Table 2.1 Neo-liberal Urban Development Policies***

Aspect	Policies
Economic development	<ul style="list-style-type: none"> <li>• City marketing</li> <li>• Urban development by attracting the ‘creative class’</li> <li>• Economic development incentives</li> <li>• Competitive bidding</li> </ul>
Infrastructure provision	<ul style="list-style-type: none"> <li>• Public-private partnerships</li> <li>• Private sector involvement in financing and operating transport infrastructure</li> <li>• Private sector involvement in procuring water</li> </ul>
Management of commercial areas	<ul style="list-style-type: none"> <li>• Business-friendly zones and flexible zoning</li> <li>• Property-led urban regeneration</li> <li>• Privatization of public space and sales-boosting exclusion</li> </ul>
Housing and neighbourhood renewal	<ul style="list-style-type: none"> <li>• Liberalization of housing markets</li> <li>• Gentrification</li> <li>• Privately governed and secured neighbourhoods</li> <li>• Quangos organizing market-oriented urban development</li> </ul>

*Note.* Adapted from ‘Neo-liberal urban planning policies: A literature survey 1990-2010’ by Sager T. 2011. *Progress in Planning*, 76, 147-199

Sager (2011: 154) also characterized the typical elements of physical products of urban entrepreneurialism based on analysis of literature, which are:

- Retail parks and high-rise residential buildings
- Waterfront development and walkways
- Cultural district (art galleries, heritage centers, etc.)
- Transport interchange (train stations, airports, etc.)
- Shopping malls
- Exhibition centres
- Science parks and technopoles
- Gentrified inner city neighbourhoods
- Large-scale sport stadiums

As the opportunity for attracting investment in municipalities has widened, it drives the competition between local actors to maximize the attractiveness of their places (Harvey 1989: 5). Jessop and Sum argued that “[...] cities can be defined as ‘entrepreneurial’ actors only if they are meaningful units of competition and able to pursue competitive strategies” (2000: 2290). In general, inter-urban competition regarding places is associated with gaining ‘preconditions of growth’ (Molotch 1976, Harvey 1989). High population density, high economic activity, intensive land development, expansion of industries, rising scale of retail and wholesale commerce are the indication of successful growth (Molotch 1976: 310). Molotch (1976) argued that city is a growth machine which in its localities has some interests toward places. In the context of urban space, “[...] government becomes the arena in which land-use interest groups compete for public money and attempt to mold those decisions which will determine the land-use outcomes” since they could allocate public resources (ibid.: 312). Thus, the local governments tend to compete with each other to promote growth in order to gain potential revenue of their area (ibid.).

### **2.3 Urban Entrepreneurialism in Decentralization Framework**

Bardhan (2002) noted that most of the cases of decentralization in developing countries focus on social service delivery, yet in recent years some literature has analyzed the role of local government in promoting local business development, particularly in China. There is an indication in which decentralization also play an important role in the emerging of entrepreneurialism phenomena (Shen 2004, 2007). For Instance, there are a shift toward market-oriented urban development strategies due to the devolution of state power to the local level (Wu 2002), specifically financial autonomy and the power of land management (Xu and Yeh 2005). Since early 1980s, there is administrative and fiscal decentralization reforms which increase the role of local government in local economic development (Shen 2007). After the reforms, the local government has a bigger autonomy for instance in resource allocation, urban planning, and economic

policy making (Jiang and Shen 2010). As a result, every local state tends to concentrate the development in their own jurisdiction by promoting industrial and land development which can give high revenue (e.g. industrial-commercial tax) (ibid.). In addition, to increase economic growth through industrial and land development, local governments interested in acquiring urban status and expanding their jurisdiction (ibid.). Shen also stated that “[a] city may use very opportunities to market itself and promote an entrepreneurial environment to sustain growth” (2004: 26). They compete aggressively with each other for attracting foreign direct investment or potential projects (ibid.).

It is argued that “[...] entrepreneurial forms of governance are merely the latest in a long line of political strategies which have attempted to create conditions conducive to economic success of cities” (Hall and Hubbard 1996: 155). Wu (2002) argued that the local government has a tendency to take an entrepreneurial stance in order to increase local revenue resources. “Cities are promoted as locations for economic activities in competition with other areas” (Xu and Yeh 2005: 286). The local governments promoted pro-growth approaches, such as large infrastructure projects and property-led development and they compete with each other to attract foreign investment (ibid.). Jiang and Shen (2010) emphasized that urban competitiveness in most empirical studies have only focused on economic competitiveness. He then formulated an index of urban competitiveness (see **Table 2.2**) which consist of economic, social, and environmental competitiveness (ibid.).

***Table 2.2 Indicators for Measuring Urban Competitiveness***

Component	Subgroup	Indicators
Economic competitiveness	Economic performance	GDP per capita, average growth rate of GDP, et al.
	Economic Structure and Capacity	Percentage share of secondary and tertiary sector in GDP, et al.
	Marketization and Openness	Actually utilized foreign investment, et al.
Social Competitiveness	Human resources and education	Percentage of the population with higher education, et al.
	Quality of life	Saving of residence per capita, et al.
	Level of urban development	Urbanization level, et al.
	Government operation and initiatives	Number of development zones at state-level, et al.
Environmental Competitiveness	Quality of environment	Amount of SO <sub>2</sub> per unit of urban area, et al.

*Note.* Adapted from ‘Measuring the Urban Competitiveness of Chinese Cities in 2000’ by Jiang Y. and J. Shen. 2010. *Cities*, 27(5), 307-314.

Based on the notion of urban entrepreneurialism, the outcomes of competitiveness are usually represented in economic aspect (Harvey 1989, Hall and Hubbard 1996). However, the pro-growth development strategies of urban entrepreneurialism also impacted the urbanization process within the cities, as the local actors attempted to enhance the economic value of places within their jurisdiction (Molotoch 1976, Ward 2003). Therefore, in this paper, besides measuring the economic competitiveness, the level of urban development also will be considered in order to characterize the urban entrepreneurialism phenomenon.

## **2.4 Constraints to Metropolitan Governance**

Decentralization, particularly devolution form can cause spillover problems where the local government decision can have a ripple effect beyond the jurisdictional boundaries (Briffault, 1996). “[...] with spillovers, decentralization leads to underprovision of local public goods, as local decision makers do not take into account benefits going to other districts.” (Bardhan 2002: 190). For instance, by increasing housing price in a city can force development of new household to periphery areas of the city which then increase commuting, traffic congestion, and air pollution (Briffault 1996). Feiock (2009) also mentioned that land use development and regulation will have consequences for natural resources, transportation, and economic development. Nevertheless, due to jurisdictional boundaries, it is difficult for local governments to take action in managing regional problems (Briffault 1996).

There is a debate regarding how the authority over services should be managed, between ‘fragmentationist’ and ‘consolidationist’ (Hooghe and Marks 2003, Feiock 2004). Scholars of fragmentation side believed that competition among multiple local jurisdictions leads to more efficient public service provision at the local level (ibid.). Conversely, it is challenged by consolidationist who argue that efficiency can be achieved by integrating the numerous overlapping jurisdiction (ibid.). Competition among cities is inevitable and it raised the extent of spillovers (Begg 1999). Feiock (2009) also argued that fragmentation imposes positive and negative externalities across jurisdictional boundaries and creates common pool resource problems. However, there is a general agreement that “[...] dispersion of governance across multiple jurisdictions is more flexible than concentration of governance in one jurisdiction.” (ibid.: 235). According to some scholars, the model of governance which suitable in a fragmented metropolitan area is polycentric, “[...] where multiple independent actors interact to produce an outcome that is commonly valued” (Oakerson 2004: 32). Polycentric governance depends on two conditions: “[...] the first is the existence of multiple independent centers of authority; the second is that their independence must not be absolut” (ibid.: 33).

However, R. Cox (2010) argued that a politics of scale within the city imposes limits on metropolitan governance implementation based on experience in the city of Columbus. There is a tendency that local governments have the most interest in a particular space, which is their own jurisdiction (ibid.). “Local government has powers with respect to land-use planning, but it also has interests of place specific nature in its own revenue stream: ‘place specific’ because they have to be satisfied, more or less, from within their own territorially defined jurisdiction” (ibid.: 219). Briffault (1996) also argued that creating metropolitan governance structure is difficult because local actors are strongly attached to control over local resources and to gain the merits of small political units. Thus, to overcome the inward-looking and fragmented development, a relatively powerful higher level institution such as “[...] a consolidated metropolitan general purpose government [...]” is needed (Feiock 2009: 361).

## 2.5 Summary

Decentralization can be considered as the notion to improve public service provision at the local level by transferring the authority and power from the central level to the local level. However, there is another implication of decentralization, particularly with regards to local government’s behaviour. Some literature argued that there is an emergence of urban entrepreneurialism phenomena which can be seen at the local level which affected by neo-liberal agenda. Although this notion started in the western countries characteristics, few scholars studied the relation between decentralization reforms and urban transformation in Asia, particularly China, and how it resulted in inter-urban competition. There is an indication that decentralization increases the regional competitiveness to increase economic growth and local revenue. Conversely, it increases the disparities between regions and this competition eventually resulted in spillover problems beyond local jurisdictions (i.e. metropolitan region). It is argued that urban development fragmentation due to inter-urban competition imposes limits on metropolitan governance implementation.

Based on the literature reviewed in this chapter, there are some insights that inform the direction of the research. Because the research objective is to explore urban entrepreneurialism phenomenon in Indonesia, particularly in JMR, then regional economic competitiveness will be examined. A quantitative study of competitiveness as employed in China will be adopted to analyze. Furthermore, this study will also draw a more detail analysis of urban entrepreneurialism in JMR through qualitative analysis of two selected cases. It will be analyzed through the criteria of neo-liberal policies and urban entrepreneurship from the literature.



## Chapter 3

# The Nature of JMR Governance following Decentralization Reforms

This chapter gives an explanation of the context and the background of decentralization in Indonesia and how it is related to the urbanization in JMR. In addition, there will be a brief explanation of JMR characteristics such as administration, demographic, geographic, and governance system.

### 3.1 Decentralization System in Indonesia

The implementation of decentralization initiated with the issuance of Law 22/1999 on regional government and law 25/1999 concerning the intergovernmental fiscal relationship. It included administrative and political decentralization. According to Law No.22, local governments has a bigger authority to manage and develop their respective areas, meanwhile central government authority limited to six sectors which are defense, security, foreign policy, the judicial system, monetary and fiscal, and religious affairs (Republic of Indonesia 1999a). With greater autonomy, “[...] it is expected that local government will take their own initiatives to promote local economic development” (Firman 2014: 2015). Within this system, the municipal government's heads have no hierarchical relationship with the provincial government heads, yet the municipal governments have to report to locally elected council. However, in the process, there were some big holes in the laws with regard to the function of central and local government which resulted in confusion and even conflict of interests between the central and local governments (Brodjonegoro 2005). It caused the amendment of decentralization policy direction with Law 32/2004 and 33/2004.

This revised law enacted the form of administrative, political, and fiscal decentralization. There is a new clause that regulates about direct election (*Pilkada Langsung*) for the head of provinces and municipalities. Basically, there are two broad functions of the government according to Law 32/2004 (Republic of Indonesia 2004a). Firstly, absolute functions, which under authority of the national government. Secondly, concurrent functions, which include mandatory functions and elective functions. Mandatory functions are basically basic services which under authority of local government, both provincial and municipal government. Elective functions both by the provincial and local government which depends on the characteristics of jurisdictions. Specifically, there are 29 devolved functions to local government, including spatial planning and land administration. In addition, besides concurrent functions, the provincial government also act as the representative of central government in the

respective region (deconcentration function). In summary, the division of authorities between levels of government in Indonesia as follows:

**Table 3.1 The Division of Authorities between Levels of Government**

Central Government	Provincial Government	Municipal Government
a. Define national law and regulations b. Determine national policy c. Formulate and implementation of standard d. Determine procedure	a. Define provincial regulations b. Provide guidance and supervision of across regencies/cities within their jurisdiction c. Determine policy control across regencies/cities	a. Define regency/city level regulations b. Develop and manage a regency/city c. Determine policy control in a regency/city

*Source:* Republic of Indonesia (2007b)

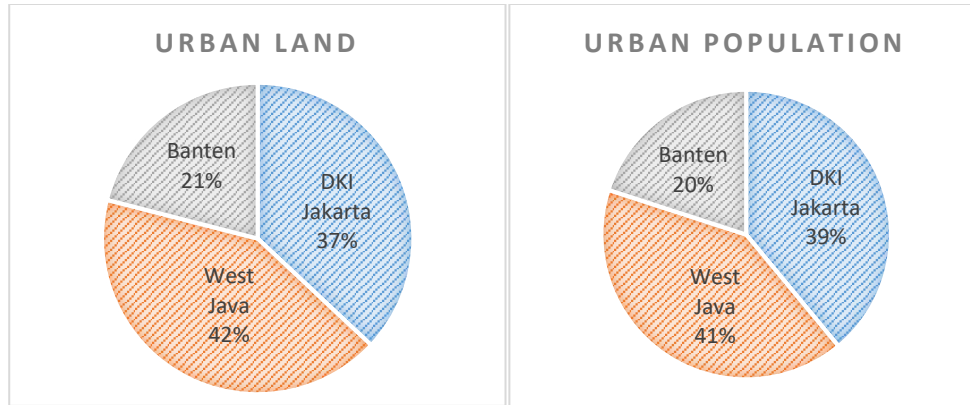
According to Law 33/2004, there are three major sources of funds for local government as a part of fiscal decentralization: own-source revenue (PAD), balance fund, local loans, and others (Republic of Indonesia 2004b). PAD consist of regional taxes, charges, and wealth management. Meanwhile the balance fund consist of general allocation fund (DAU), special allocation fund (DAK), and revenue sharing fund (DBH). The revised law also emphasizes on promoting local investment in order to improve PAD through regulations which concerning taxes and charges. Although the form of collecting regional tax more varied, “[...] it is quite obvious that more significant taxes such as income tax, value added tax, land and property tax are all under the control of the central government” (Brodjonegoro 2005: 5). However, fiscal decentralization has been contributed in increasing PAD through devolving authority to manage local government income and expenditure depends on the characteristics and endowment of jurisdiction. Recently, the law concerning the regional government has been revised through Law 23/2014. On the article 31.4 of Republic of Indonesia (2013), it stated about the establishment of the region on the basis of national strategic interest. It applies to border areas, islands, and outermost certain areas to protect the interests and sovereignty of the Unitary Republic of Indonesia .

### **3.2 An overview of Jakarta Metropolitan Region (JMR)**

JMR is the biggest metropolitan region in Southeast Asia with a population that exceeds 30 million and rising, which is located in the northern region of West Java with Jakarta as the core city. JMR is considered as a fragmented metropolitan region in which the urban areas are crossed many jurisdictions and nos single jurisdiction has more than 50% of the urban land (World Bank Group 2015). DKI Jakarta province had 85% of urban land and in 2010 it has 23 million people and covered 1,600 km<sup>2</sup> (ibid.). Jakarta’s population growth is 3.7% per year and by this rate, it can be estimated that the population of Jakarta would

double from 2000 to 2020 (ibid.). “Although [DKI Jakarta] at the center of the metropolitan region remains highly populated and economically important [...]”, the largest urban land of JMR lies in West Java with 42% (ibid.: 85). In addition, the population of the metropolitan region that lives in DKI Jakarta in 2010 in below 40% (see **Figure 3.1**).

**Figure 3.1 Urban Land and Urban Population of Provinces in JMR**



Source: Study of World Bank Group (2015) by incorporating WorldPop data.

DKI Jakarta has a population of more than 9 million in 2010. As the core of JMR, DKI Jakarta province has more population than its surrounding areas from 1961 to 1990. Nevertheless, this trend is changing in 2000, where the population in DKI Jakarta below the ‘Bodetabek’ region with 4 million differences. Moreover, the population difference between core city and the fringe areas of JMR even doubled in 2010 (see **Table 3.2**).

**Table 3.2 Population of Jakarta Metropolitan Region 1961-2010**

Census Year	DKI Jakarta	Bodetabek	JMR
1961	2,904,533	2,794,712	5,699,245
1971	4,546,492	3,483,537	8,030,029
1980	6,503,449	5,413,271	11,916,720
1990	7,259,257	8,878,256	16,137,513
2000	8,347,083	12,842,626	21,189,709
2010	9,067,787	17,839,240	27,447,027

Source: BPS (2010) in Winarso et al. (2015)

The number of people lives in DKI Jakarta has growth 1,4% per year from 2000 to 2010, which is surprisingly much lower that other cities/regencies in JMR who has 2-4% growth rate (see **Table 3.3**). The population Census 2000 showed that between 1995 and 2000 about 190,000 DKI Jakarta residence had moved to the fringe areas (Firman 2009). The shift of population from core city into fringe areas is due to large-scale property development in the suburbs since the late 1980s (Hudalah and Firman 2012). Therefore, Firman (2009) argued that suburbanization has caused extensive land conversion in the suburbs from

agriculture to built-up areas, particularly new towns and industrial estates (see *Figure 3.2*).

**Table 3.3 Population of Jakarta Metropolitan Region 1961-2010**

Area	Number (million)	Growth Rate 2000-2010 (percent/year)
DKI Jakarta Province	9,588	1,40
Bogor Regency	4,763	3,13
Bogor City	0,949	2,39
Tangerang Regency	2,838	3,82
Tangerang City	1,797	3,12
South Tangerang City	1,303	4,74
Bekasi Regency	2,629	4,69
Bekasi City	2,336	3,48
Depok City	1,736	4,30

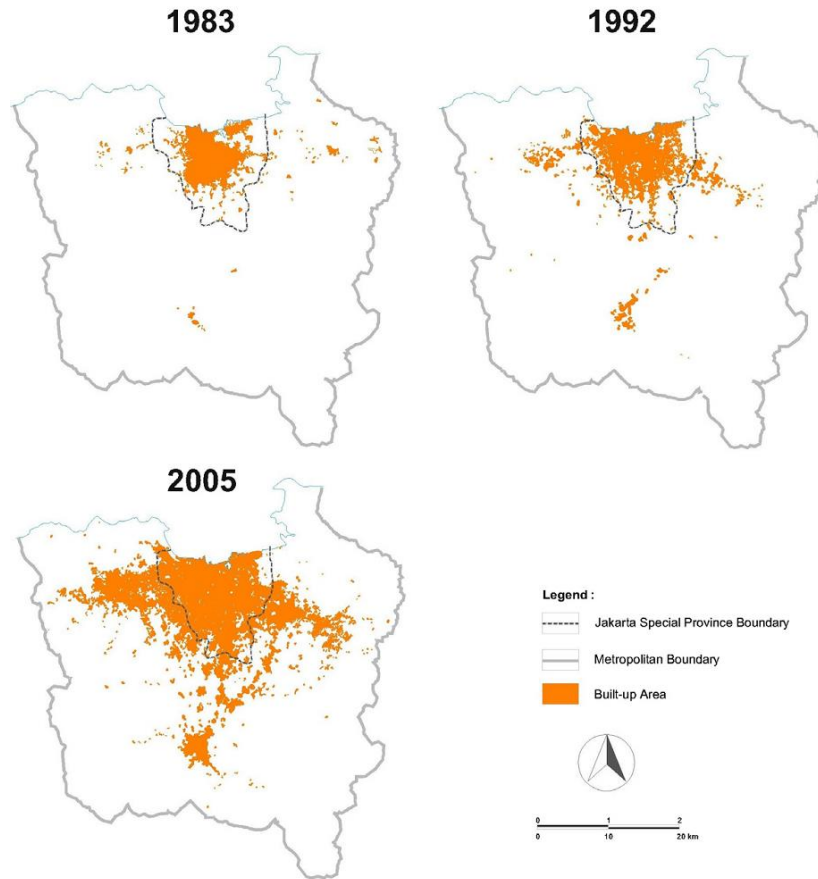
*Source:* Firman (2011)

Although the massive urbanization in JMR emerged in Soeharto's era (see Firman 2004, Winarso 2010), it is argued that one of occurrence which contributed on urbanization pattern in JMR is regional autonomy and fiscal decentralization policies (Firman 2009). In addition, the private sector has a big role in massive development in Jakarta Metropolitan Region (Winarso and Firman 2002, Hudalah et al. 2013, Winarso et al. 2015). "During the 1990s, the private sector in the [JMR] developed more than 15 large-scale housing estates on 16,600 ha of rural land, selling more than 25,000 housing units annually" (Winarso 2010: 164). Moreover, JMR urbanization consists of sprawl from the core city to the outskirts, which eventually transformed rural land uses into urban land uses (Winarso 2010). Land conversion in JMR is greatly uncontrolled due to an inadequate land permit system and law enforcement which resulting many violations of land-use plans (Firman 2009). Hence, there is an extensive land conversion indicated by the development of large-scale housing, infrastructures, and industrial estates (Hudalah and Firman 2012).

For the purpose of metropolitan planning, the president issued a decree in 1976 to develop Jakarta and its surrounding areas called 'Jabotabek' (Jakarta-Bogor-Tangerang-Bekasi). The purpose is to reduce the population pressure in Jakarta as well as to encourage economic activities in the surrounding area (Republic of Indonesia 1976). Due to rapid urbanization and linkage among regions, JMR has extended and become larger in the period of 20 years (see *Figure 3.2*). As a consequence, JMR now has an even longer acronym called 'Jabodetabekjur', following the addition of Depok city and Cianjur regency (Firman 2009). It now consists of 12 administrative units at different levels. The first level is Jakarta Special Region (DKI Jakarta) which have a provincial government status, including Banten and West Java Province. The second level is the municipalities which consist of 5 cities (*Kota*) which are: the city of Bogor, Depok, Tangerang,

South Tangerang, and Bekasi; and 4 districts/regencies (*Kabupaten*) which are: Bogor, Tangerang, Bekasi, and Cianjur. The following figure is the current delineation of JMR.

**Figure 3.2 Expansion of Built-up Areas in JMR 1983-2005**



*Source:* Hudalah and Firman (2012)

JMR also regulated as National Strategic Area (KSN) through Government Regulation 26/2008 concerning National Spatial Plan (RTRWN). KSN 'Jabodetabekpunjur' (Jakarta-Bogor-Depok-Bekasi-Puncak-Cianjur) is given a role as the center of regional and national economy as well as a conservation and biodiversity area (Republic of Indonesia 2008a). As a national strategic area, JMR needs an integrated spatial planning and development control. The purpose of integrated planning is to achieve sustainable development by considering environmental impact as well as develop the region's economy. Hence, Republic of Indonesia (2008b) issued the special regulation No.54 concerning JMR development planning. JMR planning consists of spatial structure plan and zoning plan. Moreover, the government also considering the development of settlement system includes efforts to encourage the development of JMR, with core cities are Jakarta and its suburbs.

### 3.3 Issues and Challenges of JMR Governance

The management of JMR development is coordinated by JMR Development Cooperating Board called 'BKSP Jabodetabekjur'. It was established jointly by DKI Jakarta and West Java provincial government in 1975. This board consists of all heads of provincial, municipalities, and regency governments within JMR. It has functions to coordinate JMR development plan, formulate programs, as well as implement monitoring and evaluation of the programs. BKSP is headed jointly by the Governor of DKI Jakarta, West Java province, and Banten province in turns every three years. Budget implementation of JMR development programs charged to the provincial budget, city/regency budget, as well as other legitimate sources. However, cooperation among local governments in the JMR for specific things and involves two or more regions that do not involve the entire local governments in Jabodetabekjur can still be carried out in accordance with the agreement of the relevant area.

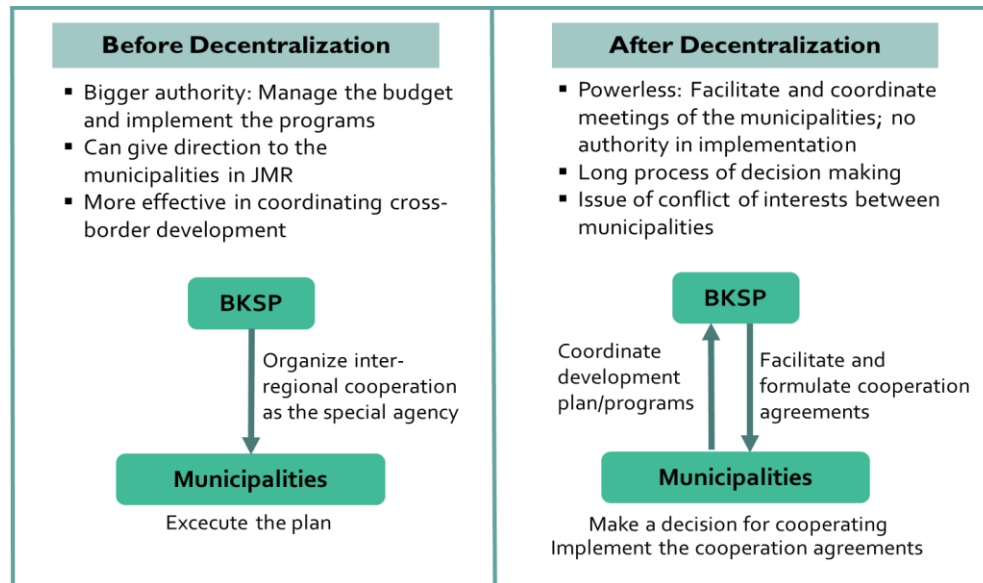
Basically, JMR development cooperation aims to realize an integrated Jabodetabekjur development which is interrelated one to another region. The scope of development cooperation includes several fields such as:

- a. Spatial planning
- b. Settlements and infrastructures
- c. Water resources, sanitations, and environment
- d. Transportation, communication, and tourism
- e. Agribusiness and SMEs (Small and Medium Enterprises)
- f. Industry, trade, mining, and investment
- g. Population and peace
- h. Health and education
- i. Social and employment

BKSP is managed by an executive secretary who is appointed by Ministry of Home Affairs on the recommendation of all provincial governments in the region. The secretariat has a task to prepare coordination materials, analyze planning, evaluate, formulate programs and reports, as well as provide administrative services to the head of BKSP. Employees at the secretariat of BKSP are civil servants from DKI Jakarta, West Java, and Banten province.

Due to decentralization policy, several jurisdictions need to cooperate with each other in order to solve inter-jurisdiction problems. According to Ministry of Public Affairs (2007), urban region development cooperation stipulated in a Memorandum of Understanding and/or cooperation agreements. In the context of JMR, the importance of inter-municipal cooperation, specifically between DKI Jakarta province and all local governments bordering with Jakarta clearly stated in Law No.29 regarding DKI Jakarta Province as The Capital of Republic of Indonesia (Republic of Indonesia 2007a). Nevertheless, there are some changes of BKSP authority following decentralization reforms (see **Figure 3.3**).

**Figure 3.3 The Distinction of BKSP Function Before and After Decentralization Reforms**



Source: Author's analysis of secondary data (2016)

Before decentralization reforms, BKSP has more power to manage JMR development, including directly involved in program implementation. Moreover, BKSP as the special agency is more effective in coordinating cross-border problems. Meanwhile, under the decentralized system, BKSP does not have authority in the implementation of development in JMR and has no authority to manage a budget like other government agencies<sup>1</sup>. “This has made the BKSP powerless and ineffective in coordinating and monitoring the development [program] in the region” (Firman 2014: 225). This institution becomes powerless coordination forum which only facilitates and coordinates meetings among local governments to discuss development issues, yet does not have authority for implementing the programs. As a result, coordination and conflict of interest become crucial issues of BKSP.

One of the recent conflicts between local governments in JMR is between DKI Jakarta government and Bekasi municipalities regarding dump site agreement. Jakarta has used Bantar Gebang area in Bekasi for more than 20 years as their dump site, however, they have never complied the contract to develop sustainable solid waste management in the area (Firman 2014). Ultimately, Bekasi municipality was not interested in extending the contract back in 2009. “If the Bekasi municipality does not extend the contract, the loss of the site dumping will become a big problem for the city government and people of Jakarta [...]” due to the limitation of land (Firman 2014: 226). Moreover, the government of Bekasi asked Jakarta to increase the tipping fee of using dump site in their area if they want to extend the contract (ibid.). After a long process of negotiation, eventually, Jakarta and Bekasi government were able to reach an

agreement to extend the contract and at present the operation of this site is managed by a private company called PT Godang Tua Jaya until 2023<sup>2</sup>.

There is also the issue of lack of trust toward BKSP. In 2014, The Governor of DKI Jakarta and Bekasi Mayor asked the board to be disbanded due to lack of results (Wardhani 2014). The Governor of DKI Jakarta stated that the activities of BKSP is just a ceremonial event and spent a lot of budgets just for meetings (Aziza 2016). However, due to the importance of its function, “[...] the existence of the BKSP has been politically accepted by all provincial and local governments and provincial and local legislative councils (*Dewan Perwakilan Rakyat Daerah*) in the region” (Firman 2014: 225). BKSP has been able to facilitate some agreements among local governments in JMR, for example, cooperation to avoid multiple ID cards, to coordinate borderline (ibid.).

Another problem faced by BKSP is a dispute between DKI Jakarta government with West Java and Banten province. The former Governor of DKI Jakarta, Sutiyoso introduced a concept of integration development in the Jabodetabek area and he was accused by local leaders and politicians in West Java and Banten of having political interests (Firman 2014). Some of the local leaders, especially at the provincial level assume that Sutiyoso wants to expand Jakarta’s administrative region by taking some regions of West Java and Banten (ibid.). For instance, Tangerang and Bekasi leaders said that some of their own-source revenue (PAD) taken by Jakarta such as private vehicle tax, income tax, business tax, and so forth<sup>3</sup>. Nevertheless, some West Java’s and Banten’s regencies in Jabodetabek supported Sutiyoso’s idea because they felt neglected by the Provinces of Banten and West Java (Firman 2014: 226).

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<sup>1</sup> Interview with Head of Spatial Planning Sub-division of BKSP Jabodetabekjur (8 August 2016)

<sup>2</sup> ibid

<sup>3</sup> ibid



## Chapter 4

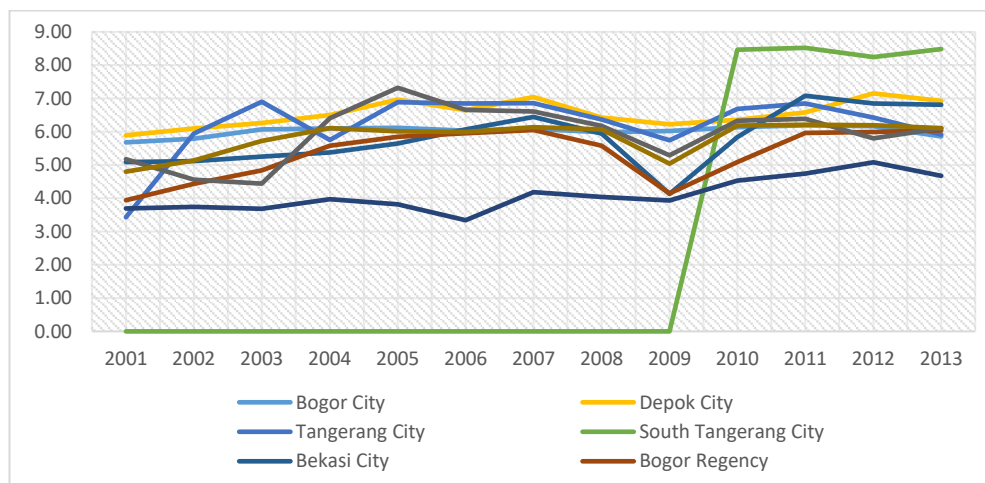
### Regional Economic Competitiveness in JMR

This chapter will give a brief explanation of regional economic competitiveness in JMR which indicates urban entrepreneurialism. It will be analyzed by using three main criteria: economic performance, economic structure and capacity, and marketization and openness. It will present the rationalization of the case studies selection for further analysis in the next chapter.

#### 4.1 Economic Performance of the Suburbs

One of the main indicators of regional development is economic performance. It can be analyzed by looking at Gross Regional Domestic Product (GRDP). Moreover based on GRDP value, economic growth of each region can be analyzed to predict development activities of the selected region. Economic growth basically is an increase in production activities, either in the form of goods or services in real terms within a certain period. Measuring the level of regional economic growth can be done by calculating the increase in the value of GRDP in a given year to the next year. In order to avoid the inflation, the data which is used is the GRDP at a constant price. The economic growth rate of the suburbs in JMR shown in **Figure 4.1**. As the newly proliferated region since 2009, South Tangerang city has the highest economic growth rate among all cities/regencies in JMR with 8.43 in average. It is followed by Depok city (6.54) and Tangerang City (6.20).

**Figure 4.1 Economic Growth Rate (%) at 2000 Constant Price of the Suburbs in JMR (2001-2013)**

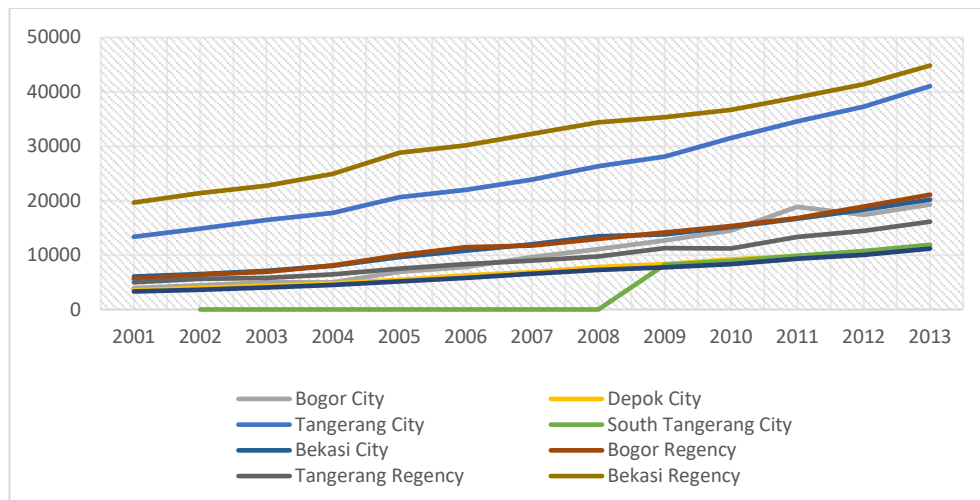


Source: Author's analysis of BPS (Statistics of Indonesia) Figures

Another indicator to measure economic performance which focuses on aspects of regional competitiveness is the GRDP per capita figures. It shows the average

income earned by each person in the region in a specified year. The greater the number of GRDP per capita indicates the level of welfare of the population in the region. It is measured by dividing the GRDP by the number of its population in a specified year. GRDP per capita of cities/regencies in JMR between 2001 and 2013 are presented in the following figure.

**Figure 4.2 GRDP Per Capita of the Suburbs in JMR at Current Market Price (2001-2013) in Thousand Rupiahs**



Source: Author's analysis of BPS (Statistics of Indonesia) Figures

In general, the per capita income figures in cities/regencies in JMR from 2009 to 2012 showed an increasing trend. However, there is a significant increase in two regions, which are Bekasi regency and Tangerang city. Between 2001 and 2013, income per capita in Bekasi regency increased by around 25,000 thousand rupiahs whereas Tangerang city increased by around 27,000 thousand rupiahs. It means that these two regions have higher economic performance than others. The assumption is that regional income from GRDP is distributed evenly throughout the population of its region. Nevertheless, the disparities between municipalities increased as Rodriguez-Pose and Eczurra (2010) argued. Thus, it can be concluded that the level of welfare in Bekasi regency and Tangerang city getting higher than other regions in JMR after decentralization reforms.

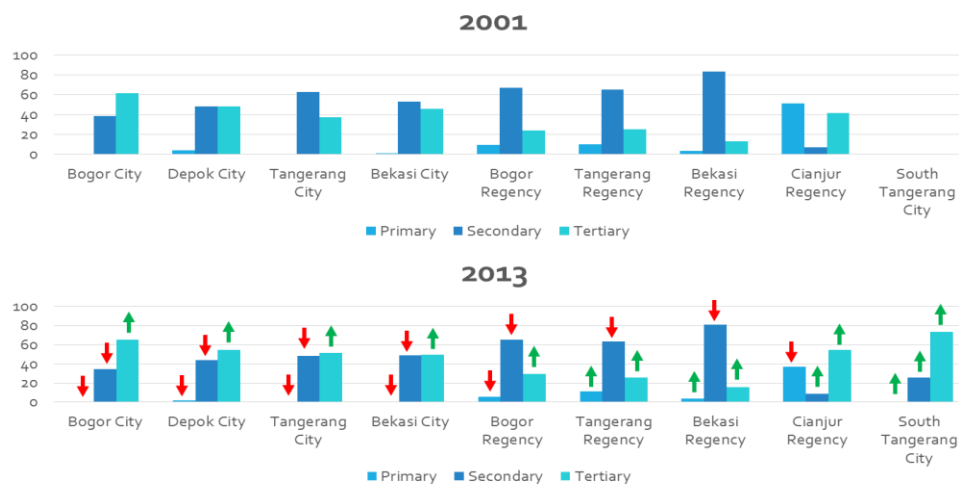
## 4.2 Economic Structure and Capacity of the Suburbs

Analysis of economic structure is important in order to analyze potential economic activity sources in a specific region. It also might show the level of development and the level of work productivity of the region. The analysis of economic structure can be done by measuring the contribution of each sector within GRDP at current market prices. In order to analyze which cities/regencies have strength contribution in each sector, the analysis will be conducted by looking at changes in sector contribution between 2001 and 2013

(see Annex C). The economic structural changes of municipalities in JMR can be seen in **Figure 4.3**.

Cities and regencies in JMR mostly have a little contribution in the primary sector due to urbanization process. Nevertheless, Cianjur regency still has a high percentage of primary sector contribution. None of cities/regencies have contribution more than 10% except Cianjur regency. This particular region has more than 50% contribution of the primary sector in 2001. However, the contribution of primary sector gradually decreased in a period of 12 years which in 2013 the contribution is 37%. Meanwhile, the rest of cities/regencies has a constant trend regarding primary sector's contribution to the economy. It indicates that economic structural in JMR has shifted gradually since the reforms.

**Figure 4.3 GRDP Sector Contribution (%) in JMR at Current Market Price (2001-2013)**



Source: Author's analysis of BPS (Statistics of Indonesia) Figures

In addition, industrial activities usually affect high economic growth in a region due to its physical development and high work productivity. There are five cities/regencies which have high secondary sector contribution, more than 50% of the economy. Those municipalities are Bekasi regency, Bogor regency, Tangerang regency, Tangerang city, and Bekasi city which known as the regions which have industrial characteristics. Bekasi regency, in particular, has more than 80% contribution of secondary sector in the period of 2001-2013.

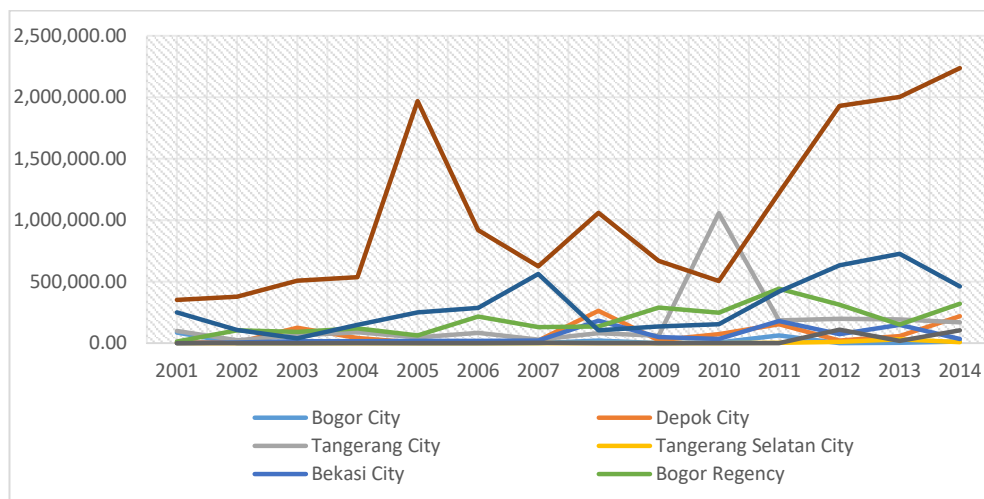
Meanwhile, the tertiary sector which is dominated by trade and services, in particular, is becoming the major economic activities of some regions in JMR. For instance, South Tangerang city and Bogor city which has more than 60% contribution from tertiary sectors. Meanwhile, the municipalities which have low tertiary sector contribution are Bogor regency, Tangerang regency, and Bekasi regency. From the period of 2001-2013, there is no significant change in the

percentage. However, it indicates that the regions which have high tertiary sector's contribution usually have urban characteristics.

### 4.3 Marketization and Openness of the Suburbs

Utilized FDI in cities/regencies in JMR between 2001 and 2013 are presented in the following figure. Large foreign investment in the specific region shows the openness of the government policy to marketization by attracting investments. In the case of China, a large degree of autonomy given to local government has played an important role in local development, competing for attracting foreign investment (Jiang and Shen 2010). The utilized FDI in the period of 2001-2014 can be seen in the following figure.

**Figure 4.4 Utilized FDI of the Suburbs in JMR (2001-2014) in Thousand USD**



Source: Author's analysis of the Indonesia Investment Coordinating Board (BKPM) Figures

The regions with a high degree of investment are Bekasi regency with an average of 1,065,000 Thousand USD, followed by Tangerang regency (305,854 USD) and Bogor regency (188,745 USD). Most of the regions have fluctuated trend of investment between 2001 and 2014. However, it can be concluded that Bekasi regency is way higher than other regions in attracting investment. It indicates that investors considered Bekasi regency as their best choice in JMR, beside Jakarta, which has average foreign investment around 3,000,000 USD.

**Table 4.1 Average of Utilized FDI of the Suburbs in JMR (2001-2014) in Thousand USD**

No.	Municipality	Average of FDI
1	Bogor city	14,746.02
2	Depok city	73,058.26
3	Tangerang city	170,598.99

No.	Municipality	Average of FDI
4	Tangerang Selatan city	11,184.22
5	Bekasi city	57,236.91
6	Bogor regency	188,744.86
7	Tangerang regency	305,854.46
8	Bekasi regency	1,065,893.64
9	Cianjur regency	17,141.45

*Source:* Author's analysis of the Indonesia Investment Coordinating Board (BKPM) Figures

In general, the suburbs in JMR have attracted most of the foreign investments in manufacturing, real estate, and infrastructure sectors (BKPM, 2014). However, the government of Bekasi district has captured 50% of the FDI in the secondary sectors in JMR (Hudalah and Firman 2012). It indicates that the foreign investment in Bekasi regency mostly related to secondary sectors which dominantly for industrial activities. In conclusion, as Hill (2008) stated, the regions with location and openness has stronger economic performance.

#### 4.4 An Overview of Regional Economic Competitiveness in JMR

To conclude, the outcome of competitiveness will be analyzed by intergrating the performance of the region as discussed in the three previous sections. Jiang and Shen (2010: 309) argued that “[...] economic competitiveness is basic to meeting material needs and improving material quality of life”. According to their study, the dimension of economic competitiveness has three sub-dimension: economic performance, economic structure and capacity, and marketization and openness (ibid.). In this study, there are indicators of each sub-dimension by adapting Jiang and Shen (2010) criteria. Firstly, ‘economic performance’ has two indicators: average GRDP per capita and average economic growth rate. Secondly, ‘economic structure and capacity’ has two indicators: average secondary sector’s contribution in GRDP and average tertiary sector’s in GRDP. Lastly, ‘marketization and openness’ has one indicator which is average actually utilized FDI. By measuring indicators score in each region, it resulted in the municipalities rankings based on economic competitiveness in **Table 4.2**.

The figure presents the list cities/regencies in JMR with ranks in five indicators of economic competitiveness. Among these municipalities, Bekasi regency, Tangerang city, and Bogor regency had good performance in economic competitiveness. The top three municipalities have more than 60% of secondary sectors’ contribution in GRDP. It indicates that the regions with high economic competitiveness usually have faced the industrialization process. In general, the top regions had high GRDP per capita, high economic growth rate, and large foreign investment. However, these indicators are at the macro level and hardly

explain the effect of the competitiveness and how it is related to decentralization policy in Indonesia. Therefore, in the next chapter, there is a further analysis of the two top ranks of municipalities, Bekasi regency, and Tangerang city in order to specifically identify the characteristics of urban entrepreneurialism and its impact, both within and beyond local jurisdiction.

**Table 4.2 Rank of Economic Competitiveness Index of the Suburbs in JMR**

Municipality	Economic performance		Economic structure and capacity		Marketization and openness	Rank
	Average GRDP per capita (thousand rupiahs)	Average growth rate of GRDP (%)	Average secondary sector contribution in GRDP (%)	Average tertiary sector contribution in GRDP (%)	Average utilized FDI (Thousand USD)	
Bekasi regency	31,653	5.82	82.28	13.93	1,065,893.64	1
Tangerang city	25,198	6.20	55.65	44.18	170,598.99	2
Bogor regency	12,261	5.34	67.12	25.38	188,744.86	3
South Tangerang city	9,917	8.43	26.33	72.81	11,184.22	4
Tangerang Regency	9,525	5.94	63.71	24.87	305,854.46	5
Depok city	7,146	6.54	46.44	50.84	73,058.26	6
Bogor city	10,497	6.02	35.53	64.18	14,746.02	7
Bekasi city	12,132	5.82	51.84	47.56	57,236.91	8
Cianjur regency	6,689	4.11	7.52	48.60	17141.45	9

*Source:* Author's analysis 2016

## Chapter 5

### Two Cases of Urban Entrepreneurialism in JMR

This chapter shows the characteristics of urban entrepreneurialism phenomena in JMR by looking at two selected cases. It presents land-use existing, economic structure, and investment trend as the background. Moreover, the policy and development strategies of each municipality will be shown.

#### 5.1 Case Study of Bekasi Regency

Bekasi regency administratively is a part of West Java Province which has an area of 127,388 ha and has a population around 3 million people in 2013 (BAPPEDA Bekasi Regency 2015). The topography of the northern region designated for potential development of industry, agriculture, and its supporting facilities, whereas the southern region earmarked for the development of manufacturing industry, trade and tourism (ibid.). The land use in Bekasi regency until 2014 is dominated by paddy fields with 48.21% of the land area of Bekasi regency, followed by settlements (24.71%), fishpond in the northern area of Bekasi (9.31%) and industry (5.55%) (see **Table 5.1**). Although the biggest area is paddy fields, yet the contribution to the economy is less than 4%.

**Table 5.1 Land-use in Bekasi Regency of the year 2014**

No	Type	2014 (ha)	Percentage (%)
1	Lake	216	0.17
2	Mangrove	638	0.50
3	Industries	1,075	5.55
4	Mixed garden	47	0.04
5	Pond	134	0.10
6	Fields	4,426	3.47
7	Open land	3,612	2.84
8	Estates	2,815	2.21
9	Settlements	31,478	24.71
10	Grass land	1,458	1.14
11	Paddy fields	61,407	48.21
12	Shrubs	547	0.43
13	River	1,677	1.32
14	Fishpond	11,853	9.31
	<b>Total</b>	<b>127,385</b>	<b>100,00</b>

*Source:* BAPPEDA Bekasi Regency Analysis (unpublished), taken on July 2016

As one of the outskirts of Jakarta, Bekasi regency has encountered rapid land conversion from agricultural areas into industrial areas and real estates (see Hudalah and Firman 2012). It has affected the economic growth in Bekasi regency increased from 2001-2013 with average around 5.82%. Generally, the

biggest contribution to the economy in Bekasi regency is dominated by secondary sector with approximately 85%. However, since 2007, tertiary sector contribution has gradually increased and reached 15% in 2013 (BPS 2014).

Distribution percentage of the GRDP by sector shows the role of each sector in its contribution to the GRDP as a whole. The greater the percentage of a sector, the greater the influence of the sector in the economic development of a region. From **Table 5.2**, it appears that the economic structure is dominated by the Manufacturing Industry sector with more than 76% and Trade, Hotels, and Restaurants with around 10%. These two sectors only have contributed almost 90% of Bekasi regency economy. However, if we compare the structure in 2001 and 2013, there is a slight shift in which the contribution of Manufacturing Industry sector decreased by 4% whereas Trade, Hotels, and Restaurants sector increased by 1,2%.

**Table 5.2 Distribution of the GRDP in Bekasi Regency between 2001 and 2013 (%)**

No	Sector	2001	2013
1	Agriculture, Livestock, Forestry, and Fishery	2.33	2.26
2	Mining and Quarrying	0.92	1.16
3	Manufacturing Industry	80.79	76.46
4	Electricity, Gas, and Water Supply	1.53	2.41
5	Construction	1.08	2.09
6	Trade, Hotels, and Restaurants	9.10	10.46
7	Transport and Communication	1.28	1.78
8	Finance, Real Estate, and Business Services	0.94	1.35
9	Services	2.03	1.73
	<b>Total</b>	<b>100.00</b>	<b>100.00</b>

*Source:* BPS West Java Province (2002), BPS (2014)

Bekasi regency is relatively close to Jakarta and it has a direct access to Jakarta-Cikampek Toll Road and also close to Tanjung Priok International seaport, which made private investor consider this location appropriate for industrial estates (Hudalah and Firman 2012). Most of the industrial estates' companies were established in 1989, "[...] when the government started to allow private companies to participate in the development of industrial estates" (ibid.: 44). Major investment in the Bekasi regency is from FDI and it is dominated by Korea, Japan, and now followed by China. There are also German, American, British, Australia investors<sup>4</sup>. As the largest concentration of industrial estates in Indonesia, it has a potential export value up to \$US 15,1-30.56 million, which is about 46% of the national non-oil and gas export (Hudalah and Firman 2012). "The government also has also successfully extracted taxes totaling 3.4-6 trillion rupiahs from the industrial activities in Cikarang" (ibid.: 45).

<sup>4</sup> Interview with Head of Promotion and Investment Cooperation Sub-division of Integrated Permit Service Agency (BPPI), Bekasi Regency (26 July 2016)



With a total area of 14,620 ha, there are seven industrial estates in Bekasi regency and 2,288 industrial companies which has attracted more than 50 million workers (Hudalah and Firman 2012). Most of the industrial estates operate purely on industrial development and management, yet Jababeka, Lippo Cikarang, and Deltamas also develop residential areas and other urban functions in their planning area (ibid. 2012). For example, “[a]part from industrial-oriented infrastructure and facilities, Jababeka is also complete with major urban facilities. These facilities include 30,000 houses, 8 hotels, and apartments, 16 universities and institutions of higher education, an international hospital, 24 malls and shopping centers, an international golf course and a botanical garden” (ibid.: 45). In order to be able to compete with other industrial regencies such as Karawang and Purwakarta, Bekasi regency government focus on improving the quality of infrastructure such as build a new railway station and develop multi-modal transport<sup>5</sup>. Moreover, the government of Bekasi also wants to speed up the permit process and provide ease of investing in order to attract investments<sup>6</sup>.

Hudalah and Firman (2012: 43) stated that Bekasi regency captured around 50% of the FDI in JMR, particularly in the secondary sectors. The demand for industrial land in the Bekasi Regency has greatly increased due to the development of FDI and domestic investment in the region (see **Table 5.3**). From the table, it can be seen that investment, particularly FDI in Bekasi regency has gradually increased from 2010 to 2014. There is a significant increase in investment by around 700 million USD between 2010 and 2011. Conversely, domestic investment has a fluctuated trend of investment from 2010 to 2014. However, there is a significant increase from 2012 to 2013 by almost 1 billion rupiahs and from 2013 to 2014 by around 1,5 billion rupiahs. Generally, the table indicates that although FDI became the main source of investment in Bekasi, in the recent years the local government supports the development of domestic investment.

**Table 5.3 Utilized FDI and Domestic Investment in Bekasi Regency 2008-2012**

Year	FDI (US\$ thousand)	Domestic Investment (Rp. million)
2010	505,290	2,966,592
2011	1,222,877	3,936,810
2012	1,931,330	989,492
2013	2,003,164	1,981,311
2014	2,237,289	3,618,706

*Source:* BKPM (2016), Unpublished work

<sup>5</sup> Interview with Head of Spatial Planning and Infrastructure Sub-division of Regional Development Planning Board (BAPPEDA), Bekasi Regency (29 July 2016)

<sup>6</sup> Interview with Head of Promotion and Investment Cooperation Sub-division of Integrated Permit Service Agency (BPPT), Bekasi Regency (26 July 2016)

In order to attract and manage investments in Bekasi regency, the government established two sub-division, the first one focus on the promotion of investment and the other one focus on investment control<sup>7</sup>. For monitoring investment, each industrial companies has to submit reports of their activities called LKPM (*Laporan Kegiatan Penanaman Modal*) regularly every six months. However, the development control in Bekasi regency did not run optimally because Monitoring and evaluation have only done when evaluating Regional Spatial Plan (RTRW)<sup>8</sup>. Therefore, there are a lot of changes when the land-use plan is compared to the existing land-use, particularly on the land under 1 ha (ibid.). The poor development control is also due to the Regional Detail Spatial Plan (RDTR) in Bekasi Regency has not been formulated yet (ibid.). Moreover, the unclear division of task regarding monitoring and control of land development between agencies become one of the main problems in Bekasi regency. For example, one of the interviewees mentioned that:

“The deviation was usually found after we conduct the evaluation of Regional Spatial Plan (RTRW). Actually, there are agencies which also have monitoring and control affairs. Well, this is still a weakness of us (the government). Department of spatial, Building department, and Public Works department also have it. So they have monitoring functions which should be run effectively. However, so far they have not given good performance in their work...”. (Evi, Head of Spatial Planning and Infrastructure Sub-division of BAPPEDA Bekasi Regency, 29 July 2016)

Ultimately, there have been negative impacts due to rapid industrial development in Bekasi regency, for instance, environmental impact such as air pollution, water pollution, and soil pollution<sup>9</sup>. In addition, there is also social impact of the industrial development, which is the farmers have lost their livelihoods and have not prepared to change jobs because of the limitation of capacity (ibid.). As a result, there are high migrant workers which searching for a job in Bekasi Regency which offers big opportunity, especially in the industrial sector. One of the interviewee also stated that:

“To date, many people of Bekasi regency cannot be absorbed by industrial companies because they were not qualified to the jobs. How can they be absorbed while they even not graduated from elementary school? And do not be mistaken that communities around companies have a better prosperity. There are still many people who displaced which become a phenomenon and also cause high inequality in the region.” (M. Said, Head of Promotion and Investment Cooperation Sub-division of BPPT Bekasi Regency, 26 July 2016)

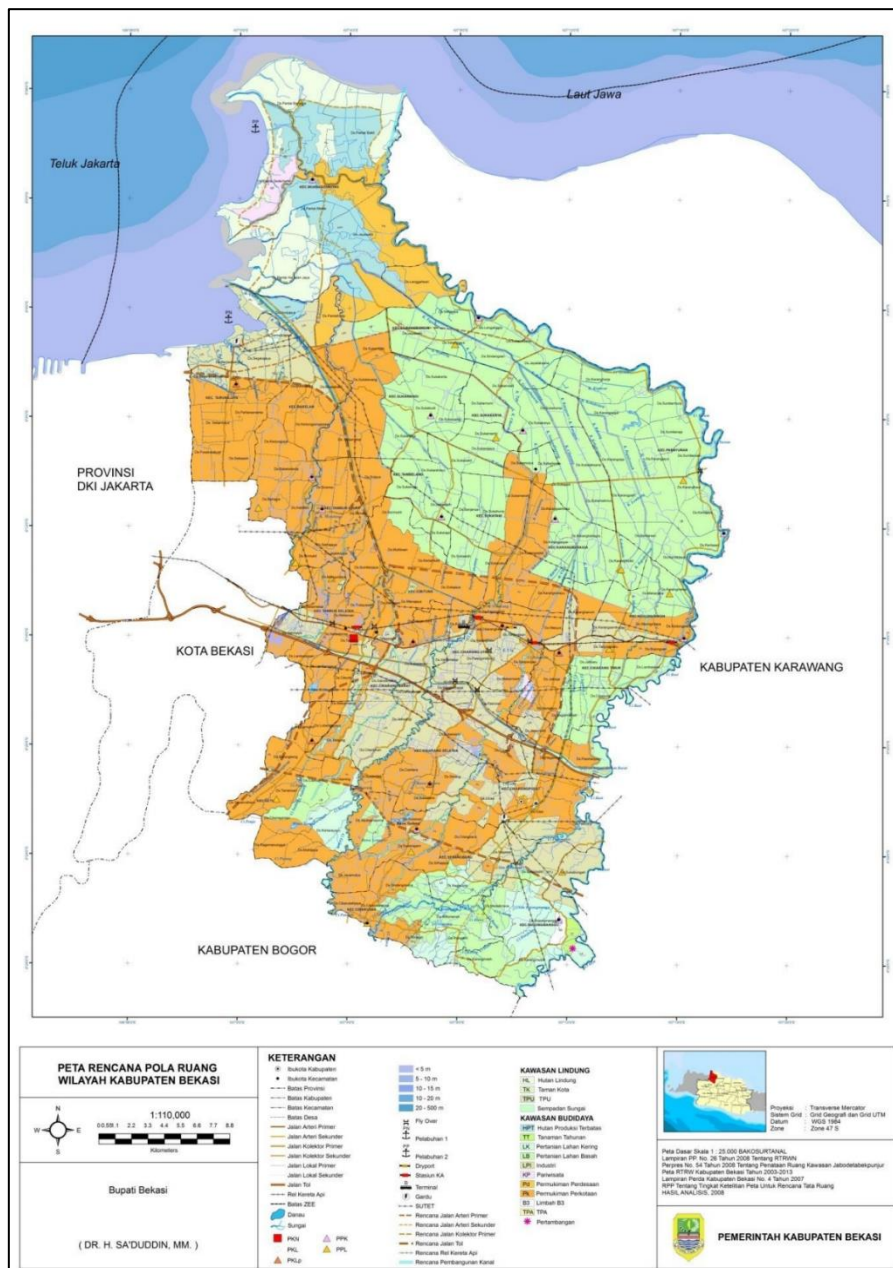
<sup>7</sup> Interview with Head of Promotion and Investment Cooperation Sub-division of Integrated Permit Service Agency (BPPT), Bekasi Regency (26 July 2016)

<sup>8</sup> Interview with Head of Spatial Planning and Infrastructure Sub-division of Regional Development Planning Board (BAPPEDA), Bekasi Regency (29 July 2016)

<sup>9</sup> Interview with Head of Promotion and Investment Cooperation Sub-division of Integrated Permit Service Agency (BPPT), Bekasi Regency (26 July 2016)

The municipal government has been regulated policies to overcome inequality problem in Bekasi regency, such as formulate government law concerning Corporate Social Responsibility (CSR) from the investors. They are trying to build partnerships with the private sector to manage the problems because they have limitation<sup>10</sup>. For instance, regarding the low employment, the government established cooperation with companies to have a minimum percentage of local workers. In addition, the government also preparing the qualification of the human resources by developing vocational high schools.

**Figure 5.1 Land-use Plan of Bekasi Regency 2011-2031**



Source: BAPPEDA Bekasi Regency (2011)

<sup>10</sup> Interview with Head of Spatial Planning and Infrastructure Sub-division of Regional Development Planning Board (BAPPEDA), Bekasi Regency (29 July 2016)

## 5.2 Case Study of Tangerang City

Tangerang city administratively is a part of Banten province which has an area of 196,900 ha, including Soekarno-Hatta International Airport area (BAPPEDA Tangerang City 2012) and has a population around 2 million in 2016 (BPS Tangerang City 2016). Tangerang city located in the west area of Java Island and within  $\pm 50$  km from DKI Jakarta. As a suburb of Jakarta, Tangerang city faced rapid development which also supported with an easy access to Soekarno-Hatta international airport, Tanjung Priok international seaport, as well as Merak and Bojonegara seaport. The strategic location has encouraged the growth of industrial activity and trade and services. The land use in Tangerang city in 2014 is dominated by settlements with 29.43% of the region and followed by green open space (23.57%) in which 25% of it is the Airport buffer area, health facilities (22.89%). Tangerang city has encountered rapid land conversion from agricultural areas into built-up areas such as industrial areas, settlement areas, and commercial areas (see **Table 5.4**). In particular, green open space has reduced drastically with around 1300 ha. Moreover, agricultural areas also decreased significantly for about 9%. Conversely, industrial area, trade and services, and infrastructures increased between 2011 and 2014.

**Table 5.4 Land-use in Tangerang City of the year 2011 and 2014**

No	Type	2011 (ha)	Percentage	2014 (ha)	Percentage
1	Historical buildings	0.71	0.004%	0.71	0.004%
2	Public facilities	289.03	1.589%	547.12	3.008%
3	Government buildings	40.52	0.223%	60.76	0.334%
4	Infrastructure	12.07	0.066%	25.61	0.141%
5	Water areas	593.07	3.260%	520.88	2.863%
6	Agricultural areas	3,962.39	21.782%	2,219.82	12.203%
7	Open land	1,756.14	9.654%	2,226.95	12.242%
8	Green open space	5,117.78	28.134%	3,897.22	21.424%
9	Industrial area	734.84	4.040%	1,300.32	7.148%
10	Regular settlements	1,215.42	6.681%	2,393.79	13.159%
11	Irregular settlements	2,871.51	15.785%	2,961.61	16.281%
13	Health facilities	4.31	0.024%	9.28	0.051%
14	Sport facilities	202.87	1.115%	254.41	1.399%
15	Education facilities	33.08	0.182%	44.25	0.243%
16	Religious facilities	25.95	0.143%	35.53	0.195%
17	Transport facilities	1,331.29	7.318%	1,692.72	9.305%
	<b>Total</b>	<b>18,190.97</b>	<b>100.00%</b>	<b>18,190.97</b>	<b>100.00%</b>

*Source:* Analysis from Spatial Plan Agency of Tangerang City (unpublished), taken on July 2016

Rural-urban land development led to an increase of the economic growth in Tangerang City from 2001-2013 which has average around 6.20%. Generally, the biggest contribution to the economy in Tangerang city is dominated by secondary sector with more than 60%. However, since 2010, there is a shift in which tertiary sector contribution in GRDP has the biggest contribution and reached almost 52% in 2013 (BPS 2014).

Distribution percentage of the GRDP by secondary and tertiary sector shows that these two sectors have a great influence of the sector in the economic development of Tangerang city. **Table 5.5** shows that the economic structure in Tangerang city is dominated by the Manufacturing Industry sector with almost 60% and Trade, Hotels, and Restaurants with around 25%. These two sectors only have contributed almost 80% of Tangerang city economy. However, if we compare the structure in 2001 and 2013, there is a shift in which the contribution of Manufacturing Industry sector decreased by 14.5% whereas Trade, Hotels, and Restaurants sector increased by almost 7%.

***Table 5.5 Distribution of the GRDP in Tangerang City between 2001 and 2013 (%)***

No	Sector	2001	2013
1	Agriculture, Livestock, Forestry, and Fishery	0.21	0.16
2	Mining and Quarrying	0.00	0.00
3	Manufacturing Industry	59.52	45.03
4	Electricity, Gas, and Water Supply	1.71	0.72
5	Construction	1.40	2.48
6	Trade, Hotels, and Restaurants	25.11	32.00
7	Transport and Communication	9.91	13.16
8	Finance, Real Estate, and Business Services	0.13	3.69
9	Services	2.02	2.76
	<b>Total</b>	<b>100.00</b>	<b>100.00</b>

*Source: BPS Tangerang City (2002, 2013)*

One of the efforts made by the Tangerang city government in promoting economic growth is optimizing the potential resources through the development of the productive sectors and offer it to investors. The strategic position of Tangerang city and adequate infrastructure has become their advantage to attract investment. There are three industrial estates in Tangerang city, namely Jatiuwung industrial estate, Manis industrial estate, and Batuceper industrial estate. In total, there are 639 large and medium scale industrial companies in Tangerang city, attracting more than 182,561 workers (BPS Tangerang City 2016). Almost all types of the industry growing in Tangerang, including textile, convection, shoes, leather-based products, chemical, processed rubber, vehicle device and so on<sup>11</sup>.

<sup>11</sup> Executive summary: Penelitian Kelayakan Potensi Daerah Dalam Mendukung Pengembangan Investasi di Kota Tangerang (no date)

The government set the land for industrial relocation for about 6,000 ha, which has been developed approximately 4,000 ha (ibid.). In addition, there is a significant development in trade and service sector. Until early 2013, has developed such as traditional market, large-scale shopping center, trading business and other services throughout the city as well as a textile trade center in Cipadu (ibid.).

For about five decades, Tangerang city has encountered rapid growth due to urbanization effects from Jakarta which made Tangerang city as one of the dormitory cities. The rapid development of Jakarta has led to a population explosion, resulting the majority of the population in Jakarta migrate to the area around the city of Jakarta, including Tangerang city. This has lead to the expansion of land use for settlements in Tangerang City and it becomes one of the commuter cities. As a result, settlements grew rapidly throughout the region, especially in the Regency of Larangan, Ciledug, Middle Reef, Pinang, Cipondoh, Karawaci, Cibodas, and Tangerang<sup>12</sup>. Furthermore, there is also large-scale housing development managed by more than 140 developers (ibid.). This rapid growth of settlements due to the magnitude of the migration of the population in Jakarta to Kota Tangerang implicated in an increased demand for infrastructure and facilities and urban amenities in Tangerang city.

The municipal government wants to create Tangerang as the city of trade and services because of its strategic location and there is an opportunity to become an office center besides Jakarta<sup>13</sup>. To be able to compete with other regions such as South Tangerang city and Tangerang regency, the government of Tangerang city focus on improving the quality of infrastructure such as build a new railway direct to the airport and develop another toll access (Jakarta Outer Ring Road-JORR II) (ibid.). Moreover, The government also build a partnership with the private sector to develop their region because they believe it will improve the economic performance.

“At any case, the business sectors are usually more attractive from a market perspective in developing region. Therefore, Alam Sutera becomes amazing, right? If we (government) develop alone, indeed there are limitations associated with the land. That is why we encourage the business sectors to participate in achieving our vision. For example, we called Investment Coordinating Board of Singapore to become our marketer in Singapore to attract investment. Moreover, our mayor’s background is businessman so he has a link to the business association, with the head of the organization.” (Ruta, Head of Infrastructures and Facilities Division of BAPPEDA Tangerang City, 3 August 2016)

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<sup>12</sup> Executive summary: Penelitian Kelayakan Potensi Daerah Dalam Mendukung Pengembangan Investasi di Kota Tangerang (no date)

<sup>13</sup> Interview with Head of Infrastructures and Facilities Division of Regional Development Planning Board (BAPPEDA), Tangerang City (3 August 2016)

Due to the limitation of land that can be developed by the government, FDI and domestic investment decreased gradually from 2010 to 2014 (see **Table 5.6**). From the table, it can be seen that the amount of investment, particularly FDI has significantly decreased between 2010 and 2011 by almost 1 billion USD. After that, there is a stagnation of FDI in Tangerang city. Conversely, domestic investment has a fluctuated trend of investment from 2010 to 2014. The amount of domestic investment has a peak in 2012 by around 750 million USD. Since 2012, the amount of domestic investment has gradually decreased. The focus of the government now is to attract investment in trade and service sector as the engine of economic growth.

**Table 5.6 Utilized FDI and Domestic Investment in Tangerang City 2010-2014**

Year	FDI (US\$ thousand)	Domestic Investment (Rp. Million)
2010	1,058,146	536,429
2011	186,474	271,652
2012	198,953	756,914
2013	193,255	145,657
2014	170,754	44,528

Source: BKPM (2016), Unpublished work

The government of Tangerang city has a slogan for their promotion, ‘The city of a thousand industries, a thousand of services’ (*Kota seribu industri, sejuta jasa*). In the last 15 years, there are significant changes in Tangerang city, for example, there are more big hotels and also there is IKEA furniture center, which is the only one in Indonesia<sup>14</sup>. In addition, in the east region, there is a large-scale housing development including the commercial area such as Green Lake City and Metland (*ibid.*). Regarding Industrial area, manufacturing industry has developed quite well, for example, OPPO which is the only one in Indonesia. However, the main problem that is faced by the government to develop their region is the limitation of the big amount of land to be developed. Most of the land is owned by the private sector which is mainly used for settlement area due to the increasing of population and the demand of cheaper residential area near Jakarta (see **Figure 5.2**). To overcome this issue, the government try to cooperate with developers in managing their land by becoming a data facilitator to the investors, as mentioned below.

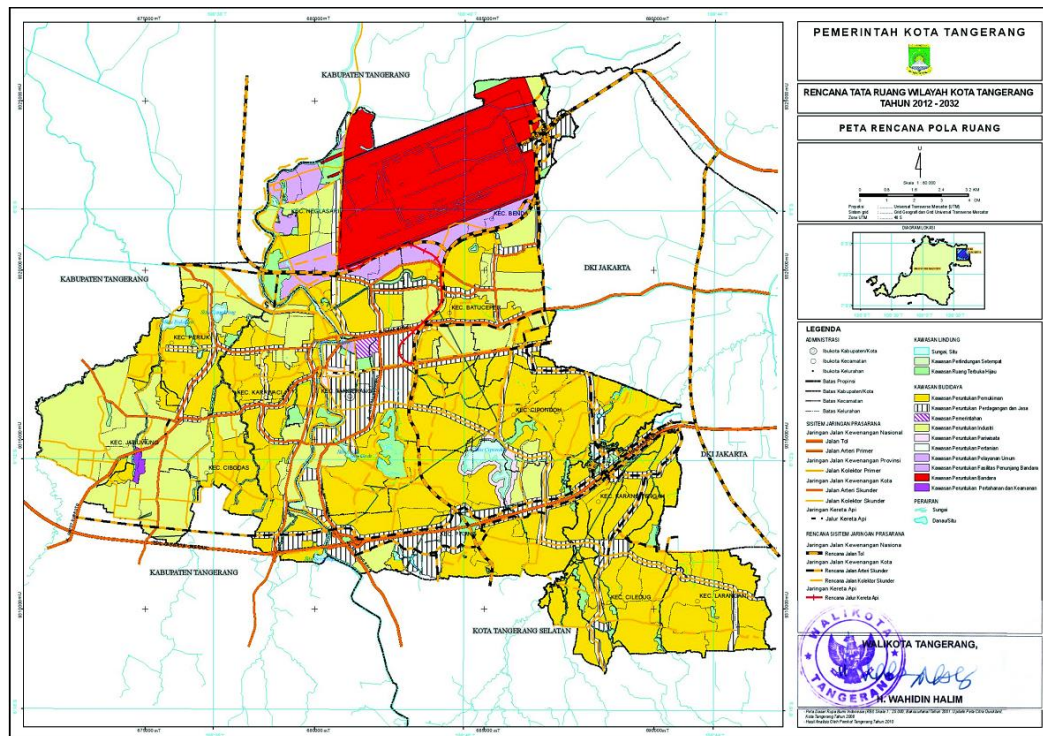
“We wanted to support the services, but we have not been able to provide information which land we could offer. Therefore, we are trying to invite some developers to look for that data. I wonder how many developers such as Metland still got more land to sell on their site plan. We provide facilitation assistance.” (Purwanto, Head of Investment Supervision and Control Sub-division of BPMPSTP Tangerang City, 4 August 2016)

<sup>14</sup> Interview with Head of Investment Supervision and Control Sub-division of Integrated Permit and Investment Service Agency (BPMPSTP), Tangerang City (4 August 2016)



For instance, Lippo Karawaci in 2015 started the first stage development project in Tangerang City called 'Millenium Village-The Global Smart City' with a huge amount of investment, 200 Trillion rupiahs (Hidayat 2015). This project has an area of 70 Ha in the center of Lippo Central Business District (CBD). Millenium village will have 3 zones which include shopping centers, art museum, sky park, high-rise buildings, and so forth (ibid.). Millenium village is part of the integrated development of Lippo village with the 12-in-one concept including Lippo Grand Mall, University, Offices and business district, Lippo World Expo, and others.

**Figure 5.2 Land-use Plan of Tangerang City 2012-2032**



Source: BAPPEDA Tangerang City (2012)



## Chapter 6

### Analysis of Urban Entrepreneurialism in JMR

This chapter aims to analyze the empirical evidence on the dynamics of growth and investments in JMR against two sets of perspectives. One is decentralization framework and the other one is the perspective of urban entrepreneurialism.

#### 6.1 The Impact of Devolution in JMR

This study found that regional autonomy and fiscal decentralization reforms have affected urbanization in JMR, which is consistent with previous studies (see Firman 2008, 2009). Due to the bigger autonomy to develop their own region, regional performance in JMR has varied, where some are better than the others due to the capacity of local governments (Firman 2009). Hadiz (2004) further argued that decentralization in Indonesia showed a pattern of decentralized corruption, money politics, and bribery practice by the local officials. This study shows that the economic disparities between municipalities in JMR has increased since 2001 onwards (see chapter 4). Such trends fit well the observations by Prud'homme (1995) and Rodri Rodríguez-Pose and Ezcurra (2010) for other developing countries. Ultimately, the cities/regencies with huge physical development and high inward investment have benefits in increasing economic competitiveness (i.e. Bekasi regency Tangerang city) as Hill (2008) also argued. It indicates that such favoured local governments are polarizing away from other less endowed municipalities.

Furthermore, Hudalah and Firman (2012) indicated the emergence of a trend of post-suburbanization after the reforms, where the fringe areas not only has a function as a residential area for Jakarta but also develop attractive places such as commercial and entertainment facilities. Winarso (2010) further argued the creation of new urban spaces in the outskirts of Jakarta is massive in forms of malls, large residential area, apartment buildings and so forth. It is similar with what Shen (2007: 309) found in China, where the local state is interested in developing their own territory to bring financial returns in forms of local tax and revenue after the shift of governance system. As a result, there is a significant land-use conversion and population growth in the suburbs in the last 15 years (see chapter 3). In fact, Firman (2009) mentioned that “[many] local governments in the [JMR] have a negative parochialism attitude, resulting in a number of problems in service provision which need cross-border cooperation, including solid waste management and water supply” (see also chapter 3).

This massive development and urban sprawl in JMR also caused by poor development control by the local government, which can be seen in the case of Bekasi regency. Rukmana (2015: 361) argued that the spatial plan violation occurred at the local level after the reforms. It is found that local governments used their autonomy to exploit their resources intensively and sell the local assets to the developers. This also happened in Bekasi regency and Tangerang city,

where most of the land development in their region is managed by private sectors. In fact, the private sector also tried to lobby the municipal government to change the planning document in order to develop the land into residential area<sup>15</sup>. It confirms the image of the 'city as a growth machine' by Molotoch (1976), in which space becomes the potential arena for power struggle of interest groups to determine the land-use outcome.

In conclusion, after decentralization reforms the development in JMR has been fragmented, where each jurisdiction focuses on increasing economic growth through land development and attract inward investments. However, Bardhan (2002) argued that fragmented development as an outcome of decentralization created spillovers problems (see also Begg 1999). Although the government established BKSP Jabodetabekjur to manage JMR development, this organization is powerless to manage cross-border problems (see chapter 3). Therefore, in order to internalize the spillover effects, the BKSP should be given more power by becoming a special organization to coordinate local governments activities and to facilitate collective action to resolve problems in JMR (see Feiock 2009).

## **6.2 The Characteristics of Urban Entrepreneurialism**

Both, Bekasi regency and Tangerang city cases show urban entrepreneurialism characteristics, although they have similarities and differences. In general, it can be concluded one of the factors of rapid urbanization in JMR is due to competition on regional development. Each municipality tries to formulate various policy innovation in order to maximize city promotion and branding, enabling the environment for attracting investment (see OECD 2007). From the factors of strong economic regions by Hill (2008), firstly, the geographic location become crucial to the rapid development in these regions in which near Jakarta (below 50 km) and has access to transport interchange, such as airport and seaport. The strategic location of both municipalities has attracted huge private investment. Nevertheless, the massive land development has resulted in other problems such as traffic congestion, flood, and so forth.

Moreover, both municipalities also have clustering system which is the second factor of the better economic performance. Bekasi regency has several industrial estates which also includes the development other urban facilities such as residential area, entertainment districts, and so forth. Moreover, the private sectors play a big role in developing these two regions. The main developer in Bekasi regency is Jababeka which have planning area around 5,600 Ha, including industrial area, the movieland complex, football stadium, and other facilities. Hudalah and Firman (2012: 45) stated that Jababeka in 2007 decided to expand their business into beyond property activities, "[...] includes several ambitious projects such as the Indonesia Movieland (36 Ha), the Medical City (74 Ha), the Cyber City (240 Ha), the 130-MW gas-fired power plants and an international dry port (75-150 Ha)".

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<sup>15</sup> Interview with Head of Spatial Planning and Infrastructure Sub-division of Regional Development Planning Board (BAPPEDA), Bekasi Regency (29 July 2016)

On the other hand, Tangerang city also has the plan to develop a new Central Business District (CBD) outside Jakarta. The developer of this huge project is Lippo Karawaci, which have been developing Lippo Village (a new town) since 1992. Recently, the new project valued at 200 Trillion rupiahs has launched to develop the CBD in Tangerang city called 'Millenium Village'. The CBD concept is integrating culture and business districts in Zone 1, city center in Zone 2, and Central Living and Lifestyle Destination in Zone 3 (Hidayat 2015).

Furthermore, government policies – as the third factor – play an important role in the rapid land development in both cases. Both local governments tend to promote their places to private sectors and try to engage them for land development. The government believes that the private sector would possibly increase the economic performance and land value to the market system. Therefore the local government enabling their environment in order to attract more private investment to their regions and they compete with other areas with the similar economic base. For instance, Bekasi regency has strategies to improve their infrastructures in order to compete with Karawang and Purwakarta regencies which have more land area for industrial development. The similar situation also happened in Tangerang city, in which they try to develop commercial and business district as well as improve accessibility in order to compete with the neighbourhood areas such as South Tangerang city. The government of Tangerang also build partnership to international organizations such as Singapore Investment Board in order to promote their region to investors. This situation in line with Hall and Hubbard (1996) arguments regarding entrepreneurial forms of governance.

The fourth factor is the endowments of the region is the sectors that potentially generate high income, such as secondary (industries) and tertiary (trade and services). Industries are believed has a multiplier effect on the economy, either downward or upward linkage, which also occurred in JMR case. Particularly, GRDP contribution of secondary sector in Bekasi Regency in 2013 is more than 75% whereas in Tangerang city is 45% followed by tertiary sector with 32%. In the last decades, foreign business units in the suburbs of Jakarta are mostly in the manufacturing industry, real estate, and infrastructure sectors (BKPM as cited in Hudalah and Firman 2012). It indicates that the investors consider these two municipalities as the best place to develop in those sectors, particularly due to its strategic location (ibid.). To summarize, the comparative review of urban entrepreneurialism in both municipalities can be seen in the following table.

***Table 6.1 A Comparative Review of Urban Entrepreneurialism Aspects in Bekasi Regency and Tangerang City***

No	Component	Bekasi regency	Tangerang city
1	Main Economic Base	Secondary (industries)	Secondary (industries) and Tertiary (trade and services)
2	Distance to Jakarta	49.3 km (via toll road)	25 km (via toll road)
3	Average GRDP growth	5.82 %	6.20 %

No	Component	Bekasi regency	Tangerang city
4	Average GRDP per capita	3,2 million rupiahs	2,5 million rupiahs
5	Average FDI	1,065 million USD	170 million USD
6	Development strategies	<ul style="list-style-type: none"> <li>• Improve infrastructures (train stations, LRT, etc.)</li> <li>• Develop multi-modal transportation planning</li> <li>• Speed up the permit process to attract more investment</li> <li>• Engaging private sector for land development (roads, settlements)</li> <li>• Cooperate with private companies to increase employment rate</li> <li>• Develop nautical tourism in the north region</li> </ul>	<ul style="list-style-type: none"> <li>• Improve infrastructures (direct train to airport, MRT, etc.)</li> <li>• Improve accessibility (open new toll roads)</li> <li>• Build partnership with international organizations (e.g. Singapore Investment Board)</li> <li>• Develop M.I.C.E (Meeting, Incentive, Convention center, and Exhibition) concept</li> <li>• Engaging private sector for land development (roads, settlements)</li> <li>• Develop historical tourism</li> </ul>
7	Physical products (include in progress development)	<ul style="list-style-type: none"> <li>• Big-scale industrial estates</li> <li>• Retail parks and high-rise residential buildings</li> <li>• The movieland complex (film production houses, cultural center, entertainment spaces, etc.)</li> <li>• Transport interchange (train stations, bus stops, seaports, etc.)</li> <li>• Malls and shopping centers</li> <li>• International golf course</li> <li>• Large-scale sports stadium (30.000 capacity)</li> </ul>	<ul style="list-style-type: none"> <li>• Retail parks and high-rise residential buildings</li> <li>• Cultural district (art museum, the art district, etc.)</li> <li>• Business district (3 landmark towers)</li> <li>• Transport interchange (train stations, airports, etc.)</li> <li>• Malls and shopping centers</li> <li>• Exhibition Center (Lippo World Expo)</li> <li>• International golf course</li> <li>• Walkways (Sky Park, Grade, and Tunnel)</li> </ul>

*Source: Author's Analysis 2016*

OECD (2007: 1) argued that entrepreneurialism has been a dominant approach in many large cities, which is “[...] strongly characterized by pro economic-growth strategic approach, risk-taking, innovation and an orientation toward the private sector”. Some of the characteristics applied in the two municipalities, yet these cases have several differences to the similar cases of urban entrepreneurialism and decentralization in China. First, Xu and Yeh (2005) showed that financial flexibility and decentralized power over land disposal has created competitiveness in Chinese cities. Nevertheless, in the case of JMR, the factors that encourage competitiveness is the fiscal decentralization policy, in which the local governments has limited revenue-raising power. Eventually, they tend to exploit their resources in order to increase revenue in forms of regional tax and charges which basically encourage land development, such as hotel tax, restaurant tax, building permit charge, and so on. Moreover, decentralization issue in Indonesia also more political rather than technical as Hadiz (2004) argued, which therefore there is also a possibility of rent-seeking. The two cases

indicate that there is a big private company (e.g. Jababeka, Lippo) that has a significant role in transforming the city/regency. However, some development projects have an indication of corruption, for instance, the international-scale stadium which is built in Jababeka area, where the auctions are suspected unfair and are assumed potentially has state losses of Rp 55 billion (see Niman 2015).

### **6.3 The Advantages & Disadvantages of the Entrepreneurial Strategies**

The previous section identified that Bekasi regency focuses on manufacturing sector development whereas Tangerang city focuses on trade and service sector development. However, both municipalities have a similar approach to increase the economic competitiveness, which is enabling their environment – e.g. build supporting infrastructure, simplify permit process – for attracting private investment. It is consistent with urban entrepreneurialism characteristics by Harvey (1989) (see also Jessop and Sum 2000). In Bekasi regency case, manufacturing industries deconcentration become the focus of development strategy, which can be seen by the development of many industrial estates, notably in Cikarang (see also Hudalah and Firman 2012, Hudalah et.al 2013). Meanwhile, Tangerang city focuses on trade and service sector by promoting new town development to increase economic activities. There are advantages and disadvantages from these strategies which can be drawn as follows:

Bekasi regency undeniably has become the biggest contribution of investment in secondary sector in Indonesia which eventually improve their economic performance rapidly for the last 15 years. Industrial estates in Bekasi regency successfully increase export value contribution and extracted taxes up to 6 trillion rupiahs (Hudalah and Firman 2012: 45). In addition, this type of strategy has created job opportunities, attracting more than 500.000 workers (ibid). As a result, “[b]oth industrial and urban developments have contributed to increase the annual population growth rate of [Bekasi regency] by 6-7%” (ibid). However, due to weak capacity of local government (i.e. poor planning monitoring system), land development in Bekasi is uncontrolled. The direct impact of industrial activities in Bekasi regency is environmental problems (e.g. air, water, and soil pollution). In fact, traffic congestion in JMR also worsened due to heavy flows of vehicles – from and to – Bekasi regency. The data shows that Bekasi regency contributes around 3 million vehicles in JMR<sup>16</sup>. Another impact is related to industrial development in Bekasi regency is social segregation of local people, which the major of citizen previously depends on agricultural activities as their livelihood. Yet, the government has no intention to improve the capacity to be employed in industrial enterprises<sup>17</sup>. As a result, migrant workers has taken the job opportunities and the inequality within Bekasi regency also increased (ibid).

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<sup>16</sup> Interview with Head of Spatial Planning and Infrastructure Sub-division of Regional Development Planning Board (BAPPEDA), Bekasi Regency (29 July 2016)

<sup>17</sup> Interview with Head of Promotion and Investment Cooperation Sub-division of Integrated Permit Service Agency (BPPT), Bekasi Regency (26 July 2016)

Conversely, Tangerang city has chosen another path of development strategy based on their location and function which mainly as a dormitory city. By focusing on trade and service activities yet still keeping the industrial activities in some part, it has succeeded improve economic growth significantly. It also generates business activities within the city, for instance, hotels, commercial areas, malls, and so forth. Moreover, the municipal government also entrust land development, especially large-scale housing development including its facilities to the private entities<sup>18</sup>. This 'new town' development eventually increase the quantity and quality of residential areas in Tangerang city. In fact, Lippo Karawaci which is one of the biggest developers in Indonesia have mega-project in Tangerang city which ambitiously targeted to become the new Central Business District in JMR (Hidayat 2015). However, this particular strategy resulted in spatial segregation (see Firman 2004, Winarso 2010). Firman (2004) also found that new town development by the private sector developers has violated regional master plan which also driven by uncontrolled land permit system in JMR. Furthermore, agricultural land in Tangerang has largely not owned by farmers but belonged to developers which mostly from the housing sector<sup>19</sup>. Another effect is the emergence of speculators who bought houses in the suburbs, including Tangerang city and resold them when the price is rising (Firman 2004: 357). Thus, the current property development strategy in Tangerang is indeed beneficial mostly for middle and high-income citizen at the expense of the non-elite as Bardhan (2002) argued.

It can be analyzed that entrepreneurial pro-growth strategies in both cases on the one hand inevitably increased economic performance rapidly in the last 15 years. On the other hand, both industrial deconcentration and new town development have created social and environmental problems both within and beyond jurisdiction. It can be argued that local governments in JMR have an inward-looking orientation and do not take into account the impact to other regions (Firman 2014, see also Bardhan 2002). With the greater autonomy following decentralization reforms, local governments tend to exploit their resources, which can be seen from rapid land conversion in both cases (see chapter 5). They compete to create attractive places and generate economic activities in their region. Therefore, it shows fragmented development which eventually impedes the integrated JMR development and potentially creates conflict between municipalities (see Firman 2008, 2009).

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<sup>18</sup> Interview with Head of Spatial Planning Sub-division of Spatial Plan Agency, Tangerang city (4 August 2016)

<sup>19</sup> *ibid*

## Chapter 7

### Conclusion

Previous studies regarding urbanization pattern in JMR concluded that market-oriented policies in Soeharto's regime play an important role, studies which targeted the emergence of entrepreneurialism phenomenon in Indonesia (See Firman 2009, Winarso 2010, Hudalah and Firman 2012). However, following decentralization reforms, from 2001, the pattern of urbanization changes where there is an indication of post-suburbanization, where the fringe areas eventually not only function as residential areas for the core city but also have its own attractive elements (e.g. commercial, leisure, cultural facilities) as Hudalah and Firman (2012) argued. It is similar to what happened in China, where the local government takes an entrepreneurial stance and has an ambitious development agenda. This may then easily at variance or even leads to competition with other governments/regions to increase urban competitiveness after the change of governance towards more decentralization (see Wu 2002, Shen 2004, 2007). It is argued that urban entrepreneurialism was transferred to the local level following decentralization reforms due to the bigger autonomy to develop their region – which is popularly called a new 'kingdom of authority' (Firman 2008, see also Cochrane 2007). Hence, this study aims to explore urban entrepreneurialism in JMR after decentralization reforms by focusing on two cases (the Bekasi regency and Tangerang city). To draw a complete picture of the results, this section presents the answers for each research question in chapter 1.

#### **How is the situation as regards regional economic competitiveness in JMR after the decentralization reforms?**

This study analyzed economic competitiveness according to the criteria framed by Jiang and Shen (2010): economic performance, economic structure and capacity, and marketization and openness. The results show that economic growth rate of municipalities in JMR in the past 15 years is around 6% in average. Moreover, regarding GRDP per capita, it can be concluded that Bekasi regency and Tangerang city increased more rapidly since decentralization reforms, leaving other regions behind. It shows that the level of welfare in those two municipalities has become way better than the others. Meanwhile, for economic structure and capacity, most of the regions in JMR show similar urbanization trends, where the primary sector contribution in GRDP decreased whereas secondary and tertiary sector contribution increases. In addition, regarding marketization and openness, Bekasi regency is doing much better than others in attracting investment.

It can be concluded that decentralization created competition amongst local governments in the one large Jakarta Metropolitan Region to increase regional

economic performance (see Wu 2002, Jiang and Shen 2010). The municipal governments tend to exploit their potential area to become the target of investment (e.g. case of Bekasi and Tangerang). However, Firman (2009) found that decentralization in Indonesia has created varied results, some regions perform better in fulfilling urban development management due to the capacity of municipal government. Furthermore, inter-urban competition also has caused a few conflicts between municipalities in several issues such as flood and waste management (see Firman 2008, 2014).

**What are the physical elements underpinning urban entrepreneurship that the selected cases (i.e. Bekasi regency and Tangerang city) portray?**

Decentralization in Indonesia resulted in urban-centric development which indicated by rapid land conversion in JMR. The government tends to promote industrial and property development which considers that it will attract investments and bigger revenues. It has shown in several municipalities in JMR, including Bekasi regency and Tangerang city. Hudalah and Firman (2012) also argued that there is an indication of 'post-suburbia' where the urban fringes have transformed into new urban centers. It is shown by Bekasi regency and Tangerang city which have most of the physical, tangible facilities identified by Sager (2011) as being typical for urban entrepreneurial governments mentioned in chapter 2. Both municipalities have retail parks, high-rise residential buildings, commercial districts, malls and shopping centers, exhibition centers, and so forth. These spectacular facilities mostly developed by the private sector who own big amount of land within the municipalities, such as Jababeka in Bekasi and Lippo in Tangerang. It also part of mega-project development to create new city attraction.

**What are the strategies of urban development both in Bekasi regency and in Tangerang city?**

Both municipal governments try to enable their environment in order to attract investments. For instance, they focus on building and improving their infrastructures, provide ease of investing, and so on. Based on a neo-liberal policies as noted by Sager (2011), both municipalities develop forms of economic clustering. Bekasi promotes industrial activities whereas Tangerang promotes trade and service activities. Due to their strategic locations, both municipalities has got some advantages, such as good accessibility, provided by toll road and national road which also close to transport interchanges such as airport and seaport. In fact, the municipal governments tend to engage private sectors in developing their region. Private sectors play a big part of land development in Bekasi regency and Tangerang city. For instance, in Bekasi, there were seven big industrial estates in which not only provide industrial area but also other facilities including residential and commercial area. Moreover, in South Tangerang city, the private developers even own 60% of the total area of



the region<sup>20</sup>. It shows that the private sectors have power in transforming the cities/districts in JMR. Hudalah et al (2013) also argued that massive urbanization and urban sprawl in JMR not only caused by pro-growth policies by the government, but also by mega-project land development by private developers.

### **What are the advantages and disadvantages of these strategies?**

Bekasi regency and Tangerang city have experienced rapid economic growth in the last 15 years due to the establishment of potential economic generation. Bekasi regency with industrial estates has succeeded to attract influx investment to the region which also contributed to an increase in export value and job generation. Nevertheless, an increase in economic competitiveness through industrial development conversely resulted in environmental problems (i.e. traffic congestion, pollutions, flood). Moreover, industrial development in Bekasi also threatened the livelihood of the local people which primarily depend on the agricultural area. Evidence shows that Bekasi municipal governments is not prepared to take seriously the impact of their 'fast economic growth policies' on the majority of local people who eventually displaced by the migrant workers.

Meanwhile, in Tangerang city which promotes property development as the main focus and also maintains industrial activities in some areas has contributed to increasing the local competitiveness. By engaging the private sector in development, it also managed to improve the quantity and quality of the residential and commercial area in Tangerang city through new town development. However, this strategy has created spatial segregation in which there are new towns which have exclusive luxurious facilities whereas there are many slum areas outside the new towns (Firman 2004). Moreover, it also creates an unexpected outcome, for instance, the emergence of speculative housing buyers who only want to invest in property, as a means of saving or speculation.

To conclude, decentralization in Indonesia has driven regional competitiveness in JMR and the municipal governments promote 'urban entrepreneurialism' policy approach. Nevertheless, this market-oriented development has resulted in fragmented regional development which also increases the disparities between regions. Those municipalities with better resources and have the capacity to mobilize it effectively, eventually have better performance, for instance, Bekasi and Tangerang city. However, there is a danger within this approach, where at some point political aspects are neglected and ultimately urban policy development becomes difficult to be realized (Cochrane 2007). From the two detailed cases of this paper, it can be concluded that market-led strategies in regional development have created some problems, especially in environmental and social aspects.

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<sup>20</sup> Interview with Head of Infrastructures and Facilities Division of Regional Development Planning Board (BAPPEDA), Tangerang City (3 August 2016)

Therefore, to manage urbanization in JMR and to prevent uncontrolled development, the government should take preventive action through specific regulation and clear development plans in the first place. Furthermore, BKSP as the umbrella of JMR development should have much more powers to intervene in policy and project implementation within JMR (see Feiock 2009). In order to prevent adverse results of inter-urban competition following decentralization in JMR specifically, the government of Indonesia would need to regulate JMR as a special national region which deserves a proper and sustainable regional plan and solid enforcement.

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## List of Annexes

### Annex A. Interview Guide

#### A.1. Bekasi Regency/Tangerang City Agencies

No.	Question
1	What are the major changes that has happened in Bekasi regency/Tangerang city after decentralization reforms?
2	What factors that impacted the high economic growth in Bekasi regency/Tangerang city in the past 15 years?
3	Do you think there is a competition between regions to increase regional economic performance? Elaborate why.
4	What is the positive and negative impacts of rapid urban development in Bekasi regency/Tangerang city over the past 15 years?
5	What are the development policy priorities in Bekasi regency/Tangerang city?
6	Do you have policies specifically focus on private investment attraction? Elaborate.
7	Do you have public-private partnership scheme for infrastructure development in Bekasi regency/Tangerang city? Elaborate.
8	What are the efforts that has been done by local government to reduce the impact of rapid urban development (e.g. traffic, flood)?
9	Is there any conflict with neighbourhood regions regarding cross-border development and to solve problems beyond jurisdiction? Elaborate.

#### A.2 BKSP Jabodetabekjur

No.	Question
1	Please explain the establishment of BKSP Jabodetabekjur and its functions before and after decentralization reforms?
2	Please explain the programs and activities of BKSP Jabodetabekjur?
3	What are the advantage and disadvantage of the implementation of decentralization with regard to JMR development?
4	What are positive and negative impact from rapid development in JMR?
5	What are the efforts of BKSP Jabodetabekjur and the local governments in JMR to solve the problems?
6	Is there any inter-municipal cooperation to solve the problems? Elaborate.
7	Is there any conflict between regions regarding cross-border development and to solve problems beyond jurisdiction? Elaborate.
8	Are there any obstacles encountered in cooperation and coordination among the regions? Elaborate the causes.



## Annex B. List of Informants

No.	Name	Position
1	Evi Mutia	Head of Spatial Planning and Infrastructure Sub-division of Regional Development Planning Board (BAPPEDA), Bekasi regency
2	Muhammad Said	Head of Promotion and Investment Cooperation Sub-division of Integrated Permit Service Agency (BPPT), Bekasi regency
3	Dicky Cahyadi	Head of Residential Area Development Sub-division of Spatial Plan Agency, Bekasi regency
4	Ruta Ireng Wicaksono	Head of Infrastructures and Facilities Division of Regional Development Planning Board (BAPPEDA), Tangerang city
5	Purwanto	Head of Investment Supervision and Control Sub-division of Integrated Permit and Investment Service Agency (BPMPITSP), Tangerang city
6	Dadan Suhendar	Head of Spatial Planning Sub-division of Spatial Plan Agency, Tangerang city
7	Indra	Head of Spatial Planning Sub-division of BKSP Jabodetabekjur

## Annex C. Statistical Data of Municipalities in JMR

### C.1. GRDP Growth Rate at 2000 Constant Market Prices (Billion Rupiahs)

Province/ Municipality	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Average Growth
DKI Jakarta province	4.74	4.89	5.31	5.65	6.01	5.95	6.44	6.23	5.02	6.50	6.73	6.53	6.11	5.85
Bogor city	5.68	5.79	6.07	6.10	6.12	6.03	6.09	5.98	6.02	6.14	6.19	6.16	5.86	6.02
Depok city	5.89	6.10	6.26	6.50	6.96	6.65	7.04	6.42	6.22	6.36	6.58	7.15	6.92	6.54
Tangerang city	3.43	5.94	6.90	5.75	6.89	6.85	6.86	6.37	5.74	6.68	6.85	6.42	5.91	6.20
South Tangerang city	-	-	-	-	-	-	-	-	-	8.46	8.52	8.24	8.48	8.43
Bekasi city	5.09	5.12	5.25	5.38	5.65	6.07	6.44	5.94	4.13	5.84	7.08	6.85	6.81	5.82
Bogor regency	3.94	4.43	4.84	5.58	5.85	5.95	6.05	5.58	4.14	5.09	5.96	5.99	6.04	5.34
Tangerang regency	5.17	4.56	4.44	6.41	7.32	6.66	6.61	6.17	5.29	6.33	6.39	5.80	6.11	5.94
Bekasi regency	4.80	5.14	5.72	6.11	6.01	5.99	6.14	6.07	5.04	6.18	6.21	6.19	6.11	5.82
Cianjur regency	3.69	3.74	3.68	3.97	3.82	3.34	4.18	4.04	3.93	4.53	4.74	5.08	4.67	4.11

### C.2. GRDP Per Capita at Current Market Prices (Thousand Rupiahs)

Province/ Municipality	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Avg
DKI Jakarta province	31,497	35,785	38,695	42,922	48,966	55,981	61,336	72,318	79,651	89,415	100,751	111,913	125,971	68,862
Bogor city	3,925	4,456	4,947	4,975	6,891	7,795	9,624	11,089	12,694	14,518	18,855	17,409	19,284	10,497
Depok city	3,517	3,966	4,382	4,794	5,469	6,292	6,877	7,807	8,345	9,196	9,825	10,572	11,855	7,146
Tangerang city	13,357	14,848	16,434	17,745	20,630	21,960	23,872	26,306	28,099	31,474	34,539	37,280	41,035	25,198
South Tangerang city		-	-	-	-	-	-	-	8,183	8,943	9,830	10,754	11,873	9,917

Province/ Municipality	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Avg
Bekasi city	6,052	6,493	7,083	8,047	9,625	10,802	11,995	13,474	13,797	15,143	16,699	18,324	20,184	12,132
Bogor regency	5,648	6,380	6,918	8,079	9,955	11,475	11,731	12,959	14,132	15,331	16,795	18,905	21,085	12,261
Tangerang regency	4,995	5,634	5,823	6,442	7,483	8,330	8,977	9,758	11,256	11,224	13,327	14,448	16,132	9,525
Bekasi regency	19,640	21,401	22,724	24,915	28,802	30,170	32,289	34,376	35,323	36,707	38,948	41,376	44,818	31,653
Cianjur regency	3,308	3,629	4,039	4,512	5,175	5,819	6,549	7,275	7,717	8,340	9,347	10,058	11,186	6,689

### C.3. Utilized Foreign Direct Investment (Thousand USD)

Province/ Municipality	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
DKI Jakarta	1,008,375	912,996	2,829,843	1,365,211	3,273,242	1,479,753	4,700,471	9,927,781	5,511,061	6,249,269	4,824,078	4,107,720	2,591,127
Bogor city	86,977	286	0	3,903	1,244	575	825	20,412	1,603	6,964	63,379	1,555	4,131
Depok city	6,500	7,000	126,592	42,848	4,120	6,323	20,867	262,796	23,362	72,276	153,733	20,383	56,557
Tangerang city	99,777	23,266	63,505	89,431	48,423	85,028	29,033	81,983	60,354	1,058,146	186,474	198,952	193,255
South Tangerang city	-	-	-	-	-	-	-	-	-	0	4,296	10,852	32,253
Bekasi city	0	6,834	15,418	16,654	19,294	19,258	20,628	181,801	50,828	34,261	181,231	72,978	148,769
Bogor regency	14,502	105,135	90,521	119,031	64,160	216,713	131,397	134,859	289,531	247,795	442,669	313,917	151,899
Tangerang regency	250,000	108,127	38,360	149,660	249,969	287,997	561,919	105,852	136,216	153,182	420,523	633,547	726,460
Bekasi regency	351,726	378,347	509,402	537,081	1,969,601	919,932	624,867	1,061,412	670,188	505,290	1,222,877	1,931,329	2,003,164
Cianjur regency	0	0	0	0	0	0	3,138	1,265	1,611.20	107	20	110,660	17,596

#### C.4. GRDP Sector Distribution at Current Market Prices (%)

Province/ Municipality	Sector	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
DKI Jakarta province	Primary	0.6	0.5	0.4	0.5	0.5	0.6	0.6	0.6	0.6	0.5	0.5	0.6	0.5
	Secondary	28.4	27.7	27.1	27.2	27.6	28.2	28.2	28.1	28.1	28.2	28.1	28.0	27.3
	Tertiary	72.0	71.8	72.5	72.3	71.9	71.2	71.2	71.3	71.3	71.3	71.4	71.4	72.2
Bogor city	Primary	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2
	Secondary	38.4	38.0	38.0	37.9	37.1	37.1	32.8	33.0	33.1	33.6	34.0	34.6	34.8
	Tertiary	61.2	61.6	61.6	61.7	62.6	62.6	66.9	66.8	66.7	66.2	65.8	65.2	65.0
Depok city	Primary	3.8	3.9	3.6	3.2	3.0	2.7	2.4	2.3	2.2	2.2	2.1	2.0	1.9
	Secondary	47.9	48.2	48.6	48.7	48.6	47.1	47.1	45.6	45.0	44.7	44.1	44.3	43.9
	Tertiary	48.3	47.9	47.8	48.1	48.4	50.2	50.5	52.1	52.8	53.1	53.8	53.7	54.2
Tangerang city	Primary	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2
	Secondary	62.6	62.9	61.8	61.5	60.3	57.8	55.7	53.1	50.7	50.4	49.5	48.8	48.2
	Tertiary	37.2	36.9	38.0	38.3	39.5	42.1	44.2	46.7	49.1	49.4	50.7	51.0	51.6
South Tangerang city	Primary	-	-	-	-	-	-	-	-	0.9	0.9	0.9	0.8	0.8
	Secondary	-	-	-	-	-	-	-	-	27.0	26.7	26.4	26.1	25.5
	Tertiary	-	-	-	-	-	-	-	-	72.1	72.4	72.7	73.1	73.7
Bekasi city	Primary	1.2	1.1	1.1	1.1	0.9	0.9	0.8	0.8	0.9	0.9	0.8	0.8	0.8
	Secondary	53.1	53.6	54.2	53.6	53.6	52.6	52.1	51.1	50.2	49.5	49.8	49.9	49.8
	Tertiary	45.7	45.3	44.7	45.3	45.5	46.5	47.1	48.1	48.9	49.6	49.4	49.3	49.4
Bogor regency	Primary	9.4	9.0	8.5	7.9	6.1	5.8	5.9	5.8	5.6	5.6	5.4	5.1	5.6
	Secondary	66.9	67.3	67.6	68.2	70.6	70.8	69.5	68.6	68.1	67.4	55.8	66.8	65.2
	Tertiary	23.7	23.7	23.9	24.0	23.3	23.4	24.6	25.6	26.3	27.0	27.2	28.1	29.2
Tangerang regency	Primary	9.9	9.7	9.6	9.2	9.2	9.8	10.1	10.3	10.8	11.2	10.8	11.1	11.2

Province/ Municipality	Sector	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
	Secondary	65.0	64.9	64.9	63.9	61.9	69.0	68.5	67.4	65.3	64.7	65.0	63.8	63.4
	Tertiary	25.1	25.4	26.5	27.9	28.9	21.2	21.4	22.3	23.9	24.1	24.2	25.1	25.4
Bekasi regency	Primary	3.3	3.5	3.5	4.0	3.7	3.7	3.8	3.9	4.0	4.1	4.1	3.7	3.5
	Secondary	83.4	83.1	83.0	82.5	83.8	83.9	82.9	82.3	81.5	81.0	80.6	80.9	81.2
	Tertiary	13.3	13.4	13.5	13.5	12.5	12.4	13.3	13.8	14.5	14.9	15.3	15.4	15.3
Cianjur regency	Primary	51.3	50.9	50.1	49.4	48.8	47.9	42.4	39.5	39.3	38.3	34.6	37.2	37.1
	Secondary	6.9	6.9	7.0	7.0	6.8	6.9	7.4	7.6	8.0	8.2	8.3	8.5	8.5
	Tertiary	41.8	42.2	42.9	43.6	44.4	45.2	50.2	52.9	52.7	53.5	54.1	54.3	54.4