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Tanjung Lesung Special Economic Zone: Expectation and Reality

Abstract

Many countries have developed Special Economic Zones (SEZ) to spur economic growth. In Indonesia, SEZs have been around for more than a decade. However, the existing SEZs have not yielded the expected results. Likewise with the Tanjung Lesung Tourism SEZ, which is still facing major obstacles in its development. Studies related to the dimensions of the SEZ policy have not been fully carried out, specifically those related to local government involvement. This study aimed to analyze government policy in supporting the development of SEZ, particularly in Tanjung Lesung. This study used a descriptive method with a qualitative approach. This study showed the many obstacles faced for the development of the Tanjung Kelayang SEZ, both of which stem from the weak commitment of the parties involved. Their attitude of blaming each other needs to be changed with the teamwork spirit of working together and creating synergy. Each party seems to wait for each other to make the first move. The limited resources and capabilities caused the policy implementation to come to a halt. The role of the Area Council (Dewan Kawasan) needs to be further optimized to solve problems at the local level. With better information, the central government, through the Directorate General of Territorial Administration Development, Ministry of Home Affairs, can play a more pivotal role in providing strategic considerations in driving the progress of SEZ.

Keywords:

tourism SEZ; economic growth; regional government; central government

Introduction

The Special Economic Zone is a popular instrument in the modern economy that is aimed to encourage economic growth. The concept of SEZ is generally known as regional economics. This concept was

initially developed in Shannon, Ireland, and subsequently spread to other regions such as Asia, Latin America, Sub-Saharan Africa, and Indonesia.

As of 2019, there are 5,400 SEZs in the world. A total of 1,000 SEZs have been established in the

past five years, and approximately 500 SEZs will soon be established. 94% of the 5,400 SEZs are in developing countries, while in developed countries the number of SEZs is merely approximately 6% (United Nations Conference on Trade, 2019). The latest data also states that the average area of SEZs in the world is 905 hectares. The largest SEZ is in Vietnam, reaching 58 thousand hectares (Ishida, 2015, p. 27). The problems faced by the SEZs are quite diverse, ranging from difficulties in land acquisition, the influence of the global economy, to having to compete with other SEZs. In Asia, China has the highest number of SEZs, with a total of 2,543 SEZs (Dodwell, 2019). At the time of this study, Indonesia has 15 SEZs. Sei Mangkei and Tanjung Lesung are the earliest SEZs established and have been operating since 2015 (Olivia, 2020). The number of Indonesia's SEZs are relatively low compared to other ASEAN countries, such as the Philippines, which has 532 SEZs, and Cambodia, which has 35 SEZs. (Ishida, 2015).

Law No. 25/2007 concerning investment stated the term "SEZ" for the first time in Indonesia. SEZs are intended to accelerate economic development in strategic areas and to maintain the balance of regional development. SEZ policy was strengthened by Law No. 39 of 2009 concerning Special Economic Zones, along with supporting regulations in the form of Government Regulations, Presidential Regulations, Presidential Decrees, and several Ministerial Regulations.

However, no matter how supportive the regulations are, none of the Indonesian SEZs perform well; they even tend to perform quite the opposite (Uli, 2019). The Coordinating Ministry for Economic Affairs recorded that the national investment value target of all SEZs reached IDR 85.3 trillion as of October 2019. Of those, only IDR 22.2 trillion was realized, with a workforce absorption of around 8,686 people (Olivia, 2019).

The Tanjung Lesung SEZ that was set in 2012 was also facing a similar outcome. Located at the westernmost tip of Java, the Tanjung Lesung

SEZ, Banten, is the first Tourism SEZ that operates in February 2015. It has an area of 1,500 Hectares and is located approximately 170 km southwest of Jakarta, in Tanjungjaya Village, Panimbang District, Pandeglang Regency, Banten Province.

Since its inauguration in 2014, the Tanjung Lesung SEZ has made no visible progress. At the time of the study, the Tanjung Lesung SEZ had made no visible progress since its inauguration in 2014 (Mulyawati et al., 2019). Between 2015-2018 the growth of tourist visits was approximately an average of 37.02% per year. However, between 2017-2018, its growth declined to approximately 14.63% per year. The decline in the number of tourist visits worsened after the tsunami on December 22, 2018. For example, based on the data as of April 2019, the occupancy of hotel rooms at Tanjung Lesung Resort and Beach Club is only 1-3 rooms per week between January- April 2019. Likewise, several tourist destinations such as the Resort and Beach Club, Bodur Beach, Tanjung Kuntianak Beach, and Cipenyu Beach were empty of visitors (Mulyawati et al., 2019).

Data from Banten West Java (BWJ) also shows the same situation, even though there was an increase in the number of visitors; from January 2019 to June 2019, no significant changes were seen. As a result, the 2019 tax revenue from the tourism sector in Pandeglang District had decreased dramatically (If, 2019). Until the third quarter of 2019, the local tax revenue in Pandeglang District only reached IDR 34 billion, while the target was IDR 48 billion. The tax revenue was derived from 11 types of regional taxes (Kabar Banten, 2019). Because of its disappointing performance, Banten Governor Wahidin Halim requested President Joko Widodo to revoke the Tanjung Lesung SEZ permit. Furthermore, Wahidin also argued that the progress did not go according to plan and did not match the target (Ulum, 2018).

There were several studies related to the Tanjung Lesung SEZ conducted by Kartini (2019),

Kartini et al. (2017), as well as Meliana and Buchori (2016). The three studies concluded that the Tanjung Lesung SEZ did not show significant development, and some problems were identified. For example, Kartini (2019) mapped conflicts that occurred between the developer and the local residents. Likewise, Kartini et al. (2017) stated that the regional government policies were pragmatic and have not provided a solution for the development of SEZs. These problems are reinforced by the results of a study by Meliana and Buchori (2016), which mentions that regional government institutions in the development of SEZs (concerning the main tasks and functions of the Zone Council through the Secretariat of the SEZ Zone Council, SEZ Administrators, and Business Entities) were ineffective, especially related to coordination communication, supervision, and reporting.

Another study on SEZ was conducted by Rustidja, Purnamawati, and Setiawati (2017), which provided an analysis of the Mandalika and Bitung SEZ strategies. The Mandalika SEZ emphasizes the strategy of promoting its competitiveness and its tourism networks. While Bitung is more focused on promotional strategies to increase its logistics-value-added, benefit, and industrial supply chains, a study by Darmastuti, Afrimadona, and Kurniawan (2018) compared the management of SEZs in China and Indonesia. According to the study, the success story of China's SEZs were due to the high commitment from both the central and regional governments to develop the regions that are already designated as SEZs. The study also concluded that the government's coordinative ability was very important for the success of SEZs. Furthermore, SEZs in China succeed because they were under centralized control, a government system that tends to be authoritarian. Thus, compliance in advancing the SEZ is higher.

Studies on SEZs are also the focus of researchers throughout the world. Saeed (2019)

discussed Oman's strategy in the development of SEZs in Duqm. Duqm is the largest SEZ in the Middle East and North Africa, which combines eight business areas, such as the heavy-medium and light industrial complex, port, dry dock, oil refinery, tourism area, logistics service area, regional airport, and commercial housing area. The study concluded that many incentives were provided for investors, such as income tax exemption for up to 30 years, extendable for similar periods. Other incentives were 100% of land owned by foreign investors, easy labor recruitment, and the import of raw materials into the tax-free zone Duqm SEZ was an ideal example of an integrated SEZ. Another study related to SEZ in the world was conducted by Moberg (2015), which concluded that a strong political economy in SEZ policy depends on the strong institutional capacity, which was responsible for controlling fair incentives for the government and private sector involved, and the transfer of knowledge to stakeholders in a balanced and accurate manner to limit the possibility of corrupt behavior.

Wong and Buba (2017) also examined the impact of SEZ operations in the world. Their study concluded that tax relief, independent regulation, and national-level licensing agencies that ensured the principle of the one-stop-shop licensing were the most influential factors in the progress of SEZs. Likewise, legal land acquisition is important in establishing SEZs. Similar to Wong, a study by Zeng (2019) concluded that the success of SEZ implementation depends on the existence of a firm and clear regulatory framework (especially regarding the government and private task force), the existence of a strategic plan and business feasibility review, the availability of good infrastructure, and the establishment of environmental and social responsibility standards.

This study reviewed government policies, especially those of the local government, to encourage the growth of the SEZs. This study also provided an overview of the policies of the

Ministry of Home Affairs as a Member of the Zone Council. The results of the study are expected to provide input in the form of any policies that can be optimized by stakeholders to encourage the progress of SEZs, including the resources and capabilities needed to do so.

This paper is divided into four parts: introduction, methodology, results and discussion, and conclusion. The result and discussion includes three sub-topics: (i) the role of regional governments in supporting the development of SEZs; (ii) the obstacles and challenges faced by local governments to optimize the SEZ in supporting regional economic progress; and (iii) an analysis of the role of the Ministry of Home Affairs in the SEZ National Council. The final section offers conclusions and policy recommendations.

Methods

This study focuses on regional government policy in encouraging the implementation of the Tanjung Lesung SEZ. This study used a descriptive method with a qualitative approach. This was a suitable approach since the policy on SEZ was multidimensional (Alwasilah, 2003). To describe this phenomenon, the perceptions of the various parties involved were examined and a review of various supporting documents on SEZ policies was conducted. The data collection consisted of using an in-depth interview technique and group discussions. Secondary data was obtained from electronic and physical documents as well as news in the mainstream mass media to enrich the analysis. Field research was conducted during February-March 2020.

Results and Discussion

Tanjung Lesung was designated a National Tourism Strategic Area (KSPN) in Government Regulation No. 50 of 2011 concerning the National Tourism Development Master Plan (RIPPARNAS). The Tanjung Lesung SEZ was

initiated in 2012 with the issuance of Government Regulation No. 26 of 2012 concerning the Tanjung Lesung Special Economic Zone.

The underlying reason for the SEZ was to accelerate economic development in the region, as well as support the acceleration and expansion of national economic development. The regulation also stated that the formation of the Tanjung Lesung SEZ was proposed by PT Banten West Java Tourism Development Corporation (BWJ) and has fulfilled the criteria, as stipulated in Article 4 of Law No. 39 of 2009 concerning Special Economic Zones and Article 7 of PP No. 2 of 2011 concerning the Operation of SEZs.

In 2016, Tanjung Lesung was promoted to become a leading destination by being designated as one of the 10 new tourist destinations. The number of tourist arrivals to Tanjung Lesung reached 570,000 in 2016 (kek.go.id, 2019). In 2017, the central government prioritized four out of the ten destinations and Tanjung Lesung was not one of them, although it had a target of 6.1 million tourists when fully operational, which was originally planned in 2020.

To support the SEZ, PT BWJ built supporting facilities such as fiber-optic telecommunications, electricity networks with a capacity of 10 MW, water infrastructure, and wastewater treatment plants. Tourist attractions will also be built, such as a motor circuit track in an area of 50 hectares. Tanjung Lesung SEZ has an investment area of 256 hectares, or approximately 17% of the total area of 1500 hectares owned. The SEZ is also claimed to have a potential investment of 2019-2021 of IDR 5.95 trillion. The site plan combined the nuances of Bali and Venice (jababeka.com, 2019). The advantage of the Tanjung Lesung SEZ is its location close to the iconic Ujung Kulon National Park, the only park in the world that has a rare one-horned rhinoceros. This potential needs to be the main focus for the SEZ to attract tourists (Bagiryan et al., 2018).

The Role of The Regional Government

The 2016-2021 Regional Medium-Term Development Plan (RPJMD) of Pandeglang District and the 2017-2022 Banten Province RPJMD did not specifically mention the development of the Tanjung Lesung SEZ. The Provincial Government of Banten regulates Tanjung Lesung and its surroundings in Perda No. 6 of 2019 concerning the Provincial Tourism Development Master Plan (RIPPAPROV) of Banten as the leading destination in the provincial tourism development area. The regulation mentioned 11 strategic tourism destinations, including Tanjung Lesung. However, of the nine tourism development destinations, Tanjung Lesung was not included. Thus, it can be concluded that Tanjung Lesung was not part of the regional development priorities.

Focus in the Buffer Area

In the development of the Tanjung Lesung area and its surroundings, the Provincial Government and the Regency Government mapped the Tanjung Lesung area into two zones: the core zone and the buffer zone. The development of the core zone Tanjung Lesung SEZ, covering an area of 1500 hectares, was carried out by PT. BWJ. The regional governments, both the district and provincial governments, consider that they have no authority to intervene in the development of the core zone area.

The regional government focused on the development in the buffer zone in four sub-districts: Panimbang, Sobang, Cigeulis, and Sukaresmi. Until 2019, the provincial government claimed to have provided a budget of IDR 74.4 billion to carry out activities such as training, technical guidance, managing the Tanjung Lesung Festival, building the Cikadu village road, Detail Engineering Design (DED) for the water source, signage, street lights, and construction of the Tourism Police Station.

Meanwhile, the Pandeglang district government stated that it supported the

development of the buffer zone with a total budget of IDR 84.9 billion. The funds were used for tourism training (souvenirs, culinary, homestay, permits, *sapta pesona*, business partnerships, agro-tourism, guides, hospitality), the construction of the Panimbang terminal, the construction of the fish market and outlets, and also the re-arrangement of the Panimbang market (Nurhayadi et al., 2018).

To boost the number of visits to the Tanjung Lesung SEZ, the Pandeglang District government built and developed several destinations in the surrounding area as follows: (i) re-structured the destinations of the Sawer Curug and Citoe Beach, in Cigeulis District; (ii) established destination governance forums; (iii) empowered people through homestays; and (iv) developed digital destinations in the Cikadu Batik Market. The Pandeglang government also organized the Tanjung Lesung Festival and the development of the Ujung Kulon Geopark. These efforts were expected to attract tourists to visit the SEZ.

Post-Tsunami, to encourage the economic recovery, socialization related to Tanjung Lesung's readiness also continued to be carried out by the district government. At the time of the study, the Tanjung Lesung Region was considered to be the most prepared to face disaster. To prepare Tanjung Lesung against earthquakes, tsunamis, and coastal abrasion, a reliable early warning system was built with the help of the Meteorology, Climatology, and Geophysics Agency (BMKG) and support from the government of Germany. However, the early warning sirens that are in the buffer zone had not functioned yet. Evacuation structures in the tsunami-prone areas outside of SEZ were also not yet available. Adjustments to building structures for earthquake resistance was only carried out within the SEZ. The rapid coastal abrasion caused buildings and infrastructure located in coastal zones prone to tidal flooding and suffered from a tsunami. To minimize the impact of tsunamis, Tanjung Lesung SEZ also installed tsunami buoys

and tools to measure water levels. Several tsunami shelters were also installed.

The central government also provides support related to the supply of clean water. At present, clean water used both in SEZ and buffer zones comes from groundwater, where excessive use will threaten the environmental sustainability of the region. Waste management in the SEZ and buffer zone also relied on the Pandeglang District landfill, whose processing system was in the form of open dumping.

In general, the Tanjung Lesung SEZ was considered to have the worst performance of the other Tourism SEZs and has a fairly slow development progress. (Maftuhah, 2017, p. 132). The development of the buffer zone area should be anticipated so that the SEZ impact is felt by the surrounding community. The construction of homestays and restaurants in buffer zones is a small-scale investment. However, if the accessibility policy towards the SEZ is not resolved, the development of the surrounding area is also not optimal. The situation during the study was that economic growth starts from the periphery of SEZ through the empowerment of small-scale investment (Ramadhiani, 2016).

The development of small and medium industries (IKM) is also being encouraged, as well as culinary business groups. Pandeglang District government believes that the SEZ affects the emergence of 3,857 MSMEs, with an estimated turnover of around IDR 51.3 billion (Oktaviana, 2016).

The SEZ Tanjung Lesung provides a small contribution. In fact, it can be said that it has no effect on the Original Regional Income of Pandeglang Regency. The manager of Tanjung Lesung SEZ is still in the development stage even though a decade has passed. The innovation and promotion of SEZ Tanjung Lesung is still a discourse; likewise with infrastructure development that continues to be carried out but does not necessarily increase tourist visits.

Although the data on the number of tourist visits has increased, the percentage of visits is very low. On the other hand, there is still a lack of investors investing their capital, resulting in a lack of funds in tourism development.

Neither local governments nor managers seem to understand community empowerment through the complex relationships between biodiversity conservation, livelihood enhancement and tourism development, including: empowerment, capacity building, economic benefits, conservation of biodiversity and environmental services, and the development of facilities (Nyaupane & Poudel, 2011, p. 1359). Yet tourism and conservation activities provide many opportunities for skills development, income, and leadership training for local residents. The Tanjung Lesung SEZ has not yet become the main source of income for the Pandeglang Regency. Many government-driven programs also do not automatically improve the livelihoods of local people. Thus, local community investment is only in the bufferzone with small funds, so that they are unable to provide great control over the area.

Tourism also does not yet provide access to information and facilities, and promotes conservation education and awareness among local residents. This can help change the attitudes of local communities towards the conservation of flora and fauna, reduce dependence on natural resources, and promote the conservation of biodiversity. Likewise, the conservation of biodiversity and natural resources provides environmental services to local people and can be a major tourist attraction that is a major driver of conservation. The two-way relationship between biodiversity conservation, improved livelihoods, and tourism development has not really occurred.

Issues in Developing the SEZ

The slow development of Tanjung Lesung SEZ was due to the low investment attractiveness

(Pebrianto, 2018). There were many factors involved, such as infrastructure and accessibility, incentive guarantees, land issues, and synergy between SEZ management.

Infrastructure and Accessibility

The main obstacle for the Tanjung Lesung SEZ was the access routes to the area, which takes about seven hours of travel time from Jakarta. Ideally, the road to SEZ should be no more than two hours from the nearest airport. There was nothing much that the regional government and PT BWJ could do about this situation. They hoped that the central government's promise to build the Serang-Panimbang Toll Road and South Banten Airport would be fulfilled soon. The 83.6 km Serang-Panimbang Toll Road would provide access to the Tanjung Lesung SEZ and Ujung Kulon National Park.

According to the SEZ National Council, originally PT, BWJ has never asked for the supporting toll road, airport, or other infrastructure. These supports were being intensively requested at the time of the study. Finally, the central government included the Serang-Panimbang toll road as one of the National Strategic Projects based on Presidential Regulation No. 56 of 2018 concerning the Acceleration of the Implementation of the National Strategic Project. Toll road construction will be carried out in three sections. Section I of Serang-Rangkasbitung is 26.5 km, section II Rangkasbitung - Cileles is 21.17 km, and section III Cileles - Panimbang is 33 km (Indraini, 2020). In reality, the toll road construction progress was lagging from the target. The Section I Toll Road Construction Section I was forced to be delayed, and the target was shifted to be completed by mid-2020 (Kinanti, 2019).

Section II started its construction phase and is expected to operate in 2021. Section III faced a problem in terms of financing from the state budget and also land acquisition. The fiscal alternative that can be done is to attract foreign

investors. Later, The construction of the Serang-Panimbang toll road section III was auctioned with a ceiling budget of IDR 4 trillion in the Electronic Procurement Service (LPSE) of the Ministry of Public Works and Public Housing (PUPR). The signing of the contract to the tender winner will be held in May 2020 (LPSE Kementrian Pekerjaan Umum dan Perumahan Rakyat, 2020). On the other hand, there is still 28% of land that has not been acquired for the section III toll road. There were approximately 300 parcels of land that were claimed to be owned by the Indonesian Army's Headquarters and listed as their assets.

The infrastructure is considered to be a guarantee to the progress of the Tanjung Lesung SEZ. Investors seem to be waiting for the toll road construction. One of the parties interested in investing in Tanjung Lesung SEZ, was the Managing Director of Sentul Circuit, Tinton Soeprapto. He was willing to invest in building a circuit at the Tanjung Lesung SEZ on condition that the toll road exist. According to him, the construction of the circuit in the Tanjung Lesung area was very potential, not only for future racing events but because the current Sentul Circuit schedule was too crowded.

In addition to the toll road, the Pandeglang government also hoped that the construction of the South Banten Airport would be carried out soon. Airports and toll roads would bring in new growth centers and would increase financial viability in the region. The airport is one of the main requirements for the establishment of SEZ (Reddy & Reddy, 2007). Similar to the toll road, South Banten Airport was also constrained by land acquisition.

Waiting for incentives

Economic zones generally encounter the same issues, such as fiscal incentives (Rodríguez-Díaz & Rodríguez-Díaz, 2018). The government often faced a dilemma regarding the potential loss of state revenue from the tax sector if it

provided customs exemptions or tax relief. The government was also reluctant to provide full tax facilities (Utomo & Ragimun, 2019). Regarding the Tanjung Lesung SEZ, there was no incentive either from the provincial or district government. The district government worried that it would lose potential income if they provided incentives such as local taxes. Even though the lost benefits are usually short term. The government will reap far more benefits in the long term, such as employment and economic growth in the region and the surrounding area. This, of course, will lead to increased tax revenue potential. At the time of the study, the incentive for investing in Tanjung Lesung SEZ was no different from investing outside the region.

After the tsunami, Pandeglang District Government did provide incentives for hotels and restaurants in the form of tax exemptions for six months in the recovery period. The district government loses IDR 200 million/month from local taxes collected from hotel and restaurant tax receipts. Not to mention other revenue from other sectors such as underground water extraction. The Pandeglang government actually gained more from PT BWJ, in the form of water, road, and electricity needs for several buffer zones.

Regarding incentives, the Pandeglang district government and PT BWJ also highlighted the discourse of providing incentives in the draft omnibus law. PT BWJ agreed that the Administrator would be determined by the central government. As a note, the draft stated that incentives would be provided if the investment value is more than IDR 500 billion, while the amount of investment in the Tanjung Lesung SEZ is generally below IDR 500 billion.

The Pandeglang District government faced difficulties in implementing incentives. Their reason was that they could not keep up with the changes in regulation from the central government. Many rules changed before the region finished studying the old one. The discussion on

incentives at the district level was also dragging on at the level of the Regional Representative Council (DPRD) of the district. According to the Pandeglang District government, at the time of the study, the regional incentives were in the Regional Legislation Program (Prolegda). The regional incentive regulation will later be combined with the new authority in the new government regulation regarding SEZ. This was done because producing a regional regulation requires a significant amount of money.

Generally, the management of regional incentives was unevenly applied; sometimes applicants received different treatments. Regional incentives also had not been fully implemented, although through a regional regulation, the form, amount, and procedure for lessening, reducing, and exempting regional taxes and/or regional fees to business entities and/or business actors in SEZ could be regulated, as mandated by Government Regulation No. 12 of 2020, to provide certainty to business actors.

On the other hand, incentives at the central level for Tourism SEZs are still problematic because the central incentive scheme has supported the tourism sector. However, the new Government Regulation No. 12 of 2020 added tax facilities in the tourism SEZ in the form of customs and excise facilities for the inclusion of capital goods and raw materials to business operators in the SEZ Tourism. As such, in general, the taxation, customs, and excise facilities for the Tourism SEZ are on par with manufacturing SEZ facilities. However, this government regulation is still relatively new and has not yet been conveyed to the regions.

Land Issues

The slow development of the Tanjung Lesung SEZ was also due to land acquisition issues. According to some information, from the required 1500 hectares of land, only 1430 hectares successfully acquired. Approximately 70 hectares were having issues in land acquisition.

The delay in land acquisition was supposedly due to the conflict between PT. BWJ as a manager of the SEZ and the local community. Meanwhile, the government was considered too neutral and unable to push for conflict resolution (Kartini, 2019). Tensions related to a land acquisition between the community and PT BWJ often occurred (Faktabanten.co.id, 2018).

At the time of the study, the land issue was over. PT BWJ gave land to the community to be occupied, and it allowed 200 hectares of agricultural land to be managed by the community in the form of corporate social responsibility (CSR). Some communities admitted that they have to pay around IDR. 150 thousand per 2000 meters. According to PT. BWJ, communities who are in the SEZ area, received shelter and facilities, such as groundwater and free entry into the area for farmers and fishermen.

At the time of the study, only approximately 158 hectares of land owned by PT. BWJ was developed. The development was targeted to be around 18 percent or around 278 hectares of the total area of Tanjung Lesung SEZ. The area of Tanjung Lesung SEZ that has the Rights to Build (HGB) permit was only 1,195 hectares. The Pandeglang District Government had brought the issue to the SEZ National Council in Jakarta. The National Council recommends that the land held by PT. BWJ was changed to only 1430 hectares. However, PT. BWJ did not agree. Their reason was that if the planned land area of 1500 hectares is reduced, it will reduce the impact of the initially planned investment of IDR 74 trillion.

To encourage the Tanjung Lesung SEZ, the central government targeted to develop regional infrastructures, such as the Serang-Tanjung Lesung national road, the Serang-Panimbang toll road (planned for completion in 2018), the South Banten Airport, and reactivation of the Rangkas Bitung-Labuan railroad (Siregar, 2019). Considering the country's financial condition is in a deficit position, the target would certainly

be constrained. For example, the construction of the Serang-Panimbang toll road, which originally targeted for completion in 2018, will be delayed to be fully operational in 2022, and at the time of the study was only at the auction stage. This target was a three years delay from what was previously expected to be completed at the end of 2019 (Indraini, 2020).

Poor Coordination

The slow development of the Tanjung Lesung SEZ is also inseparable from the lack of coordination between the Regional Council under the province, and the SEZ Administrator under the district. The Secretariat of the SEZ National Council admitted that the Zone Council has not been able to assist the National Council. The Zone Council has not been able to take inventory of the issues and resolve strategic issues in the field. Many problems in the field should be able to be resolved by the Zone Council. Instead, several issues within the Administrator or in the regions were immediately escalated to the National Council.

The Banten Provincial Tourism Office as the Zone Council did not conduct coaching or assisted SEZ administrators. Coordination with the Regional Council was also rarely conducted, only once a year during the financial and development supervision reviews.

Coordination problems also occurred related to licensing (Wahyuni et al., 2013). In some cases, SEZ Administrators, who had to issue technical recommendations within the area, still had to deal with local technical offices, although the Administrator was given various delegations of authority. As a result, this condition impeded the licensing process. For example, in the case of granting groundwater management permits, it still requires a technical study from the local technical office.

In addition to the coordination problem, at the provincial level, the Banten Bapeda had a

contrasting opinion with the Tourism Office about the SEZ. Banten Bappeda considered that the Tanjung Lesung SEZ has made no progress and was more supportive of the Banten Governor's statement that it should be dissolved. In contrast, the Banten Tourism Office considered that the Tanjung Lesung SEZ had an impact on the economic growth outside the zone. According to Banten Province Bappeda, the report made by PT. BWJ every year showed almost no change. They always provided the same report, the construction seemed stagnant and showed no progress. On the other hand, in several events attended by the Governor of Banten, the Director of PT BWJ never attended and only assigned his subordinates. He thought that was the reason why the governor was upset. Also, the Banten Bappeda did not see the realization of the MoU carried out by PT. BWJ and its investors. The investor data was only a formality.

The Banten Bappeda considered the problem was not due to the provincial government, but it was the PT BWJ problem that has the difficulty of attracting visitors. According to the Bappeda, the development of national and provincial roads to locations was also not matched by developments within the zone. That was also apparent when we visited the location. From the entrance gate, the road in the SEZ area was not in good condition and was flooded despite some not-so-heavy rainfall. On the right and left of the road, the weeds grew wild. Some faded investment invitation banners were seen in some corners (Pakdeenurit et al., 2014).

The Banten Provincial Tourism Office admitted that the development of the Tanjung Lesung SEZ was indeed constrained. However, it did not mean the provincial government did not do anything. As the Secretary of the Zone Council, which was given a direct mandate by the Governor, the Banten Tourism Office did various things to boost the visit there. According to him, the provincial government always collaborated

with PT BWJ, for example, when the government organized festivals there. In the past year, the government held several festivals in the SEZ area. But according to Bappeda Banten, the festival was not too attractive for visitors. For example, the Tanjung Lesung Festival, which was held together with the Pandeglang District Government, was unable to attract visitors. Some Small and Medium Industry (IKM) players who opened a stall there complained about the lack of visitors.

The Role of The Home Affairs Ministry

The Ministry of Home Affairs, as regulated in the Ministry of Home Affairs Regulation No. 43 of 2015, plays a role in implementing Special Economic Zone policies in the Directorate of Regions, Urban and State Boundaries. The Special Economic Zones is attached to the Sub-Directorate of Special Zone Scope I, while the functions of the Sub-Directorate is in preparing policy formulation materials, implementing policies, providing guidance, conducting monitoring and supervision, as well as conducting monitoring, evaluations, and reporting in the field of general supervision of the SEZ.

The Ministry of Home Affairs is also mandated by Law No. 39/2009 and Perpres No. 33/2010 as one of the members of the SEZ National Council with the Directorate General of Territorial Administration as one of the Implementation Teams. At the moment, the regulative policies issued by the Ministry of Home Affairs are regulations that generally govern permits, regions, and borders.

This was similar to what was stated by (Alexianu et al., 2019) that no government body was specifically formed to support the implementation of SEZ policies. The SEZ policy interventions in the regions were varied, not only emphasizing regional aspects, but also the regional financial aspects, the implementation of programs and activities, and the organization of regional apparatuses. For these three aspects, the

Ministry of Home Affairs has various Directorate Generals, including the Directorate General of Regional Financial Development to oversee the implementation of regional taxes and levies, the Directorate General of Regional Development for evaluating programs and activities in regional development planning, and the Directorate General of Regional Autonomy to oversee organizing regional apparatus.

At the time of the study, SEZ management was under the coordination of the Directorate General of Regional Administration. However, the limitations of the structure and substance of the policy need to be addressed. Furthermore, the Directorate General of Regional Development Supervision and the Directorate General of Regional Financial Development Supervision oversee the substance of the policies related to SEZ to ensure that it would be carried out properly, with or without the role of the Directorate General of Regional Administration.

Overseeing the financial policies and regional incentives would be quite difficult to be conducted optimally by the Directorate General of Regional Financial Development Supervision due to the high load of work in that Directorate (Gudkov et al., 2017). The Ministry of Home Affairs never received a progress report from the Tanjung Lesung SEZ. As a result, the Ministry of Home Affairs did not have the necessary information to provide policy improvements. The difficulty in getting data was due to bureaucracy. The Ministry of Home Affairs must ask permission from the Coordinating Ministry for the Economy as the KEK National Council to request the data. Thus, it can be concluded that the function of supervision and guidance carried out by the Ministry of Home Affairs on the region is not effective (Damuri et al., 2019).

As a member of the SEZ National Council, the Ministry of Home Affairs also briefly supervised the Banten provincial government. To accelerate development, the Directorate General of Regional

Administration (*Ditjen Adwil*) of the Banten Provincial Government was responsible for completing the construction of the 33-kilometer Section III toll road (Cileles-Panimbang). However, the Banten provincial government complained about that, because the regional fiscal capacity was lacking to build the Section III toll road.

The *Ditjen Adwil* considered that the Tanjung Lesung SEZ had no appeal because its management was unable to conduct the regional branding. Many ways could be conducted by the SEZ, such as established transit points in the Anyer area and developed sea transportation to the SEZ. These methods were carried out by several tourist destinations, such as from Lombok to Gili Trawangan. Transit points would automatically encourage tourism activities. There would be no need to wait for toll roads, that costs a lot of money and takes a long time to construct (Hutomo, 2018).

Tanjung Lesung SEZ issues were also related to authority. The regional government, where the SEZ located, was not actively involved. They were only involved concerning the location and land acquisition, while the master plan and development planning were left entirely to the SEZ management. In reality, development within the zone was often different from the masterplan. Tanjung Lesung SEZ, for example, shifted its focus from the original focus on the sea to land management (Banten, 2017). This shows the weak coordination between government and management. As a result, regional development commitments were not a shared responsibility. Instead, it created a heightened conflict between the regional government where the SEZ located, and the SEZ business entities.

The weak coordination was not only between the regional government and the business entities but also between the regional government and the SEZ National Council. Pemerintah daerah menganggap pemerintah pusat ingin memegang kendali kawasan, tanpa melibatkan pemerintah daerah, although the regional government had to

prepare other supporting facilities when the SEZ area was determined. The regional government also did not have a sense of ownership to the SEZ and did not have a comprehensive picture of the impact of investments made in the zone and outside the zone for the region's development progress (Aritenang, 2017).

Conclusion

Nearly a decade after the establishment of the SEZ, Tanjung Lesung SEZ has not shown the expected development. Despite the poor performance of the Tanjung Lesung SEZ, the supporting activities in tourism have developed in the surrounding area. It increases employment opportunities, the mobility of people, goods, and services, along with improving the accessibility of the region. Tanjung Lesung SEZ is still waiting for support and improvement in terms of infrastructure (accessibility, human resources, and security), increasing resilience (construction of coastal safeguards, evacuation buildings, rehabilitation, and reconstruction), and the sustainable side (development of tourist villages and ecotourism).

There are at least three important characteristics that require the government's attention in creating an SEZ. First, the SEZ must be able to provide relief in tariff and tax policies that are far more attractive than those outside the SEZ. Ease of licensing will also be a determining factor in boosting the investment value in SEZs. Second, SEZs need to be supported with superior infrastructure or exclusive access. Third, SEZs need professional support from all lines of government.

This study shows that the provincial government as the Zone Council has not been managed effectively. Ideally, the provincial government should have a more optimal role in resolving constraints in terms of infrastructure and accessibility, incentive guarantees, land issues, and synergy management with its resources and capabilities. The Ministry of Home Affairs, as

a member of the National Council, should also be able to have a more optimal role. Internally, under the coordination of the Directorate General of Territorial Administration Supervision, an SEZ Working Group can be formed to facilitate the regional and central interests in terms of financing and incentives, strengthening the human resources of the administration and institutions, as well as the SEZ organizations, as well as supervision and control.

Next, review PP No. 18 of 2016 concerning Regional Organizations, especially to support a professional SEZ institution. It means that there must be a mutual agreement to regulate the position of SEZ administrators to ensure that the administrator would be able to be more focused and professional. Finally, tourism SEZs need to maintain their local identity. The local identity is a unique characteristic of the SEZ that must be maintained. Do not set aside and forget the SEZ local characteristic and local wisdom of the area when the competition becomes fierce. The regional governments need to be at the forefront to bring local wisdom into the global arena.

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