

Implementation of *Ex-Officio* Policy on The Development of Batam Free Trade Zone and Free Port Area

Amsakar Achmad^{1*}, Wirman Syafri¹, Mansyur Achmad¹, Rizki Amalia¹

¹The Institute of Government Studies

*Correspondence Email: achmadmilu@gmail.com

Received: 11 July 2024; Revised: 21 November 2024; Accepted: 22 December 2024

Abstract: Governments implement policies to regulate societal frameworks and enhance state value, with one primary objective being the establishment of Batam as a Free Trade and Free Port Area to accelerate economic growth. This study examines the implementation of the ex-officio policy within Batam's free trade and free port area, highlighting the factors that either facilitate or hinder its execution. The initiative to designate Batam as a free trade zone originated in the 1970s, following the issuance of Presidential Decree No. 74 of 1971. However, over the past five decades, Batam's economic growth has been inconsistent, largely due to administrative conflicts between the Batam Industrial Development Authority (now the Batam Indonesia Free-Zone Authority) and the Batam Municipal Government. In response, the Indonesian government introduced Government Regulation No. 62 of 2019, appointing the Mayor of Batam as the ex-officio Chief Executive of the Batam Indonesia Free-Zone Authority to resolve these conflicts. While the policy aims to streamline governance and enhance development outcomes, its effectiveness remains contested, necessitating a comprehensive analysis of its implementation in the context of advancing Batam's status as a Free Trade Zone and Free Port Area.

Keywords: Policy Implementation; Ex-officio Policy; Free-Trade Zone; Batam

How to Cite:

Achmad, A., Syafri, W., Achmad, M., & Amalia, R. (2024). Implementation of Ex-Officio Policy on The Development of Batam Free Trade Zone and Free Port Area. *Journal of Governance*, 9(4), 829–846.
<https://doi.org/http://dx.doi.org/10.31506/jog.v9i4.29678>



[This work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.](https://creativecommons.org/licenses/by-sa/4.0/)

Introduction

Batam Island has been playing a crucial role as a strategic post and economic growth hub for Indonesia, specifically for the government in Jakarta. During the early years of the New Order regime, Indonesia's political-economic direction became more liberal, facilitating the influx of foreigners into the country. Batam Island was one of the primary targets for this foreign investment (Smith 1996). The government supported the development of Batam Island through Presidential Decree No. 74 of 1971, which designated Batu Ampar as an industrial area with a particular entrepot status to facilitate Pertamina's logistical and operational activities (Presiden Republik Indonesia 1971). Subsequently, in 1973, a pivotal moment occurred in the development of Batam Island with Presidential Decree No. 41 of 1973, establishing Batam as an industrial zone (Presiden Republik Indonesia 2005). This was achieved by creating three separate agencies to develop, administrate, govern, and supervise the Batam Industrial Area: the Batam Industrial Area Supervisory Agency (*Badan Pengawas Kawasan Industri Batam*), the Batam Island Development Authority (*Otorita Pengembangan Daerah Industri Pulau Batam* or BIDA), and the Batam Corporation (*Perusahaan Perseroan* (Persero) Batam) (Muliono 2001; Smith 1996).

The designation of Batam as an industrial area led to a significant population explosion. During the 1990s, the population of Batam Island surged dramatically, from approximately 6,000 in the early 1970s to over 300,000 by the late 1990s (Muliono 2001). Due to the increasing population, Government Regulation No. 34 of 1983 regarding the

Municipality of Batam in the province of Riau was enacted, upgrading the status of Batam District to an Administrative Municipality. The new status was designed to facilitate governance and public administration while supporting the development initiatives led by BIDA. As of 2023, Batam's population has grown to 1,256,610 residents (BPS 2023).

The various policies enacted above have continuously spurred economic growth in Batam (Figure 1). Economic growth in Batam was dynamic during the period 1995-1997. Zaenuddin et al. (2018) highlighted that Batam's economic growth from 1995 to 1998 consistently exceeded ten percent, underscoring its remarkable economic trajectory during this period. These growth rates were significantly higher than those in the other areas within the Riau Province, which were above ten percent during the same period. Although Indonesia was hit by the Asian economic crisis in 1998, Batam's economic growth remained persevered at around 3.08%, whereas the national economic growth contracted to -14.78%. Furthermore, in 1999, when Indonesia's economy only grew by 0.35%, Batam's economy actually increased to 5.49% (Zaenuddin et al. 2018).

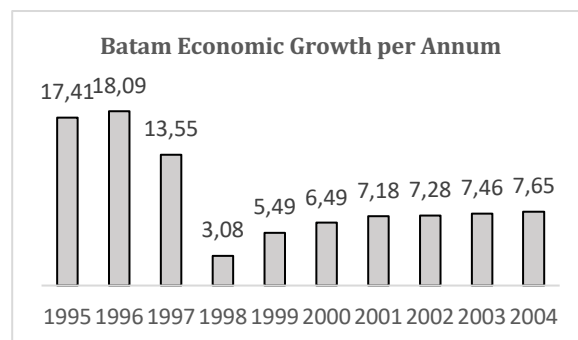


Figure 1 Batam Economic Growth per-Annum 1995-2004

Source: Zaenuddin et al. (2018)

Following the end of the New Order era and the commencement of the Reformation era, Indonesia witnessed alterations in its political structure. One of the key reform agendas was the decentralization of the national government to the regional governments. Following the appointment of Habibie as President of the Republic of Indonesia, succeeding Soeharto, the primary objective was the enactment of decentralization legislation. This legislation aimed to grant autonomy to regional governments, whether provincial, regency, or municipal, to govern and implement regional policies independently, as long as they did not contravene national laws or infringe upon public interest (Rasyid 2004).

In accordance with Law No. 53 of 1999 on the Establishment of the City of Batam, the governance and development of Batam Island became the responsibilities of two entities: the Batam Island Industrial Development Authority (*Otorita Batam* or BIDA) and the Batam Municipal Government. The enactment of this new regulation resulted in the duality of government administration in Batam.

In Batam, the absence of a clear legal framework delineating the responsibilities between the BIDA, which later became the Batam Indonesia Free-Zone Authority (*BP Batam* or BIFZA) in 2009, led to a duality of authority (Paramitha and Wanto 2016).

In 1971, a presidential decree established BIDA to remain outside of the municipal government's jurisdiction and maintained a monopoly over property and development policies on Batam Island. Meanwhile, the democratically elected Batam Municipal Government began assuming various responsibilities, and therefore, BIDA was no longer the sole

relevant institution on Batam Island. As a result of this duality of authority, investors expressed concerns about the overlapping policies of the BIFZA and Batam Municipality (Choi, 2007).

The duality of government structure in Batam has led to various conflicts, ranging from spatial planning, utilization, and supervision to public services. One prominent issue is the jurisdiction in land services where two different types of land taxes were imposed on the public: a land and building tax (*Pajak Bumi & Bangunan* or PBB) by the Batam Municipal Government and an annual compulsory fee (*Uang Wajib Tahunan* or UWT) from the BIFZA. In terms of investment services, which are typically managed by the National Investment Coordinating Board (BKPM) at the national level and by Regional Investment Coordinating Boards (BKPM) at the local level, a significant portion of these services were delegated to BIFZA until 2018, reflecting its role as an extension of the national government (Dalla and Hutabarat 2018).

Further, Zaenuddin et al. (2018) comprehensively described the overlapping authorities between the Batam Municipal Government and BIFZA across several aspects: (a) land management rights, (b) licenses, (c) port management, and (d) airport management. Specifically, the overlapping issues in licensing services between the Batam Municipal Government and BIFZA encompass three main areas: land and building use, advertising, and trade.

Data from the Central Statistical Office report in 2022 highlight a consistent decline in Batam's economic growth from 2011-2017, with only a slight increase in 2018, as shown in Figure 2.

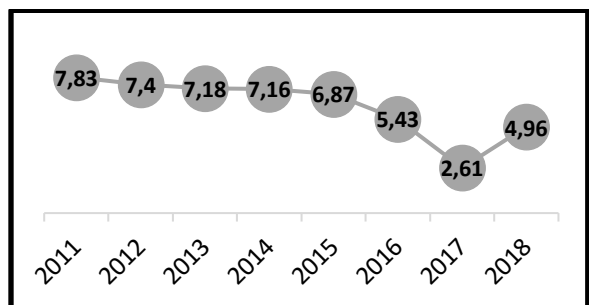


Figure 2 Batam Economic Growth per-Annum 2011-2018

Source: Central Statistical Office (2022)

Concurrently with the decline in economic growth, Batam's open unemployment rate exhibited an upward trajectory between 2011 and 2018 (Figure 3). The data reveal a consistent increase in the open unemployment rate from 4.34% in 2011 to 6.64% in 2014. Although a marginal reduction to 6.09% occurred in 2015, the rate escalated once more, peaking at 7.82% in 2017 and surpassing the double-digit threshold at 10.07% in 2018.

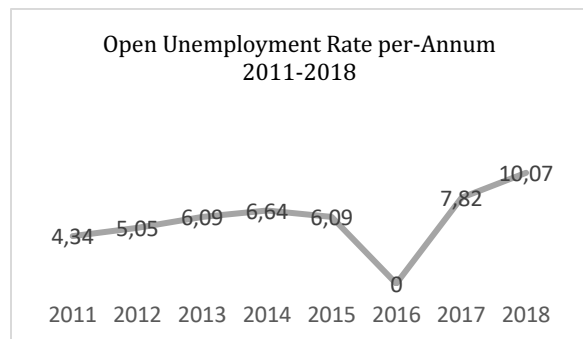


Figure 3 Open Unemployment Rate in Batam

Source: Central Statistical Office (2022)

The aforementioned figure illustrates that the deceleration of economic growth, volatile investment trends, and the increasing trajectory of open unemployment are intricately linked to the issue of duality. This duality extends

and complicates the bureaucratic chain of command, potentially incurring additional costs. Consequently, it is unsurprising that investor interest has waned, thereby undermining Batam's overall competitiveness.

Van Grunsven and Hutchinson (2017) documented a significant decline in Batam's appeal and competitiveness as an investment destination. Their study highlighted that while 134 companies operated in Batam until 2003, this number fell to 90 during the 2003-2004 period and further decreased to 62 by 2014. Moreover, data from the Batam Municipal Manpower Office revealed that 169 companies ceased operations in Batam between 2015 and 2017. Specifically, 54 companies closed in 2015, followed by 62 in 2016, and an additional 53 during the January-July period of 2017.

In response to these concerning trends, the Coordinating Ministry for Economic Affairs held a dedicated meeting aimed at expediting Batam's development. The discussion identified two primary factors eroding Batam's competitiveness: (1) the overlapping jurisdictions between BIFZA and the Batam Municipal Government in managing the Free Trade Zone and (2) the institutional inefficiencies within BIFZA, which impeded effective governance of the Free Trade Zone (Kementerian Keuangan 2016).

To address the institutional challenges within BIFZA, Indonesia's Coordinating Minister for Economic Affairs initiated three leadership restructurings between April 2016 and October 2019. This rapid turnover, involving three leaders within just three years and six months, was unprecedented. However, these changes yielded minimal improvement in BIFZA's performance. As a result, Government Regulation No. 62 of

2019, amending Government Regulation No. 46 of 2007 on the Batam Free Trade Zone and Free Port, was enacted on September 11, 2019. A pivotal provision, Article 2A paragraph (1a) (Pemerintah Republik Indonesia 2019), mandated that the Chief Executive of BIFZA would concurrently hold the position of Mayor of Batam (*ex officio*), aiming to enhance investment outcomes and promote operational synergy (Antara 2019).

The implementation of the *ex-officio* role, whereby the Mayor of Batam concurrently holds the position of Chief Executive of BIFZA, marks a significant governmental advancement in resolving the longstanding issue of dual authority in Batam. Since the introduction of this role, there have been observable enhancements in the effectiveness, efficiency, transparency, and overall governance of bureaucratic services, leading to more streamlined and efficient operations. Economic growth has also increased significantly. Central statistics office report shows that Batam's economic growth (after the establishment of *ex-officio*) in 2019 reached 5.92% compared to the previous year, which was only 4.56%. Even though 2020 experienced a growth contraction of -2.55% due to COVID-19, in 2021, recovery was evident in 2021 with a growth rate of 4.75%, indicating that development in Batam was back on track (Badan Pusat Statistik Kota Batam 2020).

Several studies have analyzed the policy designating the Mayor of Batam as the *ex-officio* Chief Executive of the Batam Indonesia Free-Zone Authority (BIFZA). First, research by Zaenuddin et al. (2018) sought to identify the institutional duality challenges between the Batam Municipal Government and BIFZA and their effects on Batam's economic performance. The study concluded that this duality resulted

in declining economic performance and a deterioration in Batam's competitiveness. Second, a study by Paramita, Santoso, and Hanani (2021) examined the roles of local actors in shaping the *ex-officio* policy and assessed their contributions. The findings highlighted three pivotal actors: state actors (the mayor of Batam and the chief executive of BIFZA during the transitional period), private sector representatives (Batam's Chamber of Commerce and Industry, KADIN), and public actors (the media). Lastly, research by Permana et al. (2022) investigated the root causes of the governmental duality in Batam. The study revealed that the primary governance issue stemmed from conflicting management approaches and overlapping authorities between the Batam Municipal Government and BIFZA, compounded by divergent legal frameworks and interpretations, which ultimately hindered policy implementation efficiency.

A Free Trade Zone (FTZ) is fundamentally a component of the broader framework of free zones, as described by McCalla (1990), who characterizes it as "a designated area where certain national laws or regulations, such as customs duties, income tax regulations, banking rules, or minimum wage requirements, are relaxed." The primary objective of an FTZ is to facilitate trade activities that target both domestic and international markets. Typically, FTZs are strategically located within or near ports, airports, border areas, or along major transportation routes, such as maritime, rail, and highway corridors, as well as development zones (Bost 2019). In the Indonesian context, Hidayat and Hidayat (2010, 56) define free trade zones and free ports as "areas within the sovereign territory of the Republic of Indonesia that are excluded from the customs area, thereby exempt from import

duties, value-added tax (VAT), luxury goods sales tax (PPnBM), and excise duties.”

Since the unique status of a Free Trade Zone, it necessitates the establishment of a dedicated entity to oversee its administration and governance. Based on literature review, it has been discovered there are two types of administrative government of free trade zones in the world. First, the administrator of free trade zones managed by an authoritative body such as SUFRAMA in the Manaus Free Trade Zone in Brazil (Castilhos 1989), the Port Authority of New York-New Jersey in New York-New Jersey (PANYNJ 2012), USA, and the Hamburg Port Authority in Germany (Xiao 2016). Then, second, the free trade area administrator whose management authority is handed over to local governments, such as Shenzhen and Shanghai in the People's Republic of China (Martinek 2018; Wan et al. 2014).

In the case of the Batam Free Trade Zone, the management authority of the Free Trade Zone and Free Port is given to BIFZA. However, the Batam municipal government also has similar jurisdiction in the management of the Batam area, thus creating a dualism of authority. Therefore, the National Government issued a government regulation to unify those two leadership organizations, enabling the Mayor of Batam to hold the position of Chief Executive of BIFZA through *ex-officio* policy.

This study design and analysis is based on the policy implementation framework model developed by Grindle (1980). This model emphasizes the implementation of a policy to consider the policy content consisting of affected interests, types of benefits, extent of change, degree of envisioned, site of decision-making, program implementors,

and resources committed. Furthermore, this model addresses the policy context in the implementation of the policy, which comprises the power, interests, and strategies of the actors involved, institutional and regime characteristics, and compliance and responsiveness.

From those studies, this research aims to evaluate and analyze the implementation of the *ex-officio* policy in the development of a free trade zone and free port of Batam. This study focuses on two key aspects:

1. To analyze and identify the implementation of the *Ex-officio* policy in the development of the Batam free trade zone and free port.
2. To analyze and identify the supporting and inhibiting factors in the implementation process of the *Ex-officio* policy in the development of the Batam free trade zone and free port.

Method

This study employed a qualitative research approach to generate in-depth findings based on data collected from the field. Qualitative methods were deemed most suitable for uncovering existing facts and addressing the issues under investigation. As a methodology, qualitative research emphasizes the use of descriptive language over numerical statistics during data collection and analysis (Bryman 2012; Corbetta 2003). Consistent with other forms of qualitative research, the findings of this study are contextually relevant and adaptable across various settings, though they are not intended for broad generalization.

This research was conducted using open-ended interviews as the primary data collection technique. The interviews

were conducted between June and September 2023. Researchers used a purposive sampling technique to select informants. Twenty informants were divided into five categories: *ex-officio* policy formulators, *ex-officio* policy executors, public service executors, business representatives, and legal practitioners. For secondary data, the researcher used archival and fieldwork techniques (Asdal and Reinertsen 2022) sourced from laws and regulations, study results, newspaper articles and news, magazines, meeting minutes documents, focus group discussion (FGD) results, consultation documents, and letters related to the *ex-officio* policy and the development of the Batam free trade and free port area.

This study employed data analysis techniques grounded in the principles of credibility, transferability, and confirmability (Miles, Huberman, and Saldaña 2014). In qualitative research, data analysis is an iterative process conducted alongside other phases, including data collection and the preparation of findings (Creswell 2007). To ensure comprehensive insights into the implementation of the *ex-officio* policy, researchers utilized data triangulation. The analysis was further guided by Grindle's (1980) implementation policy framework, serving as a conceptual framework for this study. The data analysis process was continuous throughout the research, occurring simultaneously with data collection. This iterative approach encompassed key stages, including data reduction, data presentation, and drawing conclusions or verification (Miles, Huberman, and Saldaña 2014).

Result and Discussion

Implementation of *Ex-Officio* Policy in The Development of The Free Trade and Free Port Area of Batam

a. The Policy Content of the *Ex-officio* Policy Implementation in the Batam Free Trade and Free Port Zone

The *ex-officio* policy seeks to resolve leadership duality in Batam caused by overlapping authorities between the municipal government and BIFZA. This duality has led to inefficiencies, unclear responsibilities, and hindered regional development. Unified leadership is essential to streamline decision-making, ensure effective problem-solving, and promote coordinated development efforts, ultimately driving economic growth and societal well-being. The policy's effectiveness is shaped by its interaction with various related entities. The defining feature of policy implementation lies in the dynamic interaction among policymakers, implementers, and policy end-users within an integrative framework (Mubarok et al. 2020).

- Interest affected

The *ex-officio* policy aimed to address overlapping authorities between the Batam Municipal Government and the Batam Free Zone Authority (BIFZA). By unifying leadership, it sought to resolve inefficiencies and conflicts in governance, particularly in decision-making and resource allocation, which had hindered Batam's development.

When this integration facilitated improved coordination between public services and land management, challenges remained, particularly due to legal ambiguities and differing operational jurisdictions. Critics argued that the dual roles of the Mayor of Batam, as municipal leader and *ex-officio* Chief Executive of BIFZA, potentially violated legal

provisions (Ombudsman RI 2019). Despite these concerns, legal reviews, including a Supreme Court decision, concluded that the policy did not contravene existing laws, framing BIFZA as a non-governmental entity focused on free trade zone operations rather than state functions or state apparatus (Mahkamah Agung 2021).

The impact of the *ex-officio* policy has been mixed among stakeholders. Positive outcomes include improved alignment between municipal and industrial priorities, streamlining decision-making, and enhancing infrastructure for businesses. This integration has been particularly beneficial for stakeholders in manufacturing and maritime industries, fostering confidence in government efforts. However, shipyard operators expressed that the policy's direct impact on their operations was minimal, emphasizing instead the importance of efficient systems, streamlined processes, and access to land for business activities.

"...From my personal perspective as a chairman, we believe that, if possible, the ex-officio policy should be maintained. We have experienced its positive impacts; for example, we no longer need to go through multiple processes; we just need to meet with the chief executive (the chairman of BIFZA), and at the same time, it also involves the mayor (the mayor of Batam). [...] We had discussions with several stakeholders from Singapore, and they recognized this as a concrete action by the national government in implementing the ex-officio policy. They see it as a genuine effort to provide support." (Interview with Chairman of Indonesia Maritime Alliance).

Moreover, there is the assurance of assets between BIFZA and the Batam Municipal Government. This is evidenced by the issuance of the Decree of

the Chief Executive Batam-Indonesia Free Zone Authority No. 67-73 of 2020 concerning Exemption from Payment of Annual Obligation Fees for the Transfer of Certain Parts of the Land Management Rights of the Batam-Indonesia Free Zone Authority to the Government of the Republic of Indonesia cq. Batam Municipal Government. While the *ex-officio* policy demonstrated potential to harmonize governance and attract investment, its effectiveness varied across sectors, highlighting the need for consistent implementation and policy refinement.

- Type of benefits

The *ex-officio* policy in Batam's Free Trade Zone and Free Port Area was introduced to streamline governance and address conflicts arising from overlapping authorities between BIFZA and the Batam Municipal Government. This policy aimed to harmonize land management and licensing processes, which had previously suffered from inefficiencies and delays due to dual leadership. By unifying authority under the Mayor of Batam, who simultaneously serves as the Chief Executive of BIFZA, the policy facilitated quicker decision-making, better alignment of development programs, and improved coordination. This integration enhanced the implementation of projects and ensured that public infrastructure development was more responsive to regional needs, benefiting both investors and the public.

Business stakeholders have acknowledged the positive impact of the *ex-officio* policy, particularly in simplifying bureaucratic processes, fostering consistency in regulations, and improving collaboration between BIFZA and the Batam Municipal Government.

"...From the perspective of business actors, especially in terms of licensing, it has

become much easier now. Additionally, in terms of policy, we consider it to be more consistent for business operators. BP Batam's support for investment and business activities in Batam is also seen as improving steadily over time up to the present." (Interview with Indonesia Business Association)

Investors now experience a more streamlined licensing process and greater confidence in the stability of policies, which reduces uncertainties and encourages long-term planning. The elimination of redundant procedures and the unified leadership structure have created a more business-friendly environment, spurring investment and economic growth in Batam. Based on the researchers' observations, after the establishment of the ex-officio policy, there was an integration of licensing platforms carried out by BIFZA and the Batam Municipal Government, namely with the release of Indonesia-Batam Single Online Submission, or IBOSS. This is manifested in the Memorandum of Understanding between the Investment Coordinating Board (BKPM), the Batam Municipal Government, and BIFZA in implementing the online single submission (OSS) system in the context of electronically integrated business licensing services. Overall, the policy has not only strengthened governance but also paved the way for accelerated development and enhanced regional competitiveness.

- Extent of change envisioned

The implementation of the *ex-officio* policy has significantly aligned the roles of BIFZA and the Batam Municipal Government, fostering coordination in planning, execution, and funding of development programs. Previously plagued by overlapping authorities and

frequent conflicts, the two entities now operate under unified leadership, with the Mayor of Batam concurrently serving as the Chief Executive of BIFZA.

This structural integration has resolved inefficiencies, streamlined decision-making, and ensured that development initiatives complement rather than contradict each other, leading to more sustainable outcomes. The policy has also enhanced resource efficiency and reduced delays in program implementation by enabling a single leader to formulate and execute consistent, integrated policies. The anticipated impact of the ex-officio policy is reflected in Batam's economic advancement. Since its implementation, Batam has demonstrated consistent economic growth, achieving an impressive rate of 7% by 2023 (figure 4).

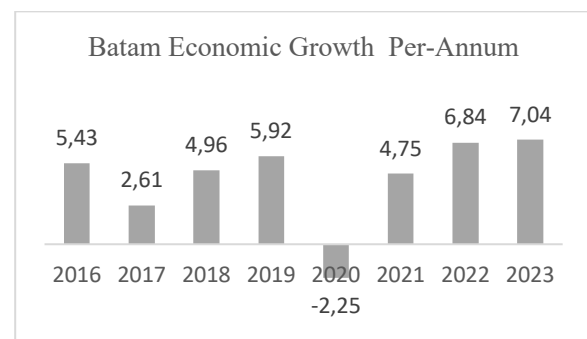


Figure 4 Batam Economic Growth Percentages 2016-2023
Source: Author (2024)

Improved synergy between the two institutions has minimized conflicts, strengthened governance, and created continuity in decision-making, which benefits both regional development and public welfare. By providing clear authority and effective oversight, the *ex-officio* mechanism ensures that Batam's economic and social progress remains

balanced and targeted toward long-term goals.

- Program implementors

The *ex-officio* policy was implemented to address the overlapping authorities between the Batam Municipal Government and BIFZA, a longstanding issue that hindered development and investment in the region. By unifying leadership under the Mayor of Batam, who concurrently serves as the Chief Executive of BIFZA, the policy aimed to streamline governance, particularly in land management, licensing, and infrastructure development. This integration allowed for faster decision-making and reduced bureaucratic inefficiencies, fostering a more stable and investor-friendly environment. Furthermore, the policy introduced joint planning mechanisms, such as harmonizing spatial planning (regional spatial plan or *RTRW*) to align the visions and responsibilities of both entities, ultimately promoting more effective regional development.

"One of the key points [...] is about bridging the issue of land management. Because [...] it is one of the fundamental problems, particularly in the relationship between BIFZA and the Batam Municipal Government. Beyond the matter of planning, this is why the regulation on the ex-officio policy emphasizes joint planning, which is implemented through the spatial planning (regional spatial planning) of the Batam Municipal Government." (Interview with Deputy of Area Management and Investment of BIFZA)

The unified leadership structure also addressed critical land management challenges, ensuring smoother processes for public and social infrastructure projects. With direct authority over both entities, the mayor facilitated the resolution of asset ownership disputes

and streamlined bureaucratic procedures in public services, such as the Integrated Service Mall. This policy has significantly enhanced collaboration between BIFZA and the municipal government, enabling efficient resource allocation for public facilities like schools and health centers.

"Alhamdulillah, with the ex-officio mayor now, the process has become faster. When the community raises land issues through the development planning forum (Musyawarah Perencanaan Pembangunan), all we need to do is report it to the mayor, and the mayor instructs BIFZA, which handles land matters, since land management is not under our authority." (Interview with Regional Secretary of Batam Municipal Government)

Moreover, it has provided greater certainty for investors and businesses by simplifying licensing and fostering better coordination between the two institutions, paving the way for sustainable economic growth in Batam.

- Resources committed

The *ex-officio* policy has significantly transformed the financial and decision-making dynamics in Batam, enabling the mayor, who also serves as the chief executive of BIFZA, to manage funding with greater flexibility and efficiency. While BIFZA's financing relies on non-tax state revenue (*Pendapatan Negara Bukan Pajak*) from strategic business units such as hospitals, harbors, and airports, the Batam Municipal Government depends on the Regional Budget (*Anggaran Pendapatan Belanja Daerah*), derived from local revenue, retributions, and balanced funds, which require DPRD approval.

"In the past, before the ex-officio policy, everything was centralized. However, with the ex-officio arrangement,

the allocation function has been strengthened. The allocation function is best carried out by locals, as they know and understand the region well." (Interview with Deputy Chief Executive of BIFZA)

Under the *ex-officio* arrangement, the Mayor of Batam has the authority to directly execute development projects without requiring Regional People's Representative Council (DPRD) consent, expediting infrastructure and service delivery. This flexibility allows for more responsive and consistent implementation of development plans, addressing the region's needs more effectively.

With a leader familiar with the local context, the policy enhances resource allocation and infrastructure development, bridging gaps between government programs and community needs. With the decentralization of power and fiscal decentralization, the *ex-officio* policy becomes solidified as resources are consolidated in a single figure to promote streamlining public sector activities (Sijabat 2016). As observed, this integration accelerates planning and execution, particularly in land management and infrastructure, creating a more synchronized and efficient governance framework for Batam's growth.

b. The Context of *Ex-officio* Policy Implementation in the Batam Free Trade and Free Port Zone

The *ex-officio* policy was introduced to resolve conflicts of authority between BIFZA and the Batam Municipal Government, which had led to slow economic growth and declining investment post-Asian financial crisis (Hutchinson 2019; Negara and Hutchinson 2020). The policy unified leadership under the Mayor of Batam, who also serves as the Chief Executive of BIFZA, providing local

representation with an intimate understanding of the region's needs. This integration aimed to synchronize development visions and eliminate the dichotomy between the two entities. Supported by various ministries and key stakeholders, the policy was designed to harmonize overlapping agendas, ensuring faster and more effective decision-making while optimizing resource utilization.

"...By appointing the Mayor of Batam to the ex-officio position, it politically elevates the dignity of the local population. This is because the individual elected as Mayor of Batam will inevitably have a strong emotional connection to the geographical conditions of Batam." (Interview with Secretary General of Ministry of Home Affairs). The initiative also addressed inefficiencies in licensing and land management, creating a more coordinated and streamlined governance structure.

Following the implementation of the *ex-officio* policy, significant progress was observed in licensing efficiency and the synchronization of development programs. Key measures included streamlining processes at the One-Stop Integrated Service (*Pelayanan Terpadu Satu Pintu*) to prevent overlapping procedures and aligning BIFZA's development vision with the municipal government's plans through collaborative planning forums such as *MUSRENBANG*. This integration accelerated infrastructure development and reinforced the government's commitment to fostering a stable and investment-friendly environment. Additionally, the policy expanded the scope of development planning by involving BIFZA in long-term regional development consultations (*Rencana Pembangunan Jangka Panjang Daerah 2025–2045*), focusing on both infrastructure and human resource

development. The policy's outcomes demonstrate a tangible improvement in efficiency and a strengthened framework for sustainable growth in Batam.

The development of Batam as a free trade zone, free port area (FTZ-FP), and special economic zone (SEZ) is marked by substantial government intervention, a characteristic commonly observed in many developing nations. Rather than emerging organically through market-driven forces, Batam's growth has been strategically orchestrated by government initiatives. This is evident in the comprehensive provision of infrastructure and policy frameworks directly facilitated by the national government (Aritenang and Chandramidi 2020, 3). Apart from the national government, development in Batam is influenced by Singapore. The development of the Batamindo industrial estate, in cooperation with Sembacorp and Salim Group, can show this (Peachey 1994, 39).

Following the reformation and decentralization era, Batam's status was elevated from township to municipality, granting it a range of authorities, including jurisdiction over land licensing. However, concurrently, the Batam Indonesia Free-Zone Authority (BIFZA) retained its own authority in land licensing, leading to a significant conflict of jurisdiction within the region (Pionier, Matsunami, and Setiawan 2019). This overlapping authority has resulted in tensions and implications involving multiple stakeholders, including the Coordinating Ministry for Economic Affairs, the Ministry of Home Affairs, entrepreneurs, and the local government. The *ex-officio* policy intended to minimize the overlapping authority between the Batam Municipal Government and BIFZA, making the Mayor of Batam the BIFZA Chief Executive. It can be concluded that the national

government decentralizes leadership by appointing the chief executive of BIFZA to local people rather than senior officials of ministries/institutions from Jakarta. This is in line with Rondinelli, Nellis & Chemma's statement on decentralization, which states decentralization is intended to expedite project completion by granting local leaders' greater autonomy in decision-making. This increased discretion enables districts to bypass bureaucratic hurdles and inefficient processes that are typically associated with centralized authority (Rondinelli, Nellis, and Cheema 1983, 10). Read Hutchinson (2017b) for further information about senior officials appointed as BIFZA Chairman.

The supporting and inhibiting factors in the implementation of the *ex-officio* policy in the Batam free trade and free port area

The implementation of the *ex-officio* policy in Batam's Free Trade and Free Port Area has played a pivotal role in accelerating economic growth and investment by reducing bureaucratic obstacles and enhancing efficiency in licensing processes. By granting the mayor direct authority over BIFZA, the policy aims to streamline decision-making and create a more conducive environment for development. Key positive impacts include faster decision-making on land use and construction permits, which facilitates investment and project initiation, boosting economic activity and job creation. Additionally, the policy has improved coordination between the Batam Municipal Government and BIFZA, enabling more effective and efficient infrastructure development. However, challenges remain, particularly in fostering seamless communication and collaboration between the two entities,

which can occasionally hinder policy implementation and delay development. Understanding the supporting and inhibiting factors is crucial to optimizing the policy's impact on Batam's growth and competitiveness.

a. The supporting factors in the implementation of *ex-officio* policy

A crucial factor supporting the implementation of the *ex-officio* policy is the enhanced synergy between BIFZA and the Batam Municipal Government in both the planning and execution of development initiatives. Although their priorities may differ, both entities actively align their strategies with a shared vision for regional development. This alignment underscores the recognition that sustainable and inclusive progress requires cross-sectoral and inter-agency collaboration. By jointly addressing development challenges and opportunities, they formulate strategic programs tailored to Batam's unique needs. Formalized cooperation mechanisms, such as memorandums of understanding (MoUs) and inter-agency agreements, further strengthen this collaboration, ensuring that developmental efforts are cohesive and impactful across various sectors.

The *ex-officio* policy has had a transformative effect on Batam's business environment, notably increasing investor confidence and catalyzing economic growth. Investors have recognized a marked improvement in Batam's investment climate following the policy's implementation, perceiving it as a significant step toward fostering a stable and business-friendly environment.

A shared vision between BIFZA and the Batam Municipal Government to attract investment and drive economic development has further reinforced this

positive transformation. This common vision not only supports the acceleration of infrastructure development but also serves as a robust foundation for the design and implementation of growth-oriented programs. The unified approach enhances coherence and effectiveness, ensuring that developmental initiatives are strategically aligned to sustain Batam's economic progress.

b. The inhibiting factors in the implementation of *ex-officio* policy

The implementation of the *ex-officio* policy in Batam's Free Trade Zone and Free Port area has faced several challenges that hinder its effectiveness. A primary inhibiting factor lies in the dual leadership structure and ambiguous regulations, which continue to create uncertainty for businesses and investors. Despite efforts to streamline coordination between BIFZA and the Batam Municipal Government, overlapping authority remains a significant issue, particularly in land management and license processing. This duality necessitates multiple approvals from both entities, leading to delays and reduced investor confidence. This is supported by Muzwardi's (2016) findings, which indicate that while the facilities and infrastructure underpinning Free Trade Zones (FTZs) are sufficient, the enforcement and clarity of regulations remain inadequate in practice.

Furthermore, resistance to changes in administrative processes, such as integrating risk-based online licensing systems, further complicates operational efficiency. Regulatory misalignment, with separate frameworks maintained by each entity, exacerbates the complexity of navigating permits and approvals for investors. From a governance standpoint, key principles of good governance remain inadequately upheld, such as the principle

of legal certainty, the principle of non-mixing of authorities, and the principle of implementation of public interest (Indra and Fauzan 2023, 133). Previous study revealed that, despite achieving structural unification at the elite level, regulatory dualities exist, particularly in areas such as land licensing and taxation.

Additional barriers include bureaucratic inertia, insufficient resources, and infrastructural limitations. Resistance to transferring authority (devolution) from ministries to BIFZA reflects concerns over local capacity and the reluctance of national institutions to relinquish control. Turner, Prasajo, and Sumarwono (2022) argue that the rigid hierarchical structure further contributes to sluggish decision-making, a tendency toward risk aversion, and an emphasis on procedural compliance over performance optimization. The reluctance to delegate authority from the national government (ministries) to BIFZA or the municipal government has made this *ex-officio* policy incomplete. For example, the Ministry of Environment and Forestry does not fully authorize BIFZA or local government to provide environmental impact assessments, resulting in a slow licensing process. This is explained by Lee (2019), who mentioned that administrative limitations, resources, and technical aspects are always used by the ministry as arguments to minimize the occurrence of environmental exploitation, pollution, and ecosystem degradation. This is confirmed by the reclamation activities that occurred in Batam, which triggered slope deformation, river sedimentation, and soil erosion and destroyed mangroves while reducing the fishery catch (Priyandes and Majid 2009).

Next, gaps in technological integration, inadequate infrastructure, and a lack of comprehensive inter-agency

coordination hinder the smooth execution of the policy. These issues reduce the policy's potential to optimize economic growth and investment. To address these challenges, greater emphasis must be placed on harmonizing regulations, enhancing resource allocation, and fostering institutional collaboration to create a more efficient and investor-friendly environment in Batam.

Conclusion

The implementation of the *ex-officio* policy in Batam's Free Trade Zone and Free Port Area has significantly contributed to creating a more conducive investment environment for business associations and investors. For the public, this policy has fostered more harmonized development, delivering broader societal benefits. The previously segmented development, caused by institutional silos, has been replaced by greater alignment in planning and implementation processes. However, despite these advancements, several constraints continue to hinder the policy's effective execution.

First, bureaucratic inefficiencies and complexities persist, complicating administrative processes and reducing operational efficiency. Second, resistance to change remains evident, particularly among personnel concerned about potential job security or shifts in power dynamics. Third, regulatory constraints still pose challenges, especially regarding the detailed governance relationship between BIFZA and the Batam Municipal Government, despite some progress in harmonizing leadership structures. Additionally, resource limitations in terms of funding, skilled human capital, and infrastructure have further impeded the efficient implementation of the *ex-officio* policy. To address these challenges, this study proposes several policy

recommendations aimed at enhancing the policy's effectiveness. These include strengthening and harmonizing regulatory frameworks, streamlining bureaucratic procedures, improving the capacity of human resources, upgrading infrastructure, and fostering more effective inter-institutional collaboration. These measures are essential to ensure the successful implementation and long-term sustainability of the *ex-officio* policy in Batam.

Acknowledgments

We extend our heartfelt gratitude to all parties who have supported us in realizing this research, which we hope will contribute meaningfully to the development of the Batam region.

References

- Antara. 2019. "Rudi Resmi Jabat Ex-Officio Kepala BP Batam - ANTARA News." *Antara Kantor Berita Indonesia*.
- Aritenang, Adiwan F., and Aryani N. Chandramidi. 2020. "The Impact of Special Economic Zones and Government Intervention on Firm Productivity: The Case of Batam, Indonesia." *Bulletin of Indonesian Economic Studies* 56(2): 225–49. <https://doi.org/10.1080/00074918.2019.1643005>.
- Asdal, Kristin, and Hilde Reinertsen. 2022. *Doing Document Analysis: A Practice-Oriented Method*. London: Sage Publications.
- Badan Pusat Statistik Kota Batam. 2020. *BPS Kota Batam Statistik Daerah Kota Batam Tahun 2020*. Batam.
- Bost, François. 2019. "Special Economic Zones: Methodological Issues and Definition." *Transnational Corporations* 26(2): 141–56.
- BPS, Statistics of Batam Municipality. 2023. 11 Analytical Biochemistry Batam Municipality in Figures. ed. Statistics Batam Municipality. BPS Kota Batam. <http://link.springer.com/10.1007/978-3-319-59379-1%0Ahttp://dx.doi.org/10.1016/B978-0-12-420070-8.00002-7%0Ahttp://dx.doi.org/10.1016/j.ab.2015.03.024%0Ahttps://doi.org/10.1080/07352689.2018.1441103%0Ahttp://www.chile.bmw-motorrad.cl/sync/showroom/lam/es/>.
- Bryman, Alan. 2012. Oxford University Press *Social Research Methods*. 4th ed. Oxford: Oxford University Press.
- Castilhos, Guilherme V. 1989. *A Special Economic Zone in Brazil: The Manaus Free Trade Zone*. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2801920.
- Choi, Nankyung. 2007. "The SEZ Plan for Batam, Bintan and Karimun: Looking Back and Ahead." *RSIS Commentaries* (67906982).
- Corbetta, Piergiorgio. 2003. Sage Publications *Social Research: Theory, Methods and Techniques*. 1st ed. London: Sage Publishing.
- Creswell, John W. 2007. "Research Design: Qualitative, Quantitative and Mixed Method Approaches." *SAGE Publications*.
- Dalla, Alexander Yanuard, and Friska Natlia Hutabarat. 2018. "Tumpang Tindih Kewenangan Pengembangan Kawasan Ekonomi Khusus Batam." *Matra Pembaruan* 2(2): 139–48.
- Grindle, Merilee S. 1980. *Politics and Policy Implementation in the Third World*. Princeton University Press. <https://doi.org/10.1515/9781400886081>.
- van Grunsven, Leo, and Francis E.

- Hutchinson. 2017. "The Evolution of the Electronics Industry on Batam Island (Riau Islands Province, Indonesia): An Evolutionary Trajectory Contributing to Regional Resilience?" *GeoJournal* 82(3): 475–92.
- Hidayat, Syarif, and Agus Syarip Hidayat. 2010. Jakarta: Rajawali Pers *Quo Vadis Kawasan Ekonomi Khusus (KEK)*. Raja Grafindo Persada.
- Hutchinson, Francis E. 2017. ISEAS Perspective *Rowing Against the Tide? Batam's Economic Fortunes in Today's Indonesia*. Santa Barbara: ISEAS Publishing.
- Hutchinson, Francis E. 2019. *Rowing Against the Tide? Batam's Economic Fortunes in Today's Indonesia*. Singapore: ISEAS Publishing.
- Indra, Mexsasai, and Fadhilah Fauzan. 2023. "The Importance of Structuring Relationships Between Local Governments and Business Entities in the Perspective of State Administrative Law in Batam City, Riau Islands." *Jurnal IUS Kajian Hukum dan Keadilan* 11(1): 126–39.
- Kementerian Keuangan. 2016. *Surat Direktur PK BLU Dirjen Perbendaharaan Kementerian Keuangan RI*. Jakarta.
- Lee, Poh Onn. 2019. "Reconciling Economic and Environmental Imperatives in Batam." *Reconciling Economic and Environmental Imperatives in Batam* 6(8rfdrrf).
- Mahkamah Agung. 2021. *Putusan Nomor 82 PK/Pid.Sus/2021*. Jakarta.
- Martinek, Madeleine. 2018. Experimental Legislation in China between Efficiency and Legality: The Delegated Legislative Power of the Shenzhen Special Economic Zone *Experimental Legislation in China between Efficiency and Legality: The Delegated Legislative Power of the Shenzhen Special Economic Zone*. Springer.
- McCalla, Robert J. 1990. "The Geographical Spread of Free Zones Associated with Ports." *Geoforum* 21(1): 121–34.
- Miles, Matthew B, Michael Huberman, and Johnny Saldaña. 2014. *SAGE Open Qualitative Data Analysis: A Methods Sourcebook*. 3rd ed. Arizona: Sage Publishing.
- Mubarok, Syahrul, Soesilo Zauhar, Endah Setyowati, and Suryadi Suryadi. 2020. "Policy Implementation Analysis: Exploration of George Edward III, Marilee S Grindle, and Mazmanian and Sabatier Theories in the Policy Analysis Triangle Framework." *Journal of Public Administration Studies* 005(01): 33–38.
- Muliono, Heri. 2001. *Merajut Batam Masa Depan: Menyongsong Status Free-Trade Zone*. 1st ed. Jakarta: Pustaka LP3ES.
- Muzwardi, Ady. 2016. "Analisis Pengelolaan Pelabuhan Di Kawasan Perdagangan Bebas Dan Pelabuhan Bebas (KPBPB) Batam." *Government: Jurnal Ilmu Pemerintahan* 9(1): 31–38. journal.unhas.ac.id.
- Negara, Siwage Dharma, and Francis Hutchinson. 2020. "Batam: Life after the FTZ?" *Bulletin of Indonesian Economic Studies* 56(1): 87–125.
- Ombudsman RI. 2019. "Ombudsman Temukan Maladministrasi Soal Pergantian Kepala BP Batam." *Ombudsman*. <https://ombudsman.go.id/news/r/ombudsman-temukan-maladministrasi-soal-pergantian-kepala-bp-batam>.
- PANYNJ. 2012. *By-Laws of The Port Authority of New York and New Jersey*. United States: Port Authority of New York-New Jersey.

- <https://www.panynj.gov/corporate/en/government-ethics/by-laws.html>.
- Paramita, Chi Chi Gita, R Slamet Santoso, and Retna Hanani. 2021. "Peran Aktor Lokal Dalam Formulasi Kebijakan Ex-Officio Di Kota Batam." *Journal of Public Policy and Management Review* 10(2): <https://news.ge/anakliis-porti-aris-qveynis-momava>. <https://ejournal3.undip.ac.id/index.php/jppmr/article/view/30646/25239>.
- Paramitha, Santi H, and Adri Wanto. 2016. "Disbanding Batam's Free Trade Zone: Ending a Dualist Authority." *RSIS Commentaries* (044).
- Peachey, Karen Joanne. 1994. "Where There Is Sugar, There Are Ants: Planning for People in The Development of Batam, Indonesia." University of British Columbia.
- Pemerintah Republik Indonesia. 2019. *Peraturan Pemerintah Republik Indonesia Nomor 62 Tahun 2019 Tentang Perubahan Kedua Atas Peraturan Pemerintah Nomor 46 Tahun 2007 Tentang Kawasan Perdagangan Bebas Dan Pelabuhan Bebas Batam*. Batam.
- Permana, Anton, Djohermansyah Djohan, Ika Sartika, and Sampara Lukman. 2022. "Disharmonization in Managing Government Affairs in Batam City, Riau Islands Province." *Indonesian Journal of Multidisciplinary Science* 2(3): 2169–82.
- Pionier, Lany, Jun Matsunami, and Bakti Setiawan. 2019. "The Institutional Dualism and Its Impact on Economic Development The Case of Dualism in Batam." *Journal of Applied Geospatial Information* 3(2): 244–52.
- Presiden Republik Indonesia. 1971. *Keputusan Presiden Republik Indonesia Nomor 74 Tahun 1971 Tentang Pengembangan Pembangunan Pulau Batam*. Indonesia. <https://peraturan.bpk.go.id/Details/78033/keppres-no-74-tahun-1971>.
- . 2005. *Keputusan Presiden Republik Indonesia Nomor 25 Tahun 2005 Tentang Perubahan Kelima Atas Keputusan Presiden Republik Indonesia Nomor 41 Tahun 1973 Tentang Daerah Indutri Pulau Batam*. Indonesia.
- Priyandes, Alpano, and M Rafee Majid. 2009. "Impact of Reclamation Activities on the Environment Study Area: Northern Coast of Batam, Indonesia." *Jurnal Alam Bina* 1.
- Rasyid, M. Ryaas. 2004. "The Policy of Decentralization in Indonesia." In *Reforming Intergovernmental Fiscal Relations and the Rebuilding of Indonesia: The 'Big Bang' Program and Its Economic Consequences*, eds. James Alm, Jorge Martinez-Vazquez, and Sri Mulyani Indrawati. Edward Elgar Publishing, 65–74.
- Rondinelli, D. A., J. R. Nellis, and G. S. Cheema. 1983. 581 World Bank Staff Working Paper *Decentralization in Developing Countries: A Review of Recent Experience*.
- Sijabat, Rosdiana. 2016. "Fiscal Decentralisation and Sustainable Development: Lesson from Local Government Levels in Indonesia." *Asia-Pacific Journal of Rural Development* 26(1): 1–60.
- Smith, Shannon L D. 1996. "Developing Batam: Indonesian Political Economy under the New Order." Australian National University.
- Turner, Mark, Eko Prasajo, and Rudiarto Sumarwono. 2022. "The Challenge of Reforming Big Bureaucracy in Indonesia." *Policy Studies* 43(2): 333–51. <https://doi.org/10.1080/01442872>.

2019.1708301.

Wan, Zheng, Yang Zhang, Xuefeng Wang, and Jihong Chen. 2014. "Policy and Politics behind Shanghai's Free Trade Zone Program." *Journal of Transport Geography* 34: 1–6. <http://dx.doi.org/10.1016/j.jtrangeo.2013.10.015>.

Xiao, Lin. 2016. Springer International Publishing *National Test: System Design of China (Shanghai) Pilot Free Trade Zone*. Singapore: Springer Singapore.

Zaenuddin, Muhammad, Wahyudi Kumorotomo, Samsubar Saleh, and Agus H. Hadna. 2018. "Dualisme Kelembagaan Antara Pemerintah Kota Dan Badan Pengusahaan Batam Serta Dampaknya Terhadap Kinerja Perekonomian Di Kota Batam." *Journal of Applied Business Administration* 1(2): 219–31.