An Analysis of the Authority in Licensing Approval (The Preliminary Approval) on the Activity of Foreign Investment

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Abstract
Until now foreign investment is still one of the important factors to move and support the economics’ growing. In analyzing the important role of foreign investment, trying to be the target of foreign investment is the common thing among many countries in this era, both the developed countries and the developing countries. Developing countries try as they can to be the target of the foreign investment. In philosophy, the existence of foreign investment is mainly needed which aims to support the development for the prosperity of the whole Indonesia people. Foreign investment affects to economics’ growing and the employment field. However, in fact this foreign investment does not only give the positive effects but also some negative effects. There are some problems which is related to the foreign investment. Those problems are related to the Licensing or the preliminary approval for the foreign investors that will trust their financial capital in Indonesia. Its regulations are confusing the investors. This confusion happens because the authorities of PMA permission are given to the center government through BKPM, but the existence of region autonomy also affects that (PMA) the foreign investment management is included to the obligation of region government. Thus, based on this regulation the region government also can manage the regulation of foreign investment permission which has been explained in region regulation that has been stated.

Keywords: Foreign Investment, Authority, the Central Government, Local Government.

I. INTRODUCTION
The main role of the Nation is to build the nation goals as stated in every constitution or the related Constitution of republic. The nation of Indonesia also agrees with the concept. The goals of The Nation of Indonesia has been stated in the constitution of Republic 1945 as the Constitution principal of Indonesia Republic, both the pre-amendment and post- amendment. Those goals tells about the strong motivation of the Indonesia people’s prosperity and also the willing to build the welfare state.

This philosophy emphasizes the willing of Indonesia founders that the nation itself has to be active in performing the Nation’s prosperity. The republic of Indonesia is designed as the (welfare state), it means the government has responsibilities to guarantee the standard of minimum prosperity for everyone. Those goals can be achieved through some facilities, those facilities are the development institutions. It is true that the development needs a lot of funds. It is absolutely difficult to build the goals of the nation founder with the fund and source of the Government only. Thus, it is necessary to find another fund source. One of the source is the investment. Investment can be used to get the fund source in nation’s development.

The strategy of Indonesia government to use the existence of investment especially the foreign investment is the right step. Therefore, by inviting the foreign investors it means that we have been trying to be as good as the developed countries. The investors’ fund, the skill trainings, and the investment management especially the skill of foreign investor in managing the potential economy resource becomes the riil economics give some advantages to our country. In other words, through the strategy regulation, Indonesia can be equal with the other developed countries in using the potential of capital of the other countries.

The foreign investors that want to develop or build their business in Indonesia have to do the procedure that is related to the permission regulation. Those regulations give advantages to the foreign investors. The latest regulation on The Law of Investment gives easiness to the foreign investors to expand their businesses on Indonesia. One of the examples is that there is no regulation that regulate the responsibility of the foreign

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5 An An Chandrawulan, Hukum Perusahaan Multinasional, Liberalisasi Hukum Perdagangan Internasional, dan Hukum Penanaman Modal. (Bandung: ALUMNI, 2011), hlm, 15-16
7 Ibid, hlm. 57-58.
investors to get the early permission before the foreign investors run their businesses. The early permission which is stated is the permission to start the act of foreign investment that is gotten through the place or the area where the business will be run. This permission should become the based permission to get the others permissions.

The issue of this permission allowance becomes one of the problems that can be ignored. The Law 2007 No.25 on investment contains the regulations of investment. The provision of this Law should emphasize the way of the investment regulation rules in Indonesia. Including the authority to regulate the permission approval as the form of early permission for the company of foreign investment. However, in fact this point is not applied in the latest Law of investment.

The issue of the permission approval for the foreign investment is related to the authority. Those are both the authority of central government and the authority of the local government. The Law 2004 No. 32 is about the local government. While the government regulation 2007 no. 38 is about the government affair division of government with the province government or even with the district government as the autonomy region. The authority division that is explained on those law basically can emphasize the concept of the investment service application in Indonesia, both in the central government and the local government. However, the issue is not as simple as it seems. In fact, the implementation of the management authority or the implementation of the foreign investment in the affair division field is only managed by the government as it has been stated in the concept of local autonomy.

Based on the background above, the issue has been formulated. Why does not the Law 2007 No. 25 regulate clearly the authority of permission approval (the first approval) on the activities of foreign investment?

II. RESEARCH METHOD

To find the solution of the issue it is necessary to use a method or a research technique. A systematic method or a systematic research technique is needed to find the solution of the emerged issue. Research method is the procedure and also a technique that is used to answer the law issue as the problem which is going to be conducted by the researcher. The researcher used the normative research. The normative research means a law research which is done to get the argumentation, theory, and a new concept as the prescription to find the solution of the law issue. It is done by analyzing the law certainty, the court decision, and also the other law materials. In other words, the normative research is one of the research kinds that is based on the Law norms. Besides, there are some approaches that are used in this research. Those are (statute approach), (conceptual approach), (Historical Approach).

Moreover, the research resources are needed to solve the law issue and to give the prescription of the action that should be done in this research. There are some law materials that are needed in this research. These law materials are the primary material, the secondary material, and the tertiary material. The primary material consists of the Constitution of republic of Indonesia 1945 and the laws and regulations: The Law 2004 No. 32 on Local government and the government regulation 2007 No. 38 on the division of the government affairs of the government, the province government, and the regency government. While the secondary material consists of all the publication related to the Law that is not legal documentation. The legal documentations are the text books, the law dictionary, the law journal, the opinion of the law bachelors, the law cases, the report of research, seminar result, workshops, symposium, and the law resource in form of publication through the internet related to the material of dissertation research. The law material that was used by the researcher was Indonesian Dictionary and Dictionary of Law.

III. THE APPROVAL OF FOREIGN INVESTMENT IN INDONESIA

Based on the capital source, The government of Indonesia divide the investment into some kinds. The government of Indonesia divide the investment kind that run in Republic of Indonesia area into foreign investment (PMA) and the domestic investment (PMDN). Both kinds of investment are different enough. The foreign investment is a kind of investment that the foreign investor uses a foreign fund source, both the whole of the fund source or just a part of the fund source (combining the foreign source fund with the other fund from the domestic businessman). While the domestic investment is a kind of investment which is from the domestic investors, and the whole of the fund source is from domestic. The approval authority of the regulation of foreign investment that uses foreign fund source is still in the hand of the central government. Those regulation consists of the foreign investment which is done by the other country. Besides, it consists of the foreign investment that is done by the foreign national or a foreign institution. It also consists of the foreign investment activities that use

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1 Peter Mahmud Marzuki, Penelitian Hukum, (Jakarta : Prenada Media, 2005), hlm.29 -36.
11 Bambang Sunggono, Penelitian Hukum Normatif, (Bandung, CV. Mandar Maju, 2000), hlm.76.
12 Peter Mahmud Marzuki, Op. Cit, hal. 141-163.
the fund from other state’s government. The involvement of government in the approval authority can happen because the fund that flows is the result of the existence of an agreement that is made between government and the other state’s government.

The legality of institution of foreign investment (PMA) only can be in the form of Incorporated Company (PT) which is allocated in Indonesia. It is different with the domestic investment (PMDN). The domestic investment is an institution than cannot be a legal entity or the individual effort. It also cannot be as a legal entity that is based on the applicable law. If the investors have already full filled those requirements, they can get some services as below;

1. Licensing service;
2. Non-Licensing service.

Licensing is a form of the regulation function application which belongs to the government’s authority. It controls all activities that are done by the society. The government have a right to control all of society’s activities through the licensing. The government have a right to control all of society’s activities through the licensing. The licensing of the investment activity means that the investment activities are agreed by the government where the licensing can be done by the central government or the local government that has an authority as the regulation provision. There are some efforts that are done by Investment Coordinating institution (BKPM). One of the effort is by conducting the implementation of PTSP(one way integrated service). The aim of the implementation of PTSP system is to conduct the process of the licensing simpler and faster.

There are some kinds of the investment licensing. Those are:

1. Registration of Capital Investment;
2. Permission of Investment Principles;
3. Permission of the Extension Principle Capital Investment;
4. Permission of Amendment Principles of Investment;
5. The business permission, Expansion permission, merger Business License(Merger Company) Investment and Business License Amendment;
6. Location permission;
7. Approval of Land Use;
8. Building Permission (IMB));
9. Disturbance Permission (UUG / HO);
10. Permission of the Ground Water utilization;
11. Company Registration Identity (TDP);
12. The land right;
13. other licenses in order to apply the investment;

The – Non Licensing is the form of the simplicity of service, the fiscal facilities, and the information of investment based on the applicable regulation. There are some kinds of non- licensing services. Those are:

1. Facilities of income tax on machinery import;
2. Facilities of income tax on import materials;
3. The proposal to acquire the facility of Income Tax (PPh);
4. Producer Importer Identification Number (API-P); plan of foreign Manpower (RPTKA); Visa Recommendations To Work (TA.01);
5. Permission of Hiring Foreign Workers (IMTA);
6. The local incentive;
7. Complaint services and information services;

The agreement and the licensing of investment both the foreign investment and the domestic investment has some effects on the development of the investment in Indonesia. All investors always expect the approval and the licensing which is very easy, fast and efficient and not complicated. Therefore, the complicated procedures of the approval and the licensing becomes an obstacle for the investors. Besides, the hard and long bureaucracy also makes the investors into hard situation. So that, the government has to create situation that is able to increase the investment activities. In other words, government is expected to create the conducive situation for the investors. That is the duty and responsibility of the government.

As explained that to conduct the investment, some permissions are needed. Both the approval that is from the central government and also the local government as explained above. This process does not only need a long time but also need a high cost. Based on this issue, the idea of the creation of policy in the investment service should be done in the form of one way integrated services.

The president ordinance 2009 No. 27 is the law product that is made by the government in order to create the conducive situation for the investment. The president ordinance 2009 No. 27 regulates the one way

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integrated services. This regulation stated that the president said that PTSP on investment is conducted by the government and the local government.

Moreover, the implementation of PTSP is in the investment area by the government is conducted by BKPM. In the implementation of PTSP in the investment area, the chief of BKPM becomes the delegation in giving the license and the non-license from the Technical Ministry/ the chief of LPND. In fact, this authority actually belongs to the government in the area of Investment and the Technical Ministry/ the chief of LPND, governor or regent/mayor that is in charge to conduct the license and the non-license in the investment area point the connector with BKPM. The authority delegation that is given by the substitution right to the chief of BKPM.

Based on Act 8 clause (1) and clause (2) the government ordinance 2009 no. 27, the government business in the investment area consists of:

a. The investment implementation in the area of cross-province;

b. The government business in the investment area consists of:
   1) The investment related to the natural resource that is not renewable with the high risk of the environment destructive;
   2) The investment in the area of industry which is the high priority on national scale;
   3) The investment related to the united function and to the inter-area connector or the area of cross-province;
   4) The investment related to the implementation of defense strategy and the national security;
   5) The foreign investment and the investment which use the foreign capital, that is from the government of other countries, that is based on the agreement that is made by the government and the government of other countries; and
   6) The area of other investment which becomes the responsible of the government based on the Laws. (Act 16 Article (1))

Then, the implementation of PTSP in the area of investment by the local government are conducted by PDPPM (the province government) and PDKPM (the regency/district government). The authority of the approval license and the non-license on the government business in the area of investment that becomes the authority of the province government, the governor delegates its authority to PDPPM.

There are some government business in the area of investment which becomes the authority of the province government, those are:

a. The province government business in the area of investment which is the area is cross-regency/district and the other province government’s business that is based on the Law regulation about the division of the government business between the government, the province government, the regency/district government, that becomes the authority of the province government;

b. The government business in the area of investment that becomes the authority of government as stated in Act 16 article (1) the institution that get the authority delegation to the governor by the chief of BKPM based on the substitution right.

For the authority of licensing approval and the non-license on the government business in the area of investment which the authority belongs to the regency/district government, governor/mayor delegates the authority to PDKPM.

There are some government business in the area of investment that becomes the authority of the regency/district, those are:

a. The regency/district government’s business in the area of investment, Its area is cross-regency/district.

   The other province government’s business which is based on the Law regulation. This law regulation is about the division of government business between the government, the province government, the regency/district government, that becomes the authority of the regency/district government;

b. The government business in the area of investment that becomes the responsibilities of government as stated in Act 16 Article (1). It stated that the government delegates its authority to the province/district government by the chief of BKPM based on the substitution right. Act (25) article (2).

IV. THE CONNECTION BETWEEN THE CENTRAL GOVERNMENT AND THE LOCAL GOVERNMENT BASED ON THE LAW 2004 NO. 32

There are some Laws that contains the discussion of the authority in giving the license for the foreign investment activities. Besides, The Law of investment and its sub-regulation, the investment is also analyzed in Laws of local government. Act 1 Article 1 The law 2007 No.25 stated that investment is all kinds of the activities of investment, both the domestic investment and also the foreign investment which is going to build its business in the area of Republic of Indonesia. Therefore, the regulation of investment cannot be separated with the regulation that scope the regulation of foreign investment area. As stated in Laws 2004 No.32 on Local government, the investment is included to the obligation of the local government. Therefore, before we discuss...
further about the authority of the licensing approval for the foreign investment, it is necessary to discuss about the relation of the center government and the local government based on The Law 2004 No. 32.

The Law 2004 No.32 on the local government policy stated that the decentralization implementation requires the relation of the government business, between the central government and the autonomy local. This affair division emerged based on the idea that there will be always the Government Issue that the whole authority belongs to the central government. Those issues are the issues which are related to the prosperity of the whole nation. Those issues are:

a. **The foreign Policy**, it means to point the diplomatic official and also to point the citizen to be in the international institution position. Besides, it is also about the regulation of the foreign policy, the regulation in conducting the cooperation with the other country, the regulation on the decision on foreign trade policy, etc.;

b. **Defense**, for example the affair of the building and the creation of the army forces, to state the peace status and also the war status with the other countries, to state that the part of the nation area or the nation is in danger situation., to build and to develop the defense system and also the army system, to determine the policy of the conscription, to decide the defending country for each civilization, etc.;

c. **Security**, for example to build and to create the nation police, to catch some of groups or organizations that endanger the nation security, to keep Save from groups or organization that conduct some disadvantage activities that threaten the security of its nation, etc.;

d. **Monetary**, for example to produce money and decide the value of the currency, to decide the policy of monetary, to control the money circulation, etc.;

e. **Judicial**, for example to build the judiciary, to point the judges and prosecutors, to establish the penitentiary, to establish judicial immigration policies, to grant the Clemency, to grant the amnesty, to grant the abolition, to establish laws. Other examples are the government regulations as the replacement of the Laws, the government regulations, and other regulations at the national scale etc.;

f. **Religion**, example are to decide the holiday day of the religion that will be applied nationally, to give the recognition of the existence of some religion, to define the policies in conducting the religious life etc. some other the national central government affairs are not given to the local government.

Moreover, there are some government affairs that is **concurrent**, it means that conducting of the affair of some part of the government or some of its fields can be done between the local government and the central government. Therefore, some parts of every concurrent affair becomes the authority of the central government, and there are also some part of the concurrent affairs that are delegated to the province government, and some part of the concurrent affairs are delegated to the regency/district government. There are some standards than can be used to create the proportional portion of the concurrent authority division between the central government, the province government, the district/ regency government. Those standards that have been explained are: the externality, the accountability, and the efficiency by considering the harmony of government affairs in managing its relation inter the level of the governments. The standard of externality is the approach in case of the government affair division by considering the consequences of conducting its government affair action. If the consequence affects to the local region, this affair will be the authority of the regency/district government. If the affair affects the regional, it will be the authority of province government. If the affair affects the national scope, it will be the authority of the central government.

The standard of accountability is the approach in the government affair division by considering that the level of the government that will handle some issues is depending on the effect of the issue. It can be decided that the level of the government will handle the affair that is related directly to its scope. Therefore, the implementation of its accountability to the society will be more guaranteed. While the efficiency standard is the government affair division by considering the resources (personal resource, fund, and the equipment resource). It is done to get the accuracy, certainty, and the fast results that have to be achieved in the implementation of the government affair. This explanation means that the result of the implementation will be better and more perfect if it is done by the province government and/ regency/district government, therefore it is better to give the affair to the province and/ regency/district government to achieve the best result. While for some affairs that is better to be done by the central government so it should be done by the central government. Therefore, the division of the government affairs have to be adapted to the situation and the scope of its government task. The standard is decided from the advantages that can be felt by the society, and this standard is determined from the portion of its risk that will be gotten.

The harmony of the correlation means that the managing of each part of the government that is done by the different level government has a correlation or inter connection, this connection depends each other and it supports each other using one united system by considering the scope of its advantages. The division of the government affair as explained, can be done by the delivery mechanism or the recognition of its local idea on the government affairs which will be arranged. Based on that idea then the government will takes care the verification first before giving the regulation of the affair that will be handled by the local government.
On the Law 2004 no.32 chapter III on local government policy. It is stated that the local government will conduct the government affairs that belongs to its authority, except the government affair that is in this local government law has been determined to be the authority of the central government. In conducting the implementation of the government affair that the authority belongs to the region’s authority, the local government will apply its autonomy as large as possible to regulate and to handle by itself its government affair based on the autonomy principal and its helping task. the implementation of the affair government that is conducted by the local government can be done directly by that local government itself. Besides it also can be done by the delegation of the province government to the regency/district government and village, or the delegation from the regency/district government to the village. The government affair that belongs to the local government’s authority consists of the obligatory functions and choice function.

The obligatory functions that are included to the authority of the province government are the province scope. Those are:

a. planning and development control;
b. planning, utilization, and control layout;
c. implementation of public order and public tranquility;
d. provision of public facilities and public infrastructure;
e. handling of the health sector;
f. providing education and allocation of human resources potential;
g. overcoming of social problems across the regency/district;
h. field of employment services across regency/districts;
i. facilitating the development of cooperatives, small businesses, and medium, including cross-regency/district;
j. environmental control;
k. land services, including cross-regency/district;
l. population and civil registration services;
m. general administration of government services;
n. investment administration services, including cross-regency/district;
o. Other basic service delivery that cannot be implemented by the regency/district and
p. other obligatory functions mandated by legislation.

While the affairs of province government that are optional or choice function consists of the government affair which is existing and have the potential to increase the society’s welfare based on the situation, characteristics, and the best potential of the related province.

The obligatory functions that are included to the authority of the province government are the province scope. Those are:

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d. provision of public facilities and public infrastructure;
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f. providing education and allocation of human resources potential;
g. overcoming of social problems across the regency/district;
h. field of employment services across regency/districts;
i. facilitating the development of cooperatives, small businesses, and medium, including cross-regency/district;
j. environmental control;
k. land services, including cross-regency/district;
l. population and civil registration services;
m. general administration of government services;
n. investment administration services;
o. other basic service delivery; and
p. other obligatory functions mandated by legislation.

The optional affair of the regency/district government consists of the potential and the real government affairs that can increase the society’s welfare based on the condition , characteristics, and the best potential of its related region.

Therefore, the correlation of the central government and the local government in its authority will be seen in every affairs’ implementation which the characteristics are concurrent and the obligation that becomes
the authority of the local government.\(^1\)

V. DECENTRALIZATION CORRELATION OF APPROVAL AND LICENSING OF INVESTMENT WITH THE AUTHONOMY

There are some standards that can be the parameter of the numbers of region authority. Many Laws regulate the local government through decentralization principal, centralization and the supporting task. Those laws can be the indicators of region authority’s standards in managing their house hold’s affairs. When the implementation of its government affair becomes greater, it means the scope of the affair which is taking care by its local government becomes greater, too. Otherwise when the principal of deocentralizaton becomes greater, then the decentralization principal will be less. It means that the affair that will be taken care by every local government will be less, too.

Based on the constitutional history of the Republic of Indonesia, it is said that Indonesia has ever through a lot of experience in the implementation of local autonomy. In the era of new order government, the implementation of the local autonomy was known as the real and the responsible autonomy principal. As stated in the Law 1974 No.5, it stated that centralization principal was more than the decentralization principal. Otherwise in the era of reformation government, there were made two laws on the regulation of the local autonomy implementation. Those Laws were Laws 1999 No.22 which was replaced by Laws 2004 No.32 on the local government. Then. It was replaced by Laws 2008 No.12 on the second amendment of Laws 2004 No. 32 on the local government. Laws 1999 No. 22 Act 7, it stated that the implementation of the Local autonomy (decentralization) “The region authority embodies all of the authority for the whole sectors in the government, except the field implementation, the regulation implementation the authority on the other sectors”.\(^2\)

If it is analyzed carefully, it is true that the Act 7 seems that it is more reasonable and more responsible, as it has been stated in Laws 1974 No.5. Furthermore and that is more important, the words “The large and the responsible local autonomy”. The words “the large autonomy” can be translated as the consistency, a willing, or political will from the central government to enlarge the authority of the decentralization principal’s implementation in the region as the regulation of MPR No. XV/MPR/1998 on the local autonomy implementation, the regulation of the implementation, the fair division and the utilizing of the national resource and also the balance regional and center financial in the aim of the Unitary Republic of Indonesia.

Time by the time, as long by the dynamics and also the development of the politics that grows so fast. The Laws 1999 No.22 was felt not applicable enough as the development of the constitution and the demand of the implementation of the local autonomy. Therefore these Laws should be replaced by the laws which are applicable with the situation and the era. Then, it was made the Laws 2004 No. 32 on the local government. However, these Laws were replaced by Laws 2008 No.12 on the second amendment of the Laws 2004 No.32 on the local government. Based on these laws the local government, the principal of the implementation of the local autonomy changed and it was adapted to the development of era. Therefore, it was changed into autonomy principal and the support task with the broader autonomy principal within the system and the nation principal of Republic of Indones as has been stated in the Constitution of Republic of Indonesia 1945. Moreover, to increase the efficiency and the effectiveness of the local government implementation, the government need to pay more attention to some points. The government should notice to the correlation of each government orders and each the local government orders. The other points are the potential and the diversity of each region and the development of the region. In the correlation of the term of development as a concept which is used in Indonesia, development means something grows, becomes bigger, building. Development shows that something is changing and having a process as the result of an action which has been planned or an action that is done intentionally. In other words the meaning of development term is something that is changed better than the previous condition. It is not only better physically but also non-physically. This understanding is similar with the term of development in the scope of local government. As the part of the national development that consists of the local autonomy affair, and within the local autonomy affair there is the affair of investment sector.

As long as the development of the local economy, the local development also cannot separated with the investment sector. This is true, because the economy activities are absolutely related to the investment sector, and in fact it can stimulate the economic growing of some regions. Although a region have a lot of potential, it will be useless without the role of the investors. Without enough investment its potential cannot be developed. The investment is needed to develop the potential of a region. Because of the urgency of the local autonomy, investment becomes more important as the increasing of the needs of local autonomy to develop its natural resource potential. However, this often enough gets some obstacles because of the fund problem. Therefore, the regulation on investment fund is needed. The foreign investment, the domestic investment and also the other

\(^1\)http://www.ut.ac.id/html/suplemen/ipem4425/HubunganKewenanganPusatDaerahMenurutUU.htm, diakses tgl 25 okt 2014
\(^2\) The Laws 1999 No.22 on The Local Government policy.
investment activities have the important role in supporting the success and sustainability of development.

VI. THE ANALYSIS OF APPROVAL LICENSING AUTHORITY (PRELIMINARY APPROVAL) ON THE ACTIVITIES OF FOREIGN INVESTMENT

Since the enactment of legislation investment, the investment activities in Indonesia have developed well and are able to make an important contribution in supporting the achievement of national economic development. However, since the multi-dimensional crisis, investment in Indonesia is facing serious challenges and complicated challenges. In addition, Indonesia is also facing the intense competition with other developing countries and other developed countries. Investments should be based on how the welfare and prosperity of the people of Indonesia, not just based on the motivation of the importance of political relations with the certain countries.

The Laws 2007 No. 25 can be said that it has to cover all the important aspects (including the matter of service, coordination, facilities rights and obligations of investors, labor, and sectors that can be inserted by investors) which are closely associated with efforts to increase the investment from the government side and investment certainty of the businessman/investor side.

Legal certainty and security become serious problems that are faced by the investors, and it gives very positive effect on investment in Indonesia, another important thing that is the implementation of the approval and licensing of the investment activities. In discussing the approval and licensing of investment activities, there are three things that should to be understood. Those are:

1. Permission investment cannot be seen as a field that stands by itself, but it must be a package with other licenses that directly or indirectly affect the operations and determine the advantages and disadvantages of a business.
2. It is not only has to be in the same line with other Laws or supported by other laws that directly or indirectly affect the smoothness of investment in the country, but the Capital Market Law should provide the most effective solutions to other problems which also very influent the investment activities, for example is the issue of land acquisition.
3. Bureaucracy that is reflected by the administrative procedures in managing the investments (such as licensing or other regulatory requirements) are convoluted and these have an unclear procedures step. Indonesia is a legal state. The essence of a law state is the discussion of the concept of a state based on law. Many kinds of the literature experts try to reconcile the Legal State and the Welfare State. The combination of these two concepts emerged to the concept of a modern constitutional state. Where the concept of state or government is not merely to maintain the order or public security, but also assume the responsibility of social justice, and the common welfare in order to guarantee the greatest prosperity of the people.

Foreign investment is one of the facility forms in order to build the welfare and prosperity of the people. With the presence of foreign investment, it would be expected that it will increase the rate of economic growth in Indonesia. Jimly Asshiddiqie stated that in the concept of the welfare state, the state is required to expand its responsibilities to the social and economic problems that are faced by many people. Including the issues related to the presence of foreign investment.

Talking about the investment, it cannot be separated from the government's authority in managing the potential that exists in the correlation with the investments both foreign investment (FDI) and domestic investment (DCI). The authority that is stated in the regulation of Laws 2007 No. 25 on Investment as well as in the other related legislation.

Authority is basically a very important part for the government, because a new government can perform its functions under the obtained authority. Within the authority, it contains of rights and obligations. In the Constitutional Laws, authority is described as the rule of law (rechtskracht). This means that only legitimate action (based authority) that got the rule of law. According S.F. Marbun, authority means the ability to perform an act of Public Law, or judicially it is the ability to act as granted by the applicable Laws to do the legal relations.

Based on the existing legal system, the rule of law in Indonesia is understood as a law power with a power-sharing system (division of power), it can be seen in the Constitution, even in 1945 before the amendment,

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1 TuLus TaHi Hamonangan Tambunan “Kendala Perizinan Dalam Kegiatan Penanaman Modal Di Indonesia Dan Upaya Perbaikan Yang Perlu Dilakukan Pemerintah”, Jurnal Hakum Bisnis, Vol. 26 - No. 4-Tahun 2007, hal 5
2 Ridwan HR, Hukum Administrasi Negara, (Jakarta: Ulf Press, 2003), hlm. 11
4 S.F. Marbun, Peradilan Administrasi Negara dan Upaya Administratif di Indonesia, (Yogyakarta: Liberty, 1997), hlm. 154-155
the Constitution RIS 1949, UUDS 1950, and UUD 1945 after the amendment. Based on the Article 1 paragraph (1) of the 1945 Constitution, it determines: "Indonesia is a republic unitary state.". The provisions of Article 1, paragraph (1) of the 1945 Constitution is a fact that the founders of this country have determined that Indonesia which was proclaimed on August 17, 1945 is a united states.

Founding’s option on a united states is an idea that emerged because Indonesia does not have areas within the staat environment, government (central) is the only holder of the government power. If it is related to The principle Article 18 UUD 1945 (before amendment) and also to the second amendment of the Constitution 1945 Chapter VI on the Local Government Policy (Article 18 paragraph 1), The idea of united states, the characteristic of the government actually is not centralized. Second Amendment to the 1945 Constitution, Article 18 paragraph (1) states: "the Republic of Indonesia is divided into provincial regions and provincial regions and cities divided into districts, which each province, district, and the city has a local government, which is governed by legislation ".

By the explicit formulation, through the grammatical interpretation, it is known that the distribution of local government units in the unitary state (in this case, the Republic of Indonesia which is abbreviated “NKRI”) is arranged between the provincial and district / city.

Based on the provisions of Article 18 UUD 1945 (the constitution of republic of Indonesia), it was clear that the Regional Government should be implemented by the state government system. In general, the system of government was affirmed in the Constitution of Republic of Indonesia, as long as the state has the Constitution. Article 1 Paragraph (1) and Article 18 of the Constitution 1945 is the relationship between the formations of the unitary state by promoting the local autonomy. In terms of Constitutional Laws, especially the theory of state forms, autonomy is a subsystem of a unitary state. Autonomy is the phenomenon of a unitary state. This is the beginning of the implementation of the government's legal political governance in the region. Then it is explained furthermore in the Laws that regulate the local government. The government law politics in this legislation is absolutely the explanation of the constitutional mandate. It contains of the main purpose that is desired by the government in its publication.

The Laws 2007 No. 25 on Investment sector is one of the product legislation that is its regulation related to the system of local government. This law is loaded with a variety of government interest. This Laws also contains of the regulation of the authority division between the central government authority and the local government authority in terms of management or the investment implementation activity. However, its regulations are still considered that the meaning of its regulations are vague/unclear (vague norm). Why? It is because, these regulations reflect the domination authority of the central government from the local government.

In The Law of this investment sector, the foreign investment activities becomes the jurisdiction of the central government. When foreign investors interested to invest their capital in Indonesia, then all the maintenance of foreign investment activities are handled by center BKPM. Thus, all matters relating to the foreign investment are regulated by the central government. Moreover, the licensing activities are also regulated by the central government. To start the operation of this foreign investment activity, it is necessary to obtain a series of permission. The foreign investors must obtain the approval from the government to hold the foreign investment activities in Indonesia. The form of the beginning approval of foreign investment activity is called as a license and this license became the basis for obtaining the other permission. Now, the question is what the role of the region is in foreign investment activity. For generally, the foreign investment activities are carried out in the region area. Does the area have no right to give permission (preliminary approval) for the implementation of the foreign investment activity? Why Investment Laws do not give room for the region which is related to the activities of foreign investment? A series of these questions arise because of the presence of Act 2004 No. 32 on Regional Government where the legislation features the principle of decentralization and regional autonomy decentralization. There is some important and interesting points in the closing clause Laws 2004 No.32. it said that the legislation of all sectors must be adapted with the Local Government Laws. According to the researchers, this clause is applied to all sectors without exception including the regulation of the activities of foreign investment.

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1 Ibid, hlm. 17.
4 Bagir Manan dalam Titik Triwulan Tutik, Konstruksi Hukum Tata Negara Indonesia Pasca Amandemen UUD 1945, (Jakarta: Kencana, 2011), hlm. 244.
6 According to Article 1 paragraph 5 of Presidential Decree No. 27 of 2009 on One way integrated service, the licensing is any form of approval to undertake investments activity that is conducted by the Government and local governments have the authority based on the legislation.
investment.

In the Constitution of republic of Indonesia 1945, before and after the amendment it stated that the existing system of government in Indonesia is a presidential government system. Where the system is more directed to the government system that emphasizes decentralization. This is reflected in any legislation in Indonesia, including in the Capital Investment Law. It implied that the affairs of investment activity was carried out by the principle of autonomy and the supporting task or decen tratization as stated in Article 30 Paragraph (8) on the Capital Market Laws.

As we know that the implementation of decentralization is essentially a transfer of some functions of the central government that can be handled by the local governments. However, not all of the functions can be transferred, but there are quite functions that can be delegated. However, some of the functions can only be handled directly by the central government.

Decentralization is always seen as a partial solution of a number of issues related to the stability and economic growth in a democracy era. Decentralization is seen as an attempt to distinguish the previous regime that is regarded to be too centralization, thus it does not provide the opportunity for the region to develop. For a country with diverse ethnicities, decentralization means to unite the diversity.

For that, based on the Laws 2004 No. 32 based on the local government, the Local Government was given wide authority, real and responsible authority. It aims to provide an opportunity for the region to organize and carry out its authority broader. The local government can regulate and manage its authority based on its own initiative. The local government also can manage its authority based on the interests of its local communities and also the potential of each area. However, the authority under Article 10 paragraph (3) the Laws of Local Government still has limitations. The limitations are the authorities in the sector of foreign policy, defense policy, security, justice, national monetary and fiscal, and religion. Those sectors still becomes the central government’s authority.

Therefore, to conduct the local autonomy as has been determined in the applicable laws, the central government should give its authority to the local government as the decentralization principal. The central government also should give the delegation and the diversion of the financing to the local government. Moreover, the central government should delegate the facilitation, the infrastructures, and the human resources as the authority that has been given to the local government.

Based on the Laws of local government Act 13 and Act 14, the authority of province, regency, and district can be divided into obligation function and the optional function. The obligation function is the authority of the local government. While the optional function is the authority of the central government. The government affair which is included into the optional function consists of the real government affair and affair that potentially increases the welfare of the society as the condition, characteristics, and the potential of the concerned area. The examples of the potentials are the mining sector, fishery sector, agriculture sector, farming sector, and forestry sector, and tourism sector.

Based on the Laws of the local government Act 13 Article (1), the obligation authority that belongs to the province government is the government affair that its scope is province. Those affair are: Planning and development control; planning, utilization, and layout control; the implementation of public order and the implementation of public; provision of public facilities and public infrastructure tranquility; handling of the health sector; providing education and allocation of potential human resources; overcoming social problems across the regency/district; services of employment sector across regency/district; facilities of cooperative development, small businesses, and medium, including cross- regency/district; environmental control; land services, including cross- regency/district; service population, and civil records; general administration of government services; investment administration services, including cross- regency/district; Other basic service delivery that cannot be implemented by the regency/district; and other obligatory functions mandated by legislation.

While based on the Laws of local government Act 14 Article (1), the authority of regency/district becomes the obligatory affair that is the local government’s authority for the regency/district. Those obligation are: Planning and development control; planning, utilization and layout control; implementation of public order and public tranquility; provision of public facilities and public infrastructure; handling of the health sector; provision of education; overcoming the social problems; service of the employment sector; facilities of cooperative development and small and medium enterprises development; environmental control; land services; service population, and civil records; general administration of government services; investment administration services; Other basic service delivery; and other obligatory functions mandated by legislation.

1 Juli Panglima Saragih, Desentralisasi Fiskal dan Keuangan Daerah dalam Otonomi,(Jakarta: Ghalia Indonesia,2003), Hlm 39
What has been defined in Article 13 and 14 Local Government Act, it is clear to us that the autonomous regions, particularly the District and the regency have the authority in the field of investment. It means that the Government of the District / Municipal authorities attract the investment to the region to see the business investment opportunities in the prospective areas and also authorized to give permission or beginning approval for foreign companies who want to invest in Indonesia.

The Laws 2007 No.25 on investment sector is the main law basic which becomes the reference for each investment activity in Indonesia. As the reference of the investment activity reference, the regulation of these Laws should be very clear and certain. It should reflect the legal certainty. However, in fact the Laws of the investment sectors has not reflected the legal certainty. The meaning of the norms within each article in its Investment Laws are still unclear. Including the regulation of the authority in the implementation of the investment activity as has been arranged in Laws 2007 No.25 Act 30.

In Article 30, Paragraph (2) The Capital Market Law states that the local government conducts the affairs of local government investment under its authority. Local authorities referred to in this Act only covers the division of territory (Article 30 Paragraph (5) and (6) that if the scope is at cross district/regency. Then it becomes a provincial government affairs, and if the scope is in the district/regency it will be the affairs of regency/ district government. There is no other authority in the management of investment that is given by the law for the local government. Similarly, in the other implementing regulations (the government ordinance, President Regulation, and decision of Head of BKPM).

The word "unless" in Article 30 Paragraph (2) is supposed to be meaningful and obliged to be obeyed. If you look at the definition of the word 'unless' according to Indonesian Dictionary, the word "unless" This means 1. Not included (in class, rules, and something else that is common); that apart from ...; Other than ...; 2. Something that is privileged from the class rules and something that means “not” under the law (deviate from the general rule, etc.); 3. Only, but (only ... Based on these definitions, according to the understanding of the researchers to the provisions in Article 30 paragraph (2), that each party that is the local governments do all the authorities but these authorities do not include the authority of the central government1.

However, the issue is as in Article 30 Paragraph (8) states that the government affairs in the sector of investment under the authority of the central government was able conducted by itself, it can be delegated or may be assigned. There are two issues that arise relating to this provision. The first issue is that this article contradicts to Article 30 Paragraph (2) above, because in such provision appears understanding that local governments cannot do some action that becomes the authority of the central government. And is absolutely seen in the substance of The Article 30 Paragraph (2). Therefore based on that understanding, the delegation of the authority which is done by the central government can lead to confusion. On one side of the laws wants to obey the rules that have been made and decided, there are boundaries that can not be violated by the central government and local government but on the other hand the law also allows for the different attitudes that lead to legal uncertainty as has been in the arrangement in article 30 of UUPM (The Capital Market Law).

Another issue that emerged related to the provisions of this article is lack of clarity on the regulation of which the field that can be run by the central government itself, can be delegated to the local governments or can be assigned to the local governments. According to researchers, the Regional seems that it just waits until it is delegated. Regional will conduct the implementation when it has been already delegated. However, if it is not delegated then regional will not do anything. Moreover, Article 30 of Capital Market Law does not provide the details or a clear division associated with any government authority over the provision of investment affairs apart from the authority based on the area.

According to the researchers understanding, the actual existence of Investment Laws today is an answer to the demands of the reformation to make changes the investment sector to be better than before, which is able to bring the real prosperity for the people of Indonesia. It will be able to meet the challenge and be able to compete with other countries. However, from the observations and the results of an analysis of existing legal materials, in fact the legislation product still has many weaknesses and it still cannot give the solution of the problems of the investment sector.

The government has tried to hold reforms in the sector of investment by issuing the Investment Laws in 2007, but unfortunately this Laws was still loaded with a variety of interests from many groups. When the background of the making of Capital Investment Laws was analyzed furthermore, since the beginning of the conversation and since the beginning of drafting legislation the determination of investment affairs administration authority has been one of hard problems that was discussed as have been seen in the formulation process of this Capital Market Laws. It becomes an important issue to be discussed and sought the solution for capital investment law has to be in synergy with other laws, including the Law 2004 No. 32 on Regional

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1 The Laws 2007 No.25 Article 30 paragraph (7)
Government. Moreover, Laws must not conflict with the other laws. If it happens, there will be a conflict of norms which lead to the failure of the principle of legal certainty. In fact, although this issue has been discussed seriously, in the legislation the regulation of the clear and detailed authority division between the central government’s authority and the local governments’ authority are not accommodated with the new investment.

The government said that to ease the process of investment and national equity, the entire area was given broad authority to decide the investment licensing process for their respective regions with an integrated system of licensing services, investment licensing authority into the region authority. Moreover, in order to facilitate the investors and to improve the investment climate in the country. However for investment that is Vital or very important for this nation, the central government has an authority to decide its regulation.1

The regulation of the central government’s authority on act 30 article(7) explained that there is a special treatment for the central government. In this article tells that the central government get the authority of the investment activity. Both the foreign investment activities and also the investment which uses the foreign capital that is from the other country’s government, based on the agreement that is made by the central government and the other country’s government. It means that the authority of the foreign investment is in the hand if he central government. The impact of this, the local government cannot make its own decision related to the foreign investment, the local government just follows the decision, the agreement, and the regulation that have been made by the central government. This regulation shows that the central government does not give an opportunity to the local government to decide the regulation of the foreign investment by itself, including the licensing approval of the foreign investment. In fact, most of the foreign investment activities which spread in Indonesia area are conducted in regions and the effect of this foreign investment are felt directly by the region.

Based on the applicable regulation, the procedure of investment for the foreign investment has to full fill the licensing approval from BKPM. This procedure gives a certainty that the business that will be done in Indonesia is a business that has to be opened to the other regulations. According to the regulation that the foreign company has to be incorporated company, thus the legality of those incorporated companies have to be done in the Legal and Human right Department. He next procedure is to process the license, the right of the land, and the petition of tax facilities. Then, the last process is the publication of The Permanent Business License or IUT by BKPM.

There are some differences in this Investment Laws. Unfortunately, those differences do not give the positive effects but those differences give some negative effects. These Laws emerge a lot of problems. In Act 30 Article (9) UUPM stated that the further obligation of the government affair division are explained further by the government ordinance. The government ordinance 2007 No. 38. This regulation stated that the government affair in the area of investment (the foreign investment and the domestic investment) is the obligation of the Local government. Therefore, the local government basically has a right to manage the investment activities including in giving the license for the foreign investment activities. The local government snatches this authority each other with the central government. It happens because the activities if the foreign investment is a profitable and strategic sector.

As the Legal State that the principal is using the law as the highest standard in managing and conducting the government and also the Nation act (Legal Supremacy), so it is necessary to decide the clear boundaries to the nation and the politic powers that no one can break these boundaries. As the nation that the principal is rule of law or the Legal state, it is very important to make the principal regulations of the Legal State within its Constitution. Moreover, that issue is the main point of the Constitution regulation. For examples are: the regulation of the right protection and the freedom of people, the principal of checks and balances, the boundary of the government authority so the government will not act haphazardly, the free, confidential, honest and fair election, and also the government accountability to people, and the participation of people in conducting the Nation Power.2

The foreign investment is a strategic sector, therefore the clear regulation that has a certainty of law is needed. The Laws of local government should be the Lex Specialist which is being the special laws and these laws must be preferred before the laws of Investment, especially related to the division and distribution of the authority that becomes the central government affair and the local government affair. The certainty law in the division and the distribution of the investment licensing’s authority is very important. It is necessary because it can avoid the unclear authority and the lack of development process. The details of the central government’s authority and the local government’s authority is very needed to get the certainty law.

The focusing issue to the central government give negative impacts. Delegating some authorities without the clearness of coordination affect the accumulation of problems. When the authority runs without any clear coordination will make the decision to the narrow economic prioritization, this situation will lead to the

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1 The Exposure of Government as stated in the formation of the Investment Law.
2 Ibid, hlm. 3-4.
long bureaucracy process. Besides, it also leads to the cross interest of the central-province-regency/district. It will be better if the central government runs the regulator function by deciding the norms/standards in the form of rules, while the operational/the implementation is done by the local government.¹

The service of foreign investment is not a dangerous activity for the Nation security. The aim of this action is to develop the economy, to create the working field for people. Therefore, the central government should not be worried if the implementation is run by the local government. Philosophically, the institution that should apply the action is the institution that is closer to the subject/object. The close institution that should conduct the service. This theory leads to the case of the foreign investment. Most of the foreign investments are in the local area, so it will be better if the local government that conducts the implementation of the foreign investment authority. Some of other countries’ experience can be the lesson. For examples are the experiences of the infestation of China and Vietnam, both countries use the centralization system for every regulation of each sector. However, for the investment sector, the regulation is delegated almost until to the local government level.

VII. CONCLUSION
On The Law 2007 No. 25 on Investment, it is not arranged the authority of the local government on the approval licensing (the first approval) of the activities of the foreign investment. It because based in the researcher, the investment Law copes many kinds if the government business. Therefore, its regulation is not clear and confusing. In fact, the foreign investment is one of the positive business and also the strategic business, so that the central government and the local government takes the authority each other. Indonesia follows the principal of local autonomy. In the Laws of investment it has been stated about the decentralization principal, however in fact the implementation in its substantial is still using the centralization principal. Therefore, the Laws of investment gives the authority to the central government including the licensing approval as the beginning approval for the foreign investment.

VIII. RECOMMENDATION
The government should revise soon the existing regulations and add some clausal that regulate clearly the authority of the beginning approval for the implementation of the foreign investment. It should be done based on the Laws of investment and the Laws of local government. It aims to avoid the unclear and the collision of authority. These issues should be avoided because it can obstruct the local development.

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