

CAPITAL INVESTMENT: A CASE STUDY OF ACEH PROVINCE, INDONESIA

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ABSTRACT

The capital investment in Aceh between 2010 and 2017 happens after the conflict and tsunami. Management of capital investment, its growth, and factors inhibiting capital investment after conflict and disaster are the focal points of this study. The purpose of this research is to determine how foreign investors in Aceh are protected under Law Number 25, 2007 and what types of security factors are present in Aceh. This research consisted of normative legal or library research. As normative legal research, only secondary data, which includes primary, secondary, and tertiary legal materials, were utilized. Based on the analysis, the Province of Aceh's management capital investment consisted of management governed by legislation governing Aceh's governance and legislation governing capital investment. In addition, the regional government of Aceh stipulated legislation governing capital investments. The growth of capital investment, both domestic and foreign, exhibited an increase, although it was not statistically significant. This slow growth was caused by security insurance, inadequate infrastructure, and the lack of legal certainty in conflict, earthquake, and tsunami-affected regions.

Keywords: Capital Investment, Conflict, Natural Disaster

INTRODUCTION

The last few decades have been known as the globalization era. a time when there are no more international borders. (Ahmad, 2014) Consequently, all changes occur rapidly. Information technology development is becoming increasingly limitless. Without a doubt, investment development is also accelerating. (Firdaus, 2010) Critical is the ability to survive at this speed (Herniati, 2015).

The province of Aceh is one of Indonesia's provinces. There are 2,270,080 ha of forest and 700,350 traditional plantations on its 5,677,081 ha of land. The province's industrial areas covered only 2,096 ha. (BPS, 2017) These geographical conditions allowed for the development of plantation-related, agricultural, livestock-rearing, tourism, and a variety of other businesses through domestic and foreign capital investment. In addition, this province has an abundance of natural resources, including thermal energy and mineral energy. Increased capital investment in the province was prompted by the province's potential for natural resources. Beginning in 2018, Turkish and Chinese businesses offered capital investments in geothermal energy resource (Surry, 2018).

In contrast, a dissertation titled "Strategy Of Increasing Of Investment In Aceh Province For Period 2010-2016" written by Malahayatie is one of the previous studies that discuss investment trends in Aceh Province. According to the dissertation, there are a number of findings or impediments to investment in Aceh Province, including: the lack of productive economic activities, the poor quality of human resources, the underutilization of infrastructure and non-infrastructure, illegal levies, complicated and unfair bureaucratic processes, and a lack of concern for local entrepreneurs. regarding regional territorial potential and the utilization of regional budgets containing political elements (Malahayatie, 2020).

The province's development was not enhanced by the abundance of natural resources, particularly oil and natural gas, despite the fact that the Aceh regional government receives more shares than the central government. In the 1970s, the conflict between the Acehnese and the central government led to a thirty-year armed conflict between the Government and the Free Aceh Movement.

In addition, the province was struck by a magnitude 9 earthquake on December 26, 2004, near the island of Sumatra, which was the largest earthquake in the Indonesian ocean region in the past four decades. The earthquake and tsunami destroyed 104,500 small businesses, 139,195 houses, 73,869 ha of farm land, 13,828 fisherman boats, 1,089 religious facilities, 2,618 roads, 3,514 schools, 517 health care facilities, 617 government buildings, 119 bridges, 22 harbors, and 8

airports, according to data released by Rehabilitation and Reconstruction of NAD-Nias.

The government established the Rehabilitation and Reconstruction Board in accordance with Government Regulation No. 2 of 2005 regarding Regional Rehabilitation and Reconstruction in the Province of Aceh and Nias Island in order to initiate post-disaster rehabilitation and reconstruction. According to Government Regulation No. 2 of 2005, rehabilitation encompasses the reconstruction and rehabilitation of infrastructure and facilities in the public, economic, health and psychosocial, education, and cultural sectors, as well as temporary shelters and other facilities related to the normalization of the government and the community. The reconstruction included space design, environment and natural resource management, housing and settlement facilities and infrastructure, public infrastructure, economic infrastructure and facilities, religious and customary infrastructure and facilities, education and culture infrastructure and facilities, employment opportunities, infrastructure and facilities related to government and community activities, and other reconstructions outlined in the master plan and detail plan.

Along with the implementation of reconstruction and rehabilitation in the Province of Aceh, the Government of Indonesia and the Free Aceh Movement signed the Helsinki Peace Agreement. (NAD-Nias, 2009) After a protracted conflict and a devastating natural disaster, the peace agreement and the implementation of reconstruction and rehabilitation were the initial development steps, including economic development through capital investment. (Nor Edi Azhar Binti Mohamad, 2012)

As a case study, this article described and analyzed capital investment following the conflict and natural disaster in the Indonesian province of Aceh. In the article, the management of capital investment, its development, and factors inhibiting capital investment in Aceh province after the conflict and disaster at the turn of the 21st century are discussed..

Research Method

This study applies a normative legal method and library legal research technique. Doctrinal research is also known as normative legal research or library legal research. (Ibrahim, 2013) As normative legal research, the study was conducted by analyzing secondary data and legal literature. Included in the secondary data for this study are primary, secondary, and tertiary legal sources. (Mahmudji, 2015) As a first step in conducting analysis for the research, a comprehensive inventory of positive law was conducted.

The fundamental norm, primary regulation, legislation, jurisprudence, and treaty are examples of primary legal materials. (Mahmudji, 2015) In addition, the primary legal document is an authoritative legal document or an authoritative document. (Ali, 2010) A primary legal document consists of the law, official notes or an agenda for drafting the law, and a judge's verdict. (Marzuki, 2008) Law No. 11 of 2006 pertaining to the administration of Aceh, Law No. 25 of 2007 pertaining to capital investment, and Aceh Qanun No. 4 of 2013 pertaining to the amendment of Aceh Qanon No. 5 of 2009 pertaining to capital investment were the primary legal sources utilized in this study.

The secondary legal materials included law-related publications such as textbooks, dictionaries of legal terms, academic papers on law, and analyses of court decisions. (Marzuki, 2008) The secondary legal materials provided explanations of the primary legal materials, such as a bill, research results, and legal field work. (Mahmudji, 2015) The secondary legal source utilized in this study was an article titled "Tinjauan Hukum Atas UU Penanaman Modal No. 25 Tahun 2007: Sebuah Catatan" and published in Jurnal Hukum Bisnis (Journal of Commercial Law), volume 26, number 4, 2007.

Discussion

1. Capital Investment in Aceh Province

Malahayati in "Strategy for Increasing Investment in Aceh Province for the Period 2010-2016," has viewed that investment in Aceh Province is hindered by a number of factors. They are as follows: the lack of productive

economic activities; the unsupportive quality of human resources; infrastructure and non-infrastructure that have yet to be maximized; illegal levies; the bureaucratic process is complex and unfair; the lack of local entrepreneurs' awareness of regional territorial potentials; and the use of regional budgets that contain political elements (Malahayatie, Strategi Peningkatan Investasi Provinsi Aceh Periode 2010-2016, 2020).

Another study is conducted by Fikriah and Meta Wulandari entitled "Analysis of the Effect of Public Infrastructure Investment on Economic Growth in Aceh" which also discusses investment in Aceh. According to the study, infrastructure and economic growth have a relationship and provide tangible benefits to the community. Good infrastructure can have a direct positive effect on economic expansion. (Ilmi, 2017) In this case, government investment is required to construct a variety of public facilities; each additional infrastructure capacity will directly contribute to accelerating economic growth (Fikriah, 2015). On the basis of the aforementioned findings, it would be worthwhile to conduct research on investment in Aceh Province and the issues that arise when dealing with foreign investors entering Aceh Province.

Aceh's provincial government is one of Indonesia's provincial governments. Therefore, the regulations of Indonesia, including those pertaining to capital investment, also apply to the province of Aceh. Capital investment in the Province of Aceh is governed by either regional or local regulations.

The central government's regulation regarding capital investment includes the following:

a. Law Number 11 of 2006 regarding Aceh Governance Act

The Law Number 11 of 2006 concerning Aceh Governance Act (later called as UUPA) was enacted to implement the memorandum of understanding between the Government of the Republic of Indonesia and the Free Aceh Movement. Following the provisions of UUPA, capital investment is governed by Section 6 of

Chapter 22 on the economy, which addresses Trade and Investment. This chapter discusses natural resources, oil and gas management, marine and fisheries, trade and investment, free trade zones, the Sabang free port, land and space utilization, and economic infrastructure.

Section 6 of the law regulates certain capital investment-related principles. First, Acehnese citizens are permitted to manage trade and investment. Article 165, subsection (1) of the UUPA authorizes the people of Aceh to engage in domestic and international trade and investment that is governed by law and regulation. Second, the Government of Aceh and district governments in Aceh are authorized to attract international tourists and to issue licenses for domestic and foreign investments, export, and import based on national norms, standards, and procedures pursuant to paragraph (2) of Article 165 of UUPA. Third, based on paragraph (3) of Article 165 of UUPA, the Government of Aceh and district governments in Aceh are authorized to issue permits for public mining exploration and exploitation, forest area conversion, fishing with 12 miles furthest from coastline to the the sea and/or to the archipelago sea for the province and one-third of the province for district governments, the use of fishing boats of all sizes, the use of fishing nets of all sizes, and the use of fishing equipment of all sizes. The fourth point addresses a fundamental principle governing the issuance of permits, which is based on subsection (3) of article 165 of the UUPA. The permits in this Article should reference the principle that public service should be prompt, accurate, affordable, and straightforward. The fifth point addresses government-provided capital investment facilities. In accordance with Article 166 of the UUPA, the government may provide taxation facilities in the form of tax wave for customs, import of capital items, import of raw materials to Aceh and export of manufactured goods from Aceh, investment facilities, and additional fiscal facilities requested by the Aceh Government.

In addition, UUPA regulates additional aspects of capital investment. First, paragraph (1) of Article 16 states that mandatory matters that fall under the

authority of the Aceh Government, as outlined in Article 14 paragraph (3), shall be considered Aceh-wide matters. including:

- a. planning, utilization, and supervision of zoning,
- b. planning and control of development/construction,
- c. maintenance of public order and community tranquility,
- d. provision of public facilities and infrastructure,
- e. health sector management,
- f. administration of education and allocation of potential human resources,
- g. handling of inter-district/municipality social problems,
- h. inter-district/municipality services for the employment and labor sectors,
- i. facilitation of the development of cooperatives and small and medium enterprises, including inter-district/municipality aspects,
- j. environmental management,
- k. land services including inter-district/municipality aspects,
- l. population and civil registry services,
- m. general government administration services, administration services related to investments including interdistrict/municipality aspects; and
- n. provision of other basic services that are not provided by the district/municipality governments.

Second, based on paragraph (1) Article 17 of UUPA, Mandatory affairs that fall under the authority of district/municipality governments shall be district- or municipality-level affairs, including:

- a. planning, utilization, and supervision of zoning,
- b. planning and control of development/construction,
- c. maintenance of public order and community tranquility,
- d. provision of public facilities and infrastructure,
- e. health sector management,

- f. administration of education,
- g. handling of social problems,
- h. services for the employment and labor sectors,
- i. facilitation of the development of cooperatives and small and medium enterprises,
- j. environmental management and supervision,
- k. land services,
- l. population and civil registry services,
- m. general government administration services,
- n. administration services related to investments including administration of other basic services.

Thirdly, one of the responsibilities and authorities of the Aceh House of Representatives is outlined in point (c), paragraph (1) of Article 23 of UUPA, which is to supervise the Aceh Government's policies regarding the implementation of development programs in Aceh, the management of natural and other economic resources, as well as capital investment and international cooperation. Fourthly, one of the responsibilities and powers of the District/Municipality House of Representatives is outlined in point (c), paragraph (1) of Article 24 of the UUPA, which is to oversee the district/municipality government's policies for implementing district/municipality development programs, managing natural and other economic resources, as well as capital investment and international cooperation.

b. Law Number 25 of 2007 Concerning Capital Investment

Law Number 25 of 2007 regarding Capital Investment, (later called as UUPM), is the only law in Indonesia regulating capital investment (Abdullah, 2007). The UUPM was signed by President Susilo Bambang Yudhoyono and ratified on the same day, April 26, 2007. This law makes no distinction between the regulation of domestic and foreign investment because the regulation of both types of investment is identical.

UUPM rendered invalid two laws. The first was Law No. 1 of 1967 on foreign capital investment (State Gazette of the Republic of Indonesia No. 1, Supplement to State Gazette of the Republic of Indonesia No. 2818) as amended by Law No. 11 of 1970 on the amendment and supplement to Law No. 1 of 1967 on foreign capital investment (State Gazette No. 46 of 1970, supplement to state gazette of the Republic of Indonesia No. 2943). Law No. 6 of 1968 on domestic capital investment (State Gazette of the Republic of Indonesia No. 33 of 1968, supplement to state gazette of the Republic of Indonesia Number 2853) as amended by Law Number 12 of 1970 on the amendment and supplement to Law Number 6 of 1968 on domestic capital investment (state gazette of the Republic of Indonesia No. 47 of 1970, supplement to state gazette of the Republic of Indonesia Number 2944).

In the interim, the government of Aceh enacted the following laws and regulations pertaining to capital investment:

a. Qanun of Aceh Number 5 of 2009 concerning Capital Investment

In addition to UUPA, Aceh Government also stipulated Aceh Qanun Number 5 of 2009 regarding capital investment. Based on the consideration in point (c) of the Aceh Qanun Number 5 of 2009 regarding capital investment, the stipulation of this qanun is to implement regulations in Articles 154, 155, 156, 157, 158, 159, 160, 165, 166, 213, and 253 of Law Number 11 of 2006 regarding Aceh government in order that the environment is conducive to business for the growth in capital investment.

In this qanun, capital investment is regulated in a separate chapter, i.e., Chapter 4 (Treatment for investors). Treatments for investors in this qanun cover several aspects. First, the qanun accord equitable treatment to all investors. Article 4 of Aceh Qanun Number 5 of 2009 regarding capital investment reads:

- (1) Aceh Government and district/municipality government in Aceh shall accord equitable treatment to all investors of any countries that carry out investment activities in Aceh in accordance with provisions of laws and regulations.

- (2) Treatment, as intended by section (1), shall not apply to investors of a country that has acquired privileges by virtue of a treaty with Aceh.
- (3) Aceh Government and the district/municipality government in Aceh shall ensure safety, security and legal certainty for investors who invested in Aceh in accordance with provisions of laws and regulations.
- (4) Aceh Government and the district/municipality governments in Aceh shall ensure the safety of the assets owned by investors who invested in Aceh from asset grab, unlawful use, seizure, or anarchic action by third parties against capital investment asset or investors.

The second aspect deals with insurance for the safety of investment ownership against a takeover, as in Article 5 of Aceh Qanun Number 5 of 2009 regarding capital investment, which reads:

- (1) Aceh Government and the district/municipality governments in Aceh must not take over ownership rights of investors, except allowed by law.
- (2) In the case that the Aceh Government or the district/municipality governments in Aceh take over ownership right of investors as intended in point (1), Aceh Government or the district/municipality governments will compensate the investors based the on market price in accordance with provisions of laws and regulations.
- (3) If both parties fail to reach an agreement of compensation as intended by point (2), the settlement thereof shall be made through the process of negotiation, mediation, consultation, conciliation, and arbitration.

The third aspect deals with the rights to transfer and repatriate. Article 6 of Aceh Qanun Number 5 of 2009 regarding capital investment mentions that:

- (1) Investors may transfer and repatriate the assets they own to parties the investors desire in accordance with the provisions of laws and regulations.

- (2) Assets not counting assets as intended by point (1) shall be assets that are determined by law as assets controlled by the state.
- (3) Investors shall be granted the right to transfer and repatriate their assets in accordance with the provisions of laws and regulations.
- (4) Provision, as intended by point (1), shall not detract from:
 - a. the rights of Aceh Government and district/municipality governments in Aceh to draw taxes, retributions, and/or royalties and/or other regional Government revenues from investments in accordance with provisions of laws and regulations; and
 - b. enforcement of the law to avoid losses to the regional government.
- (5) In the case that there is a legal responsibility that has not yet been settled by investors, Governor or Regent/Mayor
 - a. through an investigator or the Minister of Finance and/or Aceh Department of Financial and Wealth Management may request banks or other institutions to defer the right to transfer and/or repatriate.
 - b. file a claim to the court to order deferment of the right to transfer and/or repatriate.
- (6) The procedure of implementing provisions as referred to in point (5) is in accordance with the provisions of laws and regulations.

The treatment of capital investment, which includes equitable treatment for investors, insurance of no takeover, and rights to transfer and repatriate, is an example of the efforts made by the Aceh Government to provide justice and legal certainty in capital investment. The Aceh Qanun Number 4 of 2013 amends the Aceh Qanun Number 5 of 2009 concerning modal investment. The Aceh Qanun No. 4 of 2013 amending the Aceh Qanun No. 5 of 2009 regarding modal investment was enacted for two reasons. First, a quantity of domestic and foreign capital is required to manage economic potential in order to ensure the growth of the Aceh

people's society, culture, and local wisdom in order for them to enjoy prosperity. Second, to increase the effectiveness of attracting investors to invest in Aceh and to ensure the economic, social, and cultural rights of the Acehnese, regulations on the implementation of capital investment should be enacted to ensure a business environment that is conducive and encouraging for modal investment in Aceh.

The treatment of capital investment is still regulated in this qanun but with a slightly different system. First, regarding the equitability of treatment for investors, point (3), Article 1 of Aceh Qanun Number 4 of 2013 regarding amendment of Aceh Qanun Number 5 of 2009 regarding modal investment states that:

Provisions of point (1), point (2), and point (4) of Article 4 are amended and point (3) of Article 4 is deleted so that the Article 3 reads:

- (1) Aceh Government and district/municipality government shall accord equitable treatment and provide security and convenience for all domestic and foreign investors that carry out investment activities in Aceh in accordance with provisions of laws and regulations.
- (2) Aceh Government and district/municipality government in Aceh shall ensure legal rights for investors who invested in Aceh without invalidating legal rights of locals in accordance with provisions of laws and regulations.
- (3) Deleted.
- (4) Aceh Government and the district/municipality governments in Aceh shall ensure the safety of the assets owned by investors who invested in Aceh from asset grab, unlawful use, seizure, or violence by third parties against capital investment asset or investors.

Secondly, Article 1 of Aceh Qanun Number 4 of 2013 pertaining to the amendment of Aceh Qanun Number 5 of 2009 pertaining to modal investment states::

Provisions in point (1), point (2), and point (3) of Article 5 are amended, so that the Article 5 states that:

- (1) Aceh Government and the district/municipality governments in Aceh must not take over ownership right of investors, except with reasons allowed by provisions of laws and regulations.
- (2) In the case that Aceh Government or the district/municipality governments in Aceh take over ownership right of investors as intended in point (1), Aceh Government or the district/municipality governments will compensate the investors with the amount mutually decided.
- (3) In the case that Aceh Government or district/municipality governments in Aceh agree to compensate the investors as intended by point (2), Aceh Government or district/municipality governments in Aceh shall seek for approval from Aceh Legislative Council/District Legislative Council.

Thirdly, regarding rights to transfer and repatriate, point (5), Article 1 of Aceh Qanun regarding Amendment of Aceh Qanun Number 5 of 2009 regarding Capital Investment states: Between point (1) and point (2) or Article 6 is added one point, i.e. point (1a), and subpoint (b) in points (2) and (4) is amended so that Article 6 states that:

The treatment of investors in Aceh Province is outlined in Article 6 of Aceh Qanun Number 5 of 2009 concerning Investment, which states: (1) Investors may transfer and repatriate their assets in accordance with applicable laws and regulations. (1a) Asset transfer referred to in (1) shall be agreed upon by the Aceh Government/District Government; (2) Assets not counting assets referred to in (1) shall be assets determined by law to be state-controlled assets; (3) Investors shall be granted the right to transfer and repatriate their assets in accordance with applicable laws and regulations. (4) The provision, as intended by paragraph (1), shall not diminish: a. The rights of Aceh Government and district/municipality governments in Aceh to draw taxes, retributions, and/or royalties and/or other regional Government revenues from investments in accordance with applicable

laws and regulations; b. Enforcement of the law to prevent losses to Aceh Government and/or District/Municipality Government. (5) In the event that investors have a legal obligation that has not been settled, the Governor or Regent/Mayor may: a. Through an investigator or the Minister of Finance and/or Aceh Department of Financial and Wealth Management, request banks or other institutions to defer the right to transfer and/or repatriate; b. File a claim with the court to order deferment of the right to transfer and/or repatriate.

To encourage capital investment, this qanun retains the treatment of capital investment, including equitability of treatment to investors, assurance of no takeover of ownership rights, and rights to transfer and repatriate.

2. The Development of Capital Investment in the Province of Aceh

Foreign direct investment is an investment activity undertaken by foreign investors to conduct business on the territory of the Republic of Indonesia Indonesia, either solely with foreign capital or in partnership with domestic investors. (Sianipar, 2008). Capital activity entails the entry of capital or investment in the context of business operations. In this situation, foreign investors will utilize foreign capital or foreign joint venture capital alongside domestic investors (Herniati, 2015, Investment Dispute Settlement: Foreign Investor vs. The Indonesian Government).

Foreign direct investment is an investment activity undertaken by foreign investors to conduct business on the territory of the Republic of Indonesia Indonesia, either alone or in partnership with domestic investors. (Sianipar, 2008). Capital activity is the introduction of capital or investment into business operations. Alongside domestic investors, foreign investors will utilize foreign capital or foreign joint venture capital in this situation. Foreign investor versus the Indonesian government (Herniati, 2015, Investment Dispute Settlement):

A. Foreign countries, are countries originating from abroad that invest in Indonesia;

B. individual foreign nationals. Is a foreign individual who invests in Indonesia;

- C. Foreign company. Is a foreign institution that is not a legal entity;
- D. Foreign legal entity. is a legal entity established based on the laws and regulations in force in a foreign country; and/or
- e. Indonesian legal entity which is wholly or partly owned
- F. by a foreign party. This means that it is a legal entity domiciled in Indonesia, but the capital of the legal entity is wholly or partly owned by a foreign party.

Based on data collected between 2010 and 2017, the development of domestic and foreign capital investment in the Province of Aceh reveals a four-year lag between post-conflict and post-disaster. The conflict in Aceh ended on August 15, 2005, when the Indonesian government and the Free Aceh Movement signed the Helsinki peace agreement. From 2005 to 2009, the Rehabilitation and Reconstruction Agency for Aceh and Nias (BRR NAD-Nias) implemented the rehabilitation and reconstruction efforts for the tsunami disaster on behalf of the Indonesian government. According to data from Aceh Capital Investment and One

Stop Integrated Services Agency, the number and value of foreign capital investments in the Province of Aceh are as follows:

Table 1. Foreign Capital Investment in the Province of Aceh (in thousand USD)

District/Municipality in the Province of Aceh	2010		2011		2012		2013		2014		2015		2016		2017	
	Project	Amount of investment	Project	Amount of investment	Project	Amount of investment	Project	Amount of investment	Project	Amount of investment	Project	Amount of investment	Project	Amount of investment	Project	Amount of investment
Simeulue					1	11.7	2	5.5	1	20.6			2	0	4	3,590.7
Sabang	1	89.6					4	200.9	4	2715	3	997.4	2	204.5	5	243.5
Aceh Tenggara									2	0	4	525.4	4	21,115.3	2	111.4
Gayo Lues	1	200	1	0			5	1,816.3	3	79.8	5	320.9	3	1,986.3	3	2,506.7
Aceh Selatan			10	5,717.4	6	1,086.9	9	2,518.4	3	5.5	4	0.4	9	70,409.9	11	256.1
Aceh Jaya			3	4,733.2	3	62,656.5	5	0	2	0	8	0	1	1.1	1	1
Nagan Raya	2	0	2	278.1	1	19.3	5	22,034.6	2	3,998.1	11	13,698	5	6,079.2	8	664.9
Aceh Utara	1	0					1	892.8	0	389.4	3	829.4	5	35.2	9	4,664.6
Aceh Barat	1	35.8	3	0	3	100,024.4	7	14,025.4	3	2.643	6	293	5	27,374.4	9	660.1
Benar Meriah			1	1,133.3	1	109.2	7	613.1	3	393.3	5	465.7	3	356.7	3	344.9

Aceh Barat Daya											1	35	1	13	2	70.7
Aceh Besar			3	455.7	3	3,365.6	10	46,796.1	3	681	4	248	4	806.7	6	270.4
Pidie	1	600	2	255	2	2,029.8	1	17	2	1	5	0	4	5,801.3	6	214.2
Aceh Tengah			2	0			4	1,730.1	4	8,219.2	2	0			1	0
Banda Aceh	1	2,500	4	114.9	3	2,822.6	17	2,099.4	10	2,228.3	10	166.5	9	125.3	8	6,470.9
Aceh Timur	3	1,067.7	5	267.7	1	136.6	6	586.1	1	9,000	3	2,309.4	4	0.8	4	1,662.8
Bireuen							2	830	1	0			2	192.1	1	0
Aceh Singkil			1	8,860.5			1	0	2	0	1	0	2	0	2	0
Aceh Tamiang					1	7.2	1	1.4	2	1,2018	2	0	2	8.2	1	6.9
Subulussalam	1	726	3	639.7												
Lhokseumawe					1	0					1	1,300	1	0	2	3.7
Pidie Jaya									1	2,000			1	0		
Kota Langsa	1	0													1	1,502.2
Total (District / Municipality)	13	4,565.7	40	22,455.5	26	172,272.8	87	94,167.1	49	31,132.5	78	21,189.1	69	134,505	89	23,425.7
Total (Province)	13	4,565.7	40	22,455.5	26	172,272.8	87	94,167.1	49	31,132.5	78	21,189.1	69	134,505	89	23,425.7

Source of Data: Bionline SPIPISE BKPM (12 April 2018), retrieved from <http://dpmpstsp.acehprov.go.id/id/info-publik/data-investasi/> on 1 June 2018.

According to the table above, between 2010 and 2017, neither the number of projects nor the amount of foreign capital invested in the Province of Aceh grew steadily. The 2013 data indicate an increase compared to those from 2011. In 2014 and 2015, investment decreased despite an increase in the number of projects. In brief, the table demonstrates growth despite a decline in the number of projects in certain years.

The following table displays the number and value of domestic capital investments in the Province of Aceh.

Table 1. Domestic Capital Investment in the Province of Aceh (in million IDR)

District/Municipality in the Province of	2010		2011		2012		2013		2014		2015		2016		2017	
	Project	Amount of Investment	Project	Amount of Investment	Project	Amount of Investment	Project	Amount of Investment	Project	Amount of Investment	Project	Amount of Investment	Project	Amount of Investment	Project	Amount of Investment
Aceh Utara			1	0	1	16,481	3	520.796	4	20,434.8	11	316,323.7	12	3,324.2	48	23,363.5
Nagan Raya							7	1,941,139.9	6	984,477.4	5	101,690.2	3	52,420.6	10	36,879.1
Aceh Jaya					2	2,250	5	2,023.4	5	393,116.8	3	2,050	1	0	2	0
Aceh Selatan			2	54,288	1	0	3	300	4	97,938.5	7	378,652.5	2	10,325	1	100

Benar Meriah								2	4,513			1	580	1	0	
Kota Langsa			1	9,899.5			4	11,147.6	3	391,023.4	8	242,810.4	1	700	7	30,877.7
Aceh Barat	2	18,551	3	125,011	3	22,812	12	642,754.6	9	1,469,849.7	13	962,267.4	7	491,755.6	9	78,805.7
Subulussalam			1	58,000			2	0	2	15,232.4	5	1,410	1	78,061	1	0
Banda Aceh							15	202,917	10	29,463.8	25	28,198.1	11	26.546.6	11	15,783.1
Aceh Besar	1	22,329	2	10.665	1	18,000	5	43,114.4	5	52,667.3	13	56,379.1	2	0	4	42,749.8
Pidie							2	10,000	3	2,080	11	104,564.5	1	438,186,9	2	107,713.1
Aceh Timur			3	1.554,1	1	0	5	234,204	4	116,230.5	9	266,774.5	4	108	5	14,663.5
Lhokseumawe	1	0	2	0	1	0	1	0	6	98,284.1	15	520,022.9	33	1,174,758.6	34	273,358.2
Aceh Tamiang	1	0	1	0	1	645	5	24,462.6	6	80,301.3	10	393,368	2	0	8	152,455.8
Aceh Singkil											11	112,515			1	0
Aceh Tengah									2	1.239.305,9	6	542,346,4	3	109,007.9	2	150
Gayo Lues													3	3,238.2	6	2,349.4

Aceh Barat									1	108,160.6	7	3.250			1	3,550
Da																
Bireuen							2	3,559.8			6	154,027.4	6	67,079.4	1	0
Aceh Tenggara												1	0			
Pidie Jaya									3	7,210	3	4,937.5				
Sabang											1	726				
Total (District / Municipality)	5	40,880	16	259,417.6	11	60,188	71	3,636,419.3	75	5,110,289.5	169	4,192,413.6	94	2,456,092	154	782,798.9
Total (Province)	5	40,880	16	259,417.6	11	60,188	71	3,636,419.3	75	5,110,289.5	169	4,192,413.6	94	2,456,092	154	782,798.9

Source of Data: Bionline SPIPISE BKPM (12 April 2018), retrieved from <http://dpmpstsp.acehprov.go.id/id/info-publik/data-investasi/> on 1 June 2018.

According to the data presented in the table, domestic investment in fixed assets has increased over time. In some years, however, the number of projects and the amount of investment decrease, although the decline is not statistically significant. Multiple projects have expanded in Aceh Province, including spice farming, coffee farming, and oil palm farming in the agricultural sector. However, the mining industry experienced a slight decline as a result of the licensing obstacles encountered by numerous investors entering Aceh.

According to the data, domestic and foreign capital investment in the Province of Aceh have not increased significantly.

3. Factors inhibiting capital investment in Aceh Province

In general, legal certainty, taxation, and labor are the factors that impede capital investment. According to Thomas Lembong, the head of the Capital Investment Coordinating Board, there are five factors inhibiting capital investment in Indonesia: regulation, complicated regulation, quality of regulation consistency, inflexible tax rule, low quality of human resources, land issues in central government and regional government, and infrastructure issues as the primary factor supporting an industry (Modal, 2017).

As a post-conflict and post-disaster region, the Province of Aceh faces a number of impediments to both domestic and international capital investments, as detailed below..

a. Security

Some opinions establish a connection between war and commerce. Conspiracy theorists argue that a country's economy is artificially boosted through war. Despite this, economic development based on all sources as soon as possible after the war is the best course of action due to the impact of the war itself, which has consumed a substantial amount of funds (P. Martin, 2008).

Nevertheless, investors are typically wary of investing in countries that have recently been at war, primarily for security reasons. In addition, it is feared, for the country's national security, that an invasion from another country could adversely affect the country's economy (J, 1997). This is possible if the trade involves primary goods such as food and fuel, which have a significant impact on the economy.

In Indonesia, security is typically not a concern for capital investments. Due to the fact that the Province of Aceh is a post-conflict zone, this issue has become a major concern. In some instances, a security issue led to the termination of a domestic capital investment activity (News, 2017).

Even though the conflict ended with the signing of a peace agreement between the Indonesian government and the Free Aceh Movement, the conflict did not end immediately in post-conflict areas. Since the signing of the agreement, the

reintegration of former Free Aceh Movement soldiers has begun, but the security conditions necessary to support capital investment activities have not been met. A capital investor anticipates that security insurance will support their capital investment endeavors.

b. Infrastructure

As a post-conflict and post-disaster region, the availability of sufficient infrastructure to support capital investment activities is of grave concern. The earthquake and tsunami destroyed 1,000 kilometers of coastline, 21 clean water networks in districts/municipalities, 8 airports, 25 harbors, 3,440 electricity networks, 120 bridges, 2,495 kilometers of roads, 107,216 hectares of irrigation networks, 126,146 square meters of rivers, 69,050 square meters of swamps, 1,052 government buildings, and 2,000 schools (Nias, 2009).

The BRR NAD-Nias's rehabilitation and reconstruction efforts have resulted in the construction of numerous infrastructures, including 13 airports, 23 harbors, 363 bridges, 996 government buildings, 1,115 healthcare facilities, 1,775 schools, and 3,693. The amount of infrastructure successfully constructed by BRR NAD-Nias exceeded the amount of infrastructure destroyed. The infrastructure contributes to the province's economic growth, including capital investment activities.

However, infrastructure levels have not been sufficient to support capital investment activities. (Zunaidah Sulong, 2005) Infrastructure availability is one of the most important requirements for capital investment. Electricity and transportation options, such as land, water, and air transport, are necessary for the operation of businesses in Aceh. Therefore, the availability of good roads, ports, and direct international flights is of utmost importance (Nur, 2018).

c. Legal Certainty

There are numerous obstacles investors face when investing in a country, ranging from taxes and tariffs to non-tariff barriers like moral values and others.

This necessitates legal certainty to protect investors' rights when investing capital in a country (Benassy Quere A, 2007).

Capital investment requires legal certainty for conducting business in post-conflict and post-disaster zones. To improve infrastructure and production relations, policymakers should immediately improve and encourage the relationship between foreign and local companies (Thang, 2011). Legal certainty consists of capital investment regulation and law enforcement certainty. Since there are two provisions, one of which is governed by national laws and regulations and the other by provincial and district/municipality qanuns, the certainty of capital investment regulation has become an impediment. The certainty of law enforcement includes the manner in which capital investment laws and regulations are implemented.

CONCLUSION

It can be concluded that the regulations governing capital investment in the Aceh province after the conflict and disaster include laws governing Aceh's administration and laws governing capital investment. Additionally, domestic and foreign capital investments have increased, although the rise was not statistically significant. Lastly, the factors inhibiting capital investment in the Province of Aceh after the conflict and disaster are a security concern, the availability of infrastructure, and legal certainty concerns.

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