

# The Authority of the Mayor of Batam Ex Officio of the Batam Business Agency Over the Management of the Special Economic Zone

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**Abstract.** *This study aims to determine and analyze the regulation of Batam City as a Special Economic Zone and the authority of the Mayor of Batam ex officio of the Batam Business Agency over the management of the Special Economic Zone. This study uses a normative juridical approach method, analytical descriptive research specifications. The data used are primary data and secondary data. Data collection methods include literature studies, and data analysis methods are qualitative. The regulation of Batam City as a Special Economic Zone is generally regulated in Law Number 39 of 2009 concerning Special Economic Zones, which are further regulated in Government Regulations. Special Economic Zones in the Batam City area consist of Nongsa Digital Park, Batam Aero Technic, Special Economic Zones and Batam International Health. The authority of the Mayor of Batam ex officio of the Batam Business Agency over the management of the Special Economic Zone within the framework of regional autonomy in Batam City is that BP Batam is given the authority to grant permits for 16 licensing sectors. With the inclusion of the Deputy Mayor in the ex-officio framework, it is expected that the management of the Batam Special Economic Zone will be more effective and efficient.*

**Keywords:** Agency; Authority; Business; Economic; Special.

## 1. Introduction

The dynamics of regional government administration in Indonesia have always experienced changes in accordance with changes in the political and legal systems of the state, which have undergone several changes, namely during the Old Order, New Order and Reform Order.<sup>1</sup> Since the reformation, the issue of autonomy has often been a topic of discussion among many groups, especially in relation to regional interests within the Unitary State of the Republic of Indonesia.<sup>2</sup>

<sup>1</sup> Sri Kusriyah, Legal Politics of the Implementation of Regional Autonomy from the Perspective of the Unitary State of the Republic of Indonesia, *Journal of Legal Reform*, Volume III No. January 1 - April 2016, p. 2

<sup>2</sup> Abdul Choliq Dahlan, Study of the Regional Autonomy Law on the Issue of Regional Boundaries, *Journal of Legal Reform*, Volume I No.1 January-April 2014, p. 8.

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Regional autonomy is a key instrument for accelerating regional economic growth by granting local governments greater authority to adopt policies tailored to the conditions and characteristics of their respective regions. Furthermore, regional autonomy is also expected to accelerate infrastructure development and ensure equitable development across Indonesia.<sup>3</sup>

One area with the potential to become an economic zone supporting national economic growth is Batam City. Since the 1970s, the early period of development, Batam Island has been identified as a special zone due to various special policies that have been implemented, distinguishing it from other regions in Indonesia. These special regulations have made Batam one of the fastest-growing cities in Indonesia.<sup>4</sup>

Batam has long been envisioned as a promising investment destination for Indonesia. Its strategic location, bordering neighboring Singapore, a gateway to global markets, is expected to contribute to the region's growth.<sup>5</sup> In its development, Batam City was designated as a free trade area and free port based on Law Number 36 of 2000 concerning the Determination of Government Regulation in Lieu of Law Number 1 of 2000 concerning Free Trade Areas and Free Ports to Become a Law which was subsequently based on Law Number 39 of 2009 concerning Special Economic Zones changed to Special Economic Zones (KEK) with the support of the Batam Island Industrial Area Development Authority or better known as the Batam Authority Agency (BOB) as the driving force of Batam's development which is now the Batam Business Agency (BP Batam).<sup>6</sup>

A Special Economic Zone is an area which geographically and jurisdictionally is an area where free trade, including conveniences and facilities, is possible. duty free on the import of capital goods for raw materials for export commodities. Meanwhile, according to Law Number 39 of 2009 concerning Special Economic Zones, SEZs are areas with certain boundaries within the legal territory of the Unitary State of the Republic of Indonesia (NKRI) that are designated to carry out economic functions and obtain certain facilities. SEZs are more specific areas that include free trade zones (FTZs), export processing zones (EPZs), free zones (FZs), industrial estates (IEs), and free ports.<sup>7</sup>

Batam City is the largest city in the Riau Islands Province. It comprises Batam Island, Rempang Island, and Galang Island, as well as other smaller islands in the Strait of Singapore and the Strait of Malacca. These three islands are connected by the Bareleng Bridge. Batam is a strategic city because it is located on an international shipping route and is very close to and borders Singapore and Malaysia. In the 1970s, Batam was developed by the Batam Authority,

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<sup>3</sup>Nopriyanto Bahasoan et al., Regional Autonomy and Economic Growth in Indonesia: Initial Literature Review, *Ekonomis: Journal of Economics and Business*, Vol 8 No 1, 2024, p. 43.

<sup>4</sup> Muhammad Zaenuddin, Development Policy Strategy in Batam City, *Elasticity: Journal of Development Economics*, Vol. 5 No. 1, March 2023, p. 14

<sup>5</sup> Admira Rivani, Batam's Transformation into a Special Economic Zone to Improve the Investment Climate, *Brief Info*, Vol. VIII, No. 06/II/P3DI/March/2016, p. 13

<sup>6</sup> Muhamzani et al., 2022, Batam City Profile Book 2022, Batam City Communication and Informatics Office, Batam, p. 7

<sup>7</sup> Muhammad Zaenuddin, *Op.Cit.*, p. 13

which designated Batam City as Indonesia's Singapore, as stipulated in Presidential Decree No. 41 of 1973 concerning the Batam Island Industrial Area. With the designation of Batam as an internationally standardized industrial area, the Batam Authority, as the driving force behind Batam's development, supports the industrial area's working environment.<sup>8</sup>

The birth of Regional Autonomy in 1999 resulted in the administrative status of Batam Municipality changing to an autonomous region, namely the Batam City Government, to carry out government and development functions by involving the Batam Authority Agency (BP Batam). This determination gave rise to the issue of dualism in leadership and authority between the Batam Authority and the Batam City Government. The existence of these two institutions, supported by different legal structures and substances, has resulted in disharmony in Batam City's management policies.

The absence of a government regulation governing the working relationship between the Batam City Government and the Batam Free Trade Zone Authority (BP Batam) has resulted in an unclear division of authority between them. Furthermore, the existence of the two institutions, supported by different legal structures and substances, has led to disharmony in Batam Island management policies and a dualism of authority.<sup>9</sup>

Furthermore, based on the provisions of Government Regulation Number 4 of 2025 which is the Third Amendment to PP Number 46 of 2007 concerning the Batam Free Trade Zone and Free Port, the Government changed the status of the position of Head of the Batam Business Agency (BP) which is held ex-officio by the Mayor of Batam and the Deputy Head of BP Batam which will be held by the Deputy Mayor of Batam. This is stated in Article 2A paragraph (4) of PP Number 4 of 2025 which states that the Head of the Batam Free Trade Zone and Free Port Business Agency as referred to in paragraph (3) is held ex-officio by the Mayor of Batam and the Deputy Head of the Batam Free Trade Zone and Free Port Business Agency is held ex-officio by the Deputy Mayor of Batam.. This change is intended to avoid dualism in Batam's management.

The ex officio situation in Batam occurs when one person holds dual authority across two different institutions. If the Head of the Batam BP is held ex officio by the Mayor of Batam, this has the potential to lead to maladministration. This dualism is a subjective interpretation based on political interests, as the Batam City Government and the Batam BP are two institutions with distinct rules and authorities. With the Mayor of Batam concurrently serving as Head of the Batam BP, the professionalism of the Batam BP will be difficult to avoid political party control. The Batam BP has been under the Batam KPBPB Council and is not involved in political positions.

This study aims to examine and analyze the regulation of Batam City as a Special Economic Zone and the authority of the Mayor of Batam ex officio of the Batam Business Agency over

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<sup>8</sup>Alexander Yanuard Dalla, Friska Natlia Hutabarat, Overlapping Authority in the Development of the Batam Special Economic Zone, *Matra Pembaruan*, Vol 2 No 2, 2018, p. 140.

<sup>9</sup>Ibid.

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the management of the Special Economic Zone within the framework of regional autonomy in Batam City.

## **2. Research Methods**

This research uses a normative juridical approach, with descriptive analytical research specifications. The data used are primary and secondary. Data collection methods include literature review, and data analysis is qualitative.

## **3. Results and Discussion**

### **3.1. Establishing Batam City as a Special Economic Zone**

The Special Economic Zone located in the Batam City area consists of from :<sup>10</sup>

- 1) Nongsa Digital Park (NDP), is regulated in Government Regulation Number 68 of 2021 concerning the Nongsa Special Economic Zone.
- 2) The Batam Aero Technic Special Economic Zone was established based on Government Regulation Number 67 of 2021 concerning the Batam Aero Technic Special Economic Zone.
- 3) The Batam International Special Economic and Health Zone was established based on Government Regulation Number 39 of 2024 concerning the Special Economic Zone for Tourism and Health.

The Batam City Special Economic Zone is regulated by several laws and regulations, the main legal basis of which is Law Number 39 of 2009 concerning Special Economic Zones. Furthermore, there are several derivative regulations, namely Government Regulation Number 68 of 2021 concerning the Nongsa Special Economic Zone regulating the Nangso Digital Park Special Economic Zone, Government Regulation Number 67 of 2021 concerning the Batam Aero Technic Special Economic Zone regulating Batam Aero Technic, and Government Regulation Number 39 of 2024 concerning the Tourism and Health Special Economic Zone regulating the Batam Aero Technic Special Economic Zone.

The regulation of the Batam Special Economic Zone is in accordance with the theory of legal certainty according to Sudikno Mertokusumo, which states that legal certainty is a guarantee that the law is implemented, that those entitled according to the law can obtain their rights and that decisions can be implemented.<sup>11</sup>Legal certainty is the implementation of the law as it is written, so that the public can be assured that the law is being enforced. Creating legal certainty in legislation requires requirements related to the internal structure of the legal norms themselves.<sup>12</sup>In this case, the Batam Special Economic Zone is regulated by Law No. 39 of 2009 concerning Special Economic Zones, which was then issued by Government Regulation Number 68 of 2021 concerning the Nongsa Special Economic Zone, which regulates the Nangso Digital Park Special Economic Zone, Government Regulation Number

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<sup>10</sup>Ibid.

<sup>11</sup>Sudikno Mertokusumo, 2007, Understanding Law: An Introduction, Liberty, Yogyakarta p. 160.

<sup>12</sup>Fernando M Manulang, 2007, Law in Certainty, Prakarsa, Bandung, p. 95.

67 of 2021 concerning the Batam Aero Technic Special Economic Zone, and Government Regulation Number 39 of 2024 concerning the Tourism and Health Special Economic Zone, which regulates the Batam Aero Technic Special Economic Zone. Thus, the regulation of the Batam Special Economic Zone has fulfilled the principle of legal certainty.

### **3.2. The Authority of the Mayor of Batam Ex Officio of the Batam Business Agency Over the Management of the Special Economic Zone**

Special Economic Zones, the aim of which is to maximize the implementation of development and guarantee business activities in the economic sector, including trade, maritime, industry, transportation, tourism and other sectors, which in turn are expected to increase the competitiveness of export products in the global market, have not been optimally implemented in reality.<sup>13</sup>

The city government has no authority over spatial planning, utilization, and oversight. This authority rests with the Batam Free Trade Zone Authority (BP Batam) for granting land use permits. Therefore, the authority to conduct environmental impact assessments (EIAs) for investors and the obligation to conduct environmental impact assessments (EIAs) rests with the Batam Free Trade Zone Authority (BP Batam). Environmental Impact Assessments (EIAs) for the impacts of planned development rest with the authority to issue land use permits in principle, issued by the Batam Free Trade Zone Authority (BP Batam).<sup>14</sup>

This situation has implications for addressing the excesses of development itself, including environmental damage and other impacts on the community. The problem is that the city government, responsible for administering government affairs and various aspects of community life, lacks sufficient authority to control and even implement remedial measures, rendering its role in protecting the community less effective. Yet, the primary role of government is to ensure order and protect its citizens.

Overlapping authority is also caused by the biased application of statutory provisions in the field. For example, issues with the implementation of the UWTO and PBB. In fact, Batam is essentially intended as a region that attracts investment by reducing costs for interested investors. This situation clearly has the potential to discourage foreign investment.

To overcome the problem of dualism in Batam City, the Central Government made a decision, namely that the Mayor of Batam concurrently serves as Chairman of the Batam Business Agency which carries out the management, development, and construction of Batam City as regulated in Government Regulation of the Republic of Indonesia Number 62 of 2019 concerning the Second Amendment to Government Regulation Number 46 of 2007 concerning the Batam Free Trade Area and Free Port.

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<sup>13</sup>Alexander Yanuard Dalla, Friska Natlia Hutabarat, Overlapping Authority in the Development of the Batam Special Economic Zone, *Matra Pembaruan*, Vol 2 No 2, 2018, p. 143

<sup>14</sup>*Ibid.*, p. 144



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The issuance of Government Regulation (PP) No. 25 of 2025 brings significant changes to the licensing mechanism in Batam City. All licensing authority, previously held by the Central and Provincial Governments, is now fully delegated to the Batam Business Agency (BP Batam).

The Riau Islands Provincial Government will no longer be involved in granting permits for reclamation or other sectors in Batam. This delegation of authority is crucial to provide legal certainty for investors and expedite the licensing process in Batam. Government Regulation Number 25 of 2025 specifically regulates the transfer of some authority from ministries and institutions to the Batam Free Trade Zone Authority (BP Batam).

Sixteen central government authorities have been transferred to the Batam Business Agency (BP Batam), including reclamation permits, forest area releases, mining permits, and Marine Spatial Utilization Activity Conformity Approval (PKPRL). Previously handled by the Ministry of Maritime Affairs and Fisheries (KKP), BP Batam now handles these. This transfer of authority is stipulated in Government Regulation No. 25 of 2025 concerning Amendments to Government Regulation No. 41 of 2021 concerning the Implementation of Free Trade and Free Port Areas.

It was determined Government Regulation No. 4 of 2025, which stipulates that the Mayor and Deputy Mayor of Batam will serve ex-officio as Head and Deputy Head of the Batam Free Trade Zone Authority (BP Batam), is a strategic step that brings great hope to Batam residents. This regulation not only strengthens synergy between the regional government and the economic zone management authority but also simplifies bureaucracy that has often been a barrier to development.

Batam, as a Free Trade Zone and Free Port (KPBPB), plays a vital role in the national economy. With a more unified leadership, policy effectiveness can be enhanced. Investors and businesses can now interact directly with regional leaders who also hold authority at the Batam Free Trade Zone Authority (BP Batam), narrowing previously convoluted control gaps.

Furthermore, the decision reflects the spirit of continuity in the governance system, as embodied in the basic principle of "Governments may change, but the system remains." This is a positive signal for policy stability and legal certainty in Batam. With the inclusion of the Deputy Mayor in an ex-officio capacity, the leadership structure is increasingly solid, supported by deputies who will carry out the technical operations of BP Batam. In this context, the central government has taken a wise step by maintaining a balance between the spirit of regional autonomy and accelerated development. Batam needs strong leadership capable of accelerating development without being hampered by the dualism of authority that has been a major issue in the management of the Batam area.

However, the issuance of ex-officio decisions could be said to violate regulations prohibiting state officials from serving concurrently as commissioners or administrators of business organizations. One of the regulations violated is Article 17 of Law Number 25 of 2009 concerning Public Services. This regulation states that state officials are prohibited from concurrently serving as commissioners or administrators of business organizations. So it is no longer professional if the Head of BP Batam becomes a public official. In addition, another

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regulation that is violated is Article 76 paragraph (1) of Law Number 23 of 2014 concerning Regional Government, prohibiting making decisions specifically to benefit individuals, family, cronies, certain groups or political groups. Articles 4 and 5 of Law Number 1 of 2005 concerning State Treasury, that the Head of BP Batam as the head of the institution is a Budget User, a User of Goods while the mayor as the regional head is not a Budget User. Ex-officio appointments can affect professionalism in the management of BP Batam, because the head of BP Batam should be filled by professionals in their fields.<sup>15</sup>

#### 4. Conclusion

The regulation of Batam City as a Special Economic Zone is generally regulated in Law Number 39 of 2009 concerning Special Economic Zones, which is further regulated in Government Regulations. The authority of the Mayor of Batam ex officio Batam Business Agency over the management of the Special Economic Zone is that BP Batam is given the authority to grant permits for 16 licensing sectors. With the inclusion of the Deputy Mayor in the ex-officio framework, it is hoped that the management of the Batam Special Economic Zone will be more effective and efficient.

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<sup>15</sup>Ombudsman Stops Plan to Appoint Ex-Officio Head of Batam, <https://ombudsman.go.id/news/r/ombudsman-hentikan-rencana-pengangkatan-ex-officio-kepala-batam>, accessed September 2, 2025.

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