



Courses

EGKB 310:
2 (1-1)

REGIONAL DEVELOPMENT PLANNING



MINISTRY OF EDUCATION, CULTURE, RESEARCH, AND TECHNOLOGY
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AGRIBUSINESS STUDY PROGRAM

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FOREWORD

Praise be given to the presence of Allah SWT for all His mercy so that the Regional Development Planning Module (1) can be compiled to completion. Do not forget to thank the help from those who have contributed by donating both thoughts and materials.

The writing team really hopes that this Regional Development Planning Lecture module can add knowledge and experience for readers. In fact, we hope that even further so that readers can practice in everyday life.

For us as authors feel that there are still many shortcomings in the preparation of this Module due to our limited knowledge and experience. For this reason, we really expect constructive criticism and suggestions from readers for the perfection of this paper.

Banjarbaru, 2021

Constituent

Module 1

Scope of Regional Planning

INTRODUCTION

Planning is basically a process to achieve a certain end goal. Efforts to achieve these goals can be achieved through the realization of certain goals (commonly referred to as intermediate goals), which are predetermined and have been formulated both by individuals themselves and by a particular organization. Planning is needed so that allocation becomes more efficient and effective, with the intention that future conditions will be better.

In the understanding of planning there are several hidden understandings, including the following.

1. In a plan must contain a certain goal which is an expected end result.
2. It should be realized that the process of achieving the final goal requires a certain amount of time to realize it. Therefore, to achieve these goals, several goals are needed as stages of achieving the expected final goal.
3. As explained in point 2 that to achieve these goals it takes a certain time span to achieve them, therefore every plan can always be associated with a certain time interval.

In relation to development planning, its realization can take the form of **regulation** and **control** over the relationship or actions between the government and the market system. The development of development activities, both carried out by the government (*public sector*) and private (*private sector*), raises the need for regulation and control of these activities. Control is a way to influence market forces as the main tool for development. Governments must continually try, to varying degrees and degrees, to regulate and direct development so as to spur the development process beyond what market forces themselves can achieve.

National development planning according to Dorojatun Kuntjoro Jakti (1985) is basically a multidimensional process in which the meaning of reorientation and reorganization of the social system and the economic system as a whole on a national or state scale. Development planning will always be associated with two main problems, namely economic problems and social problems. Broadly speaking, development planning can be divided into two main components.

In its implementation, development planning is divided into several levels (hierarchy), ranging from national, regional to local levels. The further down the development planning level, the more obvious the physical aspect will be, and vice versa for the planning level that is getting upward.

By finishing reading this module material, you are expected to be able to explain the concepts and definitions of regional planning, regional classification, and the differences between regional analysis and national analysis.

In more detail, you are expected to explain:

1. concepts and notions of regional planning;
2. the role of other sciences in regional planning;
3. understanding and examples of homogeneous territories;
4. understanding and examples of nodal regions;
5. understanding and examples of planning/ administrative areas;
6. Differences between regions and nationals from the side:

- a. derajat keterbukaannya (*degree of openness*);
- b. macro variables that do not apply in territory analysis;
- c. differences in balance sheets supporting regional and national analysis.

Learning Activity 1

Regional Planning Concept

Based on Law No. 26/2007 on spatial planning, an area is defined as a space that is a geographical unit along with all related elements whose boundaries and systems are determined based on administrative and/or functional aspects. Based on this understanding, it can be seen that the boundaries of an area can be determined with certainty based on a regulation, or vice versa it is difficult to determine because it involves linkages economic activity of its people.

A. DEFINITION AND DEFINITION OF REGIONAL PLANNING

Basically, regional planning also has the same properties as development planning in general, it's just that regional planning is associated with a certain area. Based on Law No. 26/2007 on Spatial Planning, what is meant by regional planning is related to regional spatial planning, which has the aim of realizing a safe, comfortable, productive, and sustainable national territorial space based on Nusantara Vision and National Resilience by:

1. the realization of harmony between the natural environment and the built environment;
2. the realization of integration in the use of natural and artificial resources with due regard to human resources; and the realization of protection of space functions and prevention of negative impacts on the environment due to space utilization (Law No. 26/2007 Article 3).

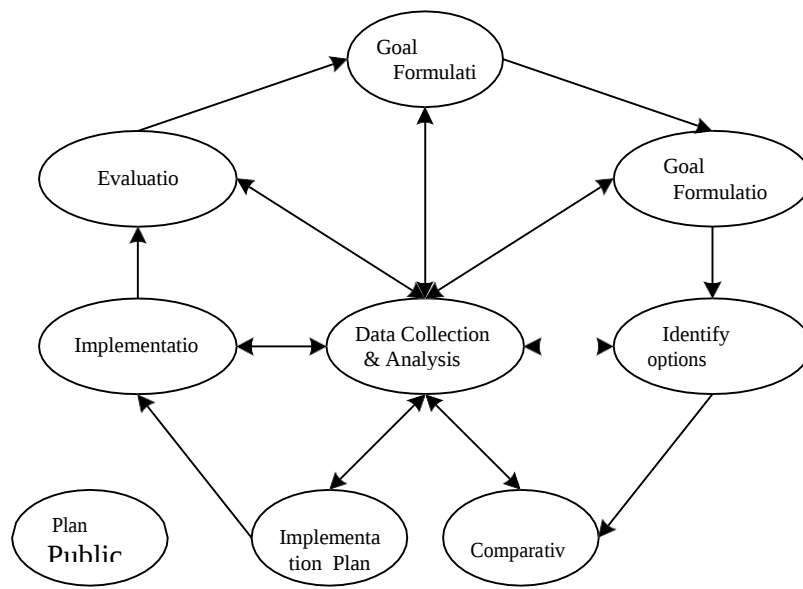
According to Friedman (1967) regional planning is the process of formulating and affirming social and economic goals in various activities in a larger space than the city area (usually referred to as *supra-urban*). Nugroho and Dahuri (2004) define regional development planning as an effort to formulate and apply a theoretical framework to economic policies and development programs in which it considers regional aspects by integrating social and environmental aspects towards achieving optimal and sustainable welfare. In this sense, it is illustrated that regional planning is usually always related to social goals, such as population development, employment opportunities, community welfare, security, better access to education, health and so on, as well as economic problems, such as problems of economic growth, expansion of the industrial and service sectors, increasing productivity of the agricultural sector. In addition, based on the scope of the area, regional planning concerns an area that is wider than the city area because basically the city is one part of the regional element, in addition to rural areas. The spatial aspect is also an important consideration for regional planning because basically all predefined social and economic goals (such as optimal and sustainable welfare) must be placed in space.

Nugroho and Dahuri (2004) also explained that there are four purposes of regional development planning, namely

1. provide social and economic protection due to inequality, poverty, and pressure on natural resources;
2. as a medium for the occurrence of market mechanisms;
3. provide tools for development planning itself;
4. is an effort to build a better institutional system.

Related to the purpose of regional development planning as an effort to provide tools for

planning itself, various efforts are made so that the plans prepared can run in accordance with what are the goals and objectives of the plan. Therefore, it is necessary to arrange a series of activities that can lead to these conditions. Bendavid-Val (1991) seeks to compile a series of activities that are expected, if running properly, are able to describe the series of activities from an ideal planning model (*Idealized Planning Model*) that is able to deliver plans in accordance with their goals and objectives. Schematically, the ideal arrangement of planning models can be described as in Figure 1.1.



Source: Bendavid-Val, (1991)

Gambar 1.1. *Idealized Planning Model*

Based on Figure 1.1, there are three features related to the meaning of planning as a process, namely

1. analysis and data collection is not a sequential process, but a function that continuously supports all activities and simultaneously receives information from them;
2. all stages of the process are part of an interconnected cycle, in which goals and objectives are periodically defined and reformulated;
3. The publication of the plan is not the end of the process, but can be carried out at any time depending on the conditions.

B. LINKAGE WITH OTHER FIELDS OF SCIENCE

As explained earlier, regional planning has the same properties as multidimensional development planning. Based on this understanding, it can be seen that regional planning will have a broad scope both economic coverage, geographical coverage, social and cultural coverage, political coverage and even physical coverage, such as land use planning, natural resource conservation, and environmental development. Therefore, the field of regional planning will have an interrelationship with other scientific fields. This is also realized by several experts in their respective fields who feel interested in regional problems so that on

December 27, 1954 in the United States gathered 60 scientists in the fields of economics, geography, and other social fields together to form an association called *the Regional Science Association* (Azis, 1987). The main objective of the science of the area is to explain, predict, and solve socio-economic problems associated with spatial dimensions and time dimensions that are useful for making policy formulation and development planning.

More and more other scientific fields are felt necessary to make a good regional planning, even today informatics science has become one of the tools that are widely used for planning at the regional level.

The scope of this fairly broad planning requires coordination and synchronization of each scientific field so that the analysis carried out becomes balanced and considers various broader aspects. Various anticipatory actions can be prepared, which in turn will lead to the creation of goals to be achieved in a faster period of time.

c. THE IMPORTANCE OF REGIONAL PLANNING

According to Glasson (1974) there are several factors that require the government to participate in regional planning. These factors are usually based on differences in characteristics between each region in the national territory and also functional differences from each region.

The existence of differences in the natural characteristics of each region requires different planning, such as areas in the watershed will have different regional planning from areas along the coastline of an ocean. These two things are an example of the differences in planning of each region based on its characteristics. Likewise with the difference in function. Areas that have very rapid industrial activity with large population growth will have different planning characteristics from areas whose main activity is agriculture with relatively small population development.

A country may have various characteristics and functional differences from its regions. That is what causes the need for regional planning because it will be very impossible if the planning is only based on national planning. Likewise with Indonesia, with different regional and social characteristics for each region in Indonesia, the role of regional planning for development in Indonesia becomes very important because development will become more focused in accordance with the characteristics possessed by each region.

Regional planning can be viewed as a liaison plan, which is a plan that connects planning at the national level with existing planning at the local level so that there is alignment between the goals made at the national level with the goals at the community (local) level. Based on this role, there are two main things to be aimed at from regional planning, namely

1. *Place Prosperity*, how to achieve equitable development between regions in a country, and avoid excessive inequality between *regions* in a country (*disparity areas*).

There are several measures to determine how much inequality occurs between regions. Some of these sizes include

- a. The Williamson index, which is nothing but a *coefficient of variation* of an indicator of economic progress of the regions (usually represented by GDP per capita) that is the area of study.
- b. Theil Entropy Index. Like the Williamson Index, the Theil Entropy Index is also a coefficient of variation. The difference is that in Theil's Entropy index we can

decompose its inequality components into two parts, namely regional inequality within region (*within region disparity*) and regional inequality between regions (*interregion disparity*). In addition, by using Theil's entropy index, we can also find out about the contribution (*share*) of each region to the magnitude of regional inequality as a whole.

2. *People Prosperity*, how to make there is equal distribution of income and welfare between individuals (income groups) in a certain area (income *disparity*).

The measure most often used as a measure of calculating inequality between income groups is the *Gini index*. The calculation of the *Gini index* is derived from a curve called the Lorenz Curve, which basically tries to explain how much income groups enjoy the results of development (which is usually measured by national income). The farther the distance of the Lorenz Curve from the *line of equality* or the greater the area of the shaded curve (area of curve A), the greater the *Gini index*, the more uneven. Based on the figure, we can conclude that the larger area A, the more unequal the inequality between the rich and the poor.

What is the starting material for this course? Pretty interesting isn't it? Hopefully you can understand about the concept of regional planning.

EXERCISE

To deepen your understanding of the material described, do the following exercise!

- 1) Explain the meaning of regional planning, what areas are related to the activity!
- 2) State the most important thing - that must be provided - of all the activities that exist in the concept of an ideal planning process!
- 3) Name at least 5 scientific fields related to regional planning, also explain the role of each of these sciences in regional planning!
- 4) Explain why regional planning is so important to national planning as a whole!
- 5) Name the two main objectives of implementing regional planning in a country!

Practice Answer Hints

- 1) You re-read the explanation in the understanding and definition of regional planning.
- 2) See explanations and pictures of the ideal planning process put forward by Bendavid Val.
- 3) See the picture about the relationship between scientific fields in regional planning.
- 4) Re-read the subchapter on the importance of regional planning.
- 5) Look back at the main objectives to be achieved from the implementation of regional planning.

SUMMARY

National development planning according to Dorojatun Kuntjoro Jakti (1985) is basically a multidimensional process in which the meaning of reorientation and reorganization of the social system and the economic system as a whole on a national or state scale. Basically, regional planning also has the same properties as development planning in general, it's just that

regional planning is associated with a certain area. Regional planning is the process of formulating and affirming social and economic goals in various activities in a larger space compared to the city area.

If a regional plan is prepared with a series of activities that are correct and appropriate, the planning will be able to deliver plans made in accordance with its goals and objectives. Regional planning is multidimensional, therefore various scientific fields will be related to the process of preparing the plan.

Regional planning can be viewed as a liaison plan, which is a plan that connects planning at the national level with existing planning at the local level so that there is alignment between goals made at the national level with goals at the community (local) level. Based on its role, there are two main things to be aimed at from regional planning, namely *Place Prosperity and People Prosperity*.

FORMATIVE TEST 1

A. Choose the one most appropriate answer!

- 1) Below which is not characteristic of the notion of planning, is....
 - A. There are official institutions that regulate
 - B. have a specific end goal
 - C. have short-term goals
 - D. Have a clear time frame
- 2) The following which are not the main objectives to be achieved from regional planning, are....
 - A. the creation of optimal welfare for its population
 - B. Development integration between regions
 - C. creating an increasing growth in per capita consumption
 - D. continuity in its implementation
- 3) Development planning can also be seen from the non-physical side. The point of the statement was....
 - A. Development is characterized by fundamental changes in people's incomes
 - B. Development is characterized by changes in the pattern of social life of the community
 - C. Development is characterized by fundamental changes in the entire pattern of social life of the community
 - D. Development is characterized by fundamental changes in the pattern of institutions (institutions) that exist in society
- 4) If we look at the thinking pattern of the *idealized* planning model concept proposed by Bendavid Val then the central point of the planning model is....
 - A. There is a good formulation of goals from each plan to be prepared
 - B. There is a publication of plans that have been made so that the community can assess how the implementation of the plan
 - C. There is an evaluation that is carried out continuously, so that the plan can be improved to achieve the goals that have been set
 - D. There is an availability of data that can be analyzed continuously so that every action in planning is always based on the right data
- 5) One of the reasons why a country needs to do regional planning in addition to national planning is....
 - A. Because the country needs to detail its national planning to be more applicable

- B. The government of the country realizes that there are different characteristics of the regions in the country
- C. The country wants to implement a hierarchy (order) of planning ranging from national planning, regional planning, and local planning
- D. In order for there to be continuity in the planning policies imposed in the country.

B. Choose your answer according to the rules as below:

If the answers, (1), (2), and (3) are correct then select A If answers (1) and (3) are correct then select B

If answers (2) and (4) are correct then select C If all answers are incorrect then select D

- 6) What is not characteristic of development planning in a region or a country is....
 - (1) There is a continuous increase in real *output* from the region
 - (2) There is a continuous increase in the real income of the people
 - (3) There has been a fundamental change in the administrative pattern of government in the region
 - (4) There are fundamental changes in the social system of the existing communities in the region
- 7) The following statements that are not included in the regional development planning are....
 - (1) prioritizing using funding sources originating from within its own territory
 - (2) as a medium for the occurrence of market mechanisms
 - (3) Focus on using all capabilities and resources available in the area
 - (4) is an effort to build a better institutional system
- 8) Some of the social sciences directly related to regional planning are....
 - (1) Anthropology
 - (2) Sociology
 - (3) Political science
 - (4) Communication Studies
- 9) Regional planning is often also referred to as a liaison plan. The point of the statement was....
 - (1) Regional planning is able to link planning at the central level with planning at the local level
 - (2) Regional planning is able to connect existing planning in each separate area
 - (3) in the case of Indonesia, regional planning is able to link planning at the national level with planning at the district / city level
 - (4) in the case of Indonesia, regional planning is able to connect existing planning on each island in Indonesia
- 10) Regional planning is made to achieve the main objectives as follows, namely....
 - (1) increase the income of residents of the region
 - (2) Minimizing income inequality between communities
 - (3) Increase access between regions within a country
 - (4) minimize disparities between regions within a country

Match your answers to the Formative Test Answer Key 1 found at the end of this module. Calculate the correct answer. Then, use the following formula to find out your level of mastery of the Learning Activity 1 material.

$$\text{Mastery rate} = \frac{\text{Number of Correct Answers}}{\text{Number of Questions}} \times 100\%$$

Meaning of mastery level: 90 - 100% = very good

80 - 89% = good

70 - 79% = sufficient

< 70% = less

If you reach a mastery level of 80% or above, you can continue with Learning Activity 2. **Good!** If it is still below 80%, you must repeat the Learning Activity 1 material, especially the parts that have not been mastered.

Learning Activity 2

Region Classification (Region)

Based on Law No. 26 of 2007, what is meant by territory is space which is a geographical unit along with all related elements whose boundaries and systems are determined based on administrative aspects and / or functional aspects. The notion of Territory is always associated with an area that is part of a national territory that has a comprehensive structure so that it functions independently, in the sense that the territory will be able to regulate its own activities. However, although each region is essentially an independent region, in reality there will always be *interrelationships between regions*. Territory is a geographical area that has special characteristics and is a medium for various activities to be located and interact. Therefore, openness is the main characteristic of a region because basically, every activity in one area will be very easily related to activities

other activities in the surrounding areas.

In studying regional planning, we often have to detail and then try to distinguish the meaning of territory from what has been described above. For the purposes of regional planning, at least we usually distinguish the understanding of territory into 3 things, namely

1. homogeneous territory
2. Nodal region (functional/economic region)
3. Planning/administrative area

A. DEFINITION AND EXAMPLES OF HOMOGENEOUS REGIONS

The main characteristic of a homogeneous region is an area that has a certain characteristic in common. The similarity of these characteristics can be in the form of similarities from the physical side, or from economic activities, even from similarities in the social side of society. If we have determined a region in terms of homogeneity, then internal or intraregional differences become less important because our interest is more in regional similarities than in inequalities. Usually, regional planners often interpret that the homogenous concept of territory is a regional concept based on an economic approach because it is usually associated with the functions carried out by the area.

In everyday life, we often use the term homogeneous region for various purposes both general and related to regional planning. For example, we often hear the term watershed (watershed), or an Industrial Estate (KI), or also we often hear the term Development Area (WP) in regional planning activities. These three examples are examples of homogeneous regions around us.

A watershed is a homogeneous region because the areas around the watershed have the same characteristics of the region, they have similarities in terms of climate, vegetation, and even topography. Likewise with Industrial Estates, these areas have the same characteristics in terms of the type of industry that exists and also from the existence of infrastructure supporting industrial activities in their areas. For homogeneity development areas, it is usually seen from the similarity of economic characteristics, social characteristics or even certain physical characteristics, for example, the East Fisheries Development Area in West Java Province has similarities in terms of socio-cultural community.

B. UNDERSTANDING AND EXAMPLES OF NODAL REGIONS

One characteristic that characterizes the main area that falls into the nodal region category is the tendency of regional activity to focus on one dominant activity (called a node) in the region. This region has a more dynamic nature compared to the notion of homogeneous territory because both the area and dominant activities in a region will vary. For example, the extent of activity will vary depending on the magnitude of the "*pull factor*" of the dominant activity (node) in the region. Likewise, a node can also change as a result of changes in its environment, such as mining activities (which become nodes in an area) will change if mining materials in the area are greatly reduced. Like homogeneous regions, nodal regions are also referred to as functional regions (because they have certain functions, such as their function as metropolitan areas) or also areas based on an economic approach (economic regions) because of the interrelation of economic activities that usually make some of these regions related to each other.

An example of a nodal area that we can encounter in everyday life is the Jabodetabek Metropolitan Area (Jakarta - Bogor - Depok - Tangerang - Bekasi) where all activities around the area will be attracted to Jakarta, so Jakarta is considered a node. Likewise, the Greater Bandung Metropolitan area (consisting of Bandung, Cianjur, and Sumedang) with the center of activities in the city of Bandung. The linkage of economic activities in the metropolitan area usually crosses the administrative boundaries of the region itself, for example, the Jabodetabek Metropolitan Area is not the same as the administrative areas of Jakarta, Bogor, Depok, Tangerang, and Bekasi because not all areas in the Bogor or Bekasi administrative areas are interested in activities in Jakarta. Therefore, in some developed countries for each metropolitan area is always made statistical data called MSA (*Metropolitan Statistical Area*), which is data taken from areas in a metropolitan area whose activities are related to its nodes (different from the administrative data of the region concerned).

C. DEFINITION AND EXAMPLES OF PLANNING/ADMINISTRATIVE AREAS

What is meant by an administrative region is an area formed due to political policies from the government. Usually the form of territory is in the form of administrative boundaries of a government area, such as a district, or province. Each district or province has its boundaries clearly defined based on the law establishing the region. The definition of territory in Law No. 26/2007 is an administrative definition of the region.

Examples of administrative regions are very often encountered in everyday life, even statistical data as supporting material for development analysis is always based on the administrative region. For example, the area of Purwokerto Regency in Central Java, or the territory of East Kalimantan Province, are examples of administrative regions where the territorial boundaries of the administrative area are determined by the laws establishing their respective regions.

In Indonesia today, the division of regions is more based on the administrative understanding of the region (even all statistical data in Indonesia is always based on the characteristics of the administrative region). One disadvantage of administrative regions is that people's economic activities do not always follow those of the administrative region – they will always follow their economic area. According to Brodjonegoro (...), if the economic

area is not the same as the planning area, two things will happen as follows.

1. *Spillover effect* occurs

For example, we indicate the need to provide infrastructure for a regional economy, but the existing system is only possible through the planning area. As a result, there will be an additional burden on the infrastructure that comes from outside the economic area (the addition of activities originating from outside the economic area is called the *spillover effect*). This *spillover* impact can be thought of as an externality for a region.

2. Disrupt economies of scale

Basically, activities in an economic area will be disrupted if there are too many planning areas because administrative restrictions that are not in accordance with economic linkages will interfere with economic activities that occur in the community. For example, the preservation of areas along a particular watershed through several districts may be disrupted if the planning is handed over to each district (because each district may have different policies) which in turn will disrupt the productivity of the area along the watershed as a whole.

EXERCISE _____

To deepen your understanding of the material described, do the following exercise!

- 1) Describe at least 2 characteristics of the sense of the area you are studying!
- 2) Explain why the notion of homogeneous territory and nodal region, often also referred to as the economic sense of territory!
- 3) Give concrete examples of regions that fall into the category of nodal regions!
- 4) What is meant by the definition of administrative area?
- 5) Name two impacts if the area based on the concept of economic region is not the same as the area based on the concept of planning area!

Practice Answer Hints

- 1) You can re-read the explanation of the meaning of territory.
- 2) See explanation of homogeneous regions and nodal regions.
- 3) Study carefully examples from the nodal region.
- 4) Re-read the definition of administrative areas.
- 5) Look again at the end of the administrative area explanation.

SUMMARY _____

The region is an area that is part of the national territory that has a comprehensive structure and has special characteristics and is a medium for various activities to be located and interact. Related to regional planning, the notion of territory can be distinguished from 2 approaches, namely

1. economic approach, which can then be divided into two types, namely *homogenous* regions and *nodal regions*;
2. planning approach, which is usually based on rules that have been set by the government. Therefore, this area is commonly referred to as an administrative region. If the economic area is not the same as the planning area, two things will happen as follows.
 1. A *spillover effect* occurs.

2. Disrupt economies of scale.

FORMATIVE TEST 2

A. Choose one answer that you think is appropriate!

- 1) From the various examples of regions below, which area is based on economic concepts?
 - A. Area of Temanggung Regency.
 - B. South Kalimantan Province.
 - C. Kapuas River Basin.
 - D. There is no right answer.
- 2) Official economic data issued by the Central Bureau of Statistics (BPS) to describe the condition of a region is based on a regional approach in terms of regional approach....
 - A. homogeneous
 - B. nodal
 - C. economics
 - D. planning
- 3) The division of Indonesia into three regions, namely the Western Region of Indonesia, the Central Region of Indonesia, and the Eastern Region of Indonesia, emphasizes more on the division of regions based on the concept of regional approach....
 - A. homogeneous
 - B. nodal
 - C. economics
 - D. planning
- 4) The main weakness in terms of statistical data (especially economic data) based on the concept of administrative regions is....
 - A. Usually the linkage of economic activity is not always the same as administrative boundaries
 - B. The statistical data only describes all activities in certain administrative areas
 - C. can explain how an economic development of an administrative region occurs
 - D. Administrative regions may restrict various economic activities of the community
- 5) Abroad, statistical data can be obtained outside administrative boundaries, such as MSA (*Metropolitan Statistical Area*). The data derived from MSA is obtained from the concept of territoriality which is based on the regional approach....
 - A. homogeneous
 - B. nodal
 - C. administrative
 - D. planning

B. Choose your answer according to the rules as below:

If the answers, (1), (2), and (3) are correct then select A If answers (1) and (3) are correct then select B

If answers (2) and (4) are correct then select C If all answers are incorrect then select D

- 6) Below that is not an example of a homogeneous territory approach is....
 - (1) Development Area (WP) in the Spatial Plan of an area
 - (2) Kapet Area (Integrated Economic Development Zone)

- (3) Industrial Plantation Forest Area (HTI)
 - (4) Growth triangle region such as Sijori (Singapore–Johor – Riau)
- 7) Below that are not characteristic of a region by definition are.....
- (1) is part of the national territory
 - (2) has a comprehensive structure
 - (3) has special features
 - (4) where it is located and the interaction of various activities
- 8) Of all the statements below, the one that is true is....
- (1) Activities within an economic region will be disrupted if there are too many planning areas
 - (2) Watershed (DAS) can be said to be a homogeneous area because it has similarities in terms of climate, vegetation and also in terms of topography
 - (3) Nodal regions are characterized by the tendency of regional activities to be concentrated (interested) in one activity that is dominant in the region
 - (4) Each region is basically an area that is independent of each other
- 9) The formation of regions in Indonesia today is more based on the understanding of the regional approach....
- (1) homogeneous
 - (2) administrative
 - (3) nodal
 - (4) planning
- 10) Below are examples of *spillover effects* in a regional economy as a result of the inequality between administrative regions and economic regions are.....
- (1) the distribution of malls in the area around Bodetabek bordering Jakarta
 - (2) distribution of higher education infrastructure activities in Sumedang Regency which is directly adjacent to Bandung
 - (3) the development of industrial activities and their supporters in the Sidoarjo area which is directly adjacent to Surabaya
 - (4) the development of supporting activities (such as trade and services) in the Karawang area due to industrial activities in the area

Match your answers to the Formative Test Answer Key 2 found at the end of this module. Calculate the correct answer. Then, use the following formula to find out your level of mastery of Learning Activity 2 material.

$\text{Mastery level} = \frac{\text{Number of Correct Answers}}{\text{Answers}} \times 100$

Meaning of mastery level: 90 - 100% = very good

80 - 89% = good

70 - 79% = sufficient

< 70% = less

If you reach a mastery level of 80% or more, you can continue with the next module. **Good!** If it is still below 80%, you must repeat the Learning Activity 3 material, especially the parts that have not been mastered.

Learning Activity 3

National Analysis Vs Region Analysis?

From the previous explanation, we know that basically the region (which is often also referred to as *sub-national*) is part of the national territory, and also because regional planning basically has similar characteristics and is part of national planning. However, there are differences in analyzing the regional economy compared to analyzing the national economy – which is based on some characteristics shared by the region compared to the national. Some things that distinguish between regional analysis and national analysis, including can be reviewed from the 3 things below:

1. differences in the degree of *openness* (*openness*);
2. differences in regional macro variables compared to national macro variables;
3. differences in balance sheets supporting regional and national economic analysis.

A. DIFFERENCES IN TERMS OF THE DEGREE OF OPENNESS AND IMPACT

Openness is a measure associated with the level of ease of flow in and out of commodities (goods and services) between regions. This measure of convenience is measured by the degree of openness, the more open an area is said to have a high degree of openness and vice versa, the more closed an area is, the value of the degree of openness will be low as well.

Usually the level of regional openness is greater than the level of national openness. There are several things that cause this condition to occur, namely

1. In the movement of commodity flows between regions there are no trade barriers, such as tariffs, export taxes or import taxes. Export and Import activities in the view of regional analysis are activities of the flow of goods and services between regions, no matter whether the region is within a country or different countries. Most export and import activities from a region are in the form of *interregional trade* that does not require trade regulations because it is still within the same country. In contrast to trade activities between countries (*international trade*) which requires certain regulations that are different for each country. These regulatory differences between countries can hinder trade at the international level.
2. Inter-regional trade activities do not require *exchange control* because they are still in one national territory. International trade will always be influenced by *exchange control*, in the form of different currency exchange rates for each country, which in turn can be used as a source of trade barriers.
3. International trade is usually also affected by administrative obstacles (such as the enforcement of customs, quotas, immigration, etc.) due to differences in regulations between countries. Meanwhile, in trade between regions these things do not apply because the administrative system in a country is uniform so that there are no administrative barriers, as previously explained.

B. DIFFERENCES IN TERMS OF MACRO VARIABLES THAT DO NOT APPLY IN REGIONAL ANALYSIS

The second thing that distinguishes regional analysis from national analysis is in terms of macro variables owned by the region and national. There are some macro variables that will not apply to regional analysis, but will be very applicable to analysis at the national level. One example of such macro variables is the exchange rate of currencies, the relationship between regions does not require exchange rate differences because the exchange rate for all regions in a country is the same. Therefore, macro variables such as currency rates do not apply in regional analysis, but instead will be highly considered at the national level. So is the nominal interest rate, where the nominal interest rate in all countries will be the same (except the real interest rate).

Another difference that can be explained to distinguish regional and national analysis from the macro variable side is that often we distinguish variables into terms of their ease of influence or not. In the discussion of statistical or mathematical modeling, the level of ease of influencing variables can be divided into two things, namely

1. endogenous variables, which are variables that directly affect the dependent variable because endogenous variables will enter the model;
2. Exogenous variables, which are variables that affect the dependent variable but are not included in the model, so they are more uncontrollable by the model itself.

For regional analysis, usually the exogenous variables are the national variables themselves, for example, in discussions about regional economic growth, the exogenous variables that are usually taken are national GDP or the amount of funds successfully transferred by the central government to regional governments. Therefore, the development of national GDP and the amount of fund transfers from the central government to the regions can affect the development of regional economic growth, apart from other variables at the regional level, such as regional investment, regional population, and others. These two variables (GDP and transfer) are two variables that are relatively controllable because they can be predicted well using certain quantitative methods. Meanwhile, for the case of national economic growth, the exogenous variables that can be taken are world economic growth and foreign transfer funds entering a particular country. These two variables (world economic growth, and foreign transfer funds) are international variables that are difficult to measure and predict, the level of uncertainty is very large because it must consider the changes that occur among a large number of countries in the world. Based on the two calculation cases, it can be seen that there is a difference between the assessment of macro variables for the discussion of regional analysis and national analysis.

C. DIFFERENCES BETWEEN BALANCE SHEETS SUPPORTING REGIONAL ANALYSIS AND NATIONAL ANALYSIS

Each analysis, both regional and national, is based on basic data owned by each regional level. According to Isard (1960), basically both national analysis and regional analysis are based on 4 main data that should exist (with different levels of analysis depending on the regional level). The 4 data are as follows.

1. Income and Production Balance

Basically, the data on this balance sheet seeks to measure the amount of income / production produced by a region in a certain period of time (usually one year). Theoretically

there are 3 ways of calculating national income, first with the *expenditure approach*, which measures every expenditure / expenditure made by each actor involved in regional economic activities, such as consumption (C) for consumers, investment (I) for producers, government spending (G) for the Government and expenditure on exports (X) and imports (M). The second way of measurement is to use the income approach (*income approach*), which is measuring income / production based on the amount of income received by each factor of production, such as wages (for the income of workers' factors of production), interest rates (for the income of capital owners), and rent (for the income of natural resource owners). Meanwhile, the last income calculation is the *production approach*, which is a calculation of national production based on the principle of added value of each type of commodity produced.

These three calculation approaches can be done for the national scope, and produce GDP (Gross Domestic Product) data, while for the regional level in Indonesia data on the amount of production produced is expressed in GDP data (Gross Domestic Product). At least, the calculation of GDP at the regional level can only be done with two approaches, namely the expenditure and production approach (for the calculation of provincial GRDP can be calculated by the expenditure and production approach, while for district GRDP can only be calculated by the production approach only).

With differences in income calculations, some analyses that may be carried out at the national level cannot be done at the regional level, for example, in regional analysis it is impossible to obtain data on the income generated by each factor of production, such as how much part of regional income is enjoyed by workers, or capital owners. In the end, in the analysis of regional income, it is not possible to assess the difference in income between factors of production so that it cannot be known how much income inequality occurs between each owner of production factors.

2. Balance of Payments

The main use of this *balance of payments* is to know:

- a. the flow of goods, services, and capital in and out between regions;
- b. can measure the movement of resources between regions;
- c. know the degree of openness of each region;
- d. Identify the existence of a surplus or deficit experienced by a region.

The balance of payments consists of 3 main balances, namely:

- a. trade balance, which measures the development of the inflow of goods in and out between regions;
- b. services balance, which measures the development of inflows in and out of services between regions;
- c. capital balance, which measures *capital inflows* and *capital outflows* between regions.

Today, the existence of a balance of payments at the national level is always well available. Bank Indonesia always reports the development of this balance sheet every year (even quarterly) so that the development of goods, services, and capital flows out or into Indonesia can be known. However, at the regional level the existence of this balance sheet is still not available so in reality in Indonesia we have not been able to analyze the development of variables as already described.

3. Balance of Funds Flows

This balance sheet is useful for providing information about the flow of funds from one region to another in a country. Usually the movement of these funds will be seen from interbank fund transfers so that usually this balance sheet will be seen from regional central bank reports. In the case of Indonesia, the existing banking system does not adhere to the regional bank system (Indonesia adheres to the *branch system*) so that the movement of funds flows between regions cannot be known with certainty (because regional central banks are not required to record it).

Based on this explanation, the development of inter-regional fund flows cannot be used as analysis material for regional planning. Unlike the national level which can definitely know the flow of funds in and out of the State of Indonesia.

4. Input-Output Table

The basic principle of the *regional input-output* table is to identify and disaggregate all expenditure flows between various economic activities (sectoral/industrial), between consumers and economic activity, between economic activities and the provision of inputs present in the trade structure. Based on the *input-output* table we can find out the economic portrait based on the relationship between sectors / industries, such as how the industrial sector is related to the agricultural sector so that we can find out how changes in the industrial sector will occur as a result of changes in the agricultural sector. A full explanation of how to analyze this table is explained in module 5.

EXERCISE

To deepen your understanding of Learning Activity 3, do the following exercise!

- 1) Name three things that make a region have a greater level of openness compared to its national!
- 2) If it is known, an area A in Country B has the following data.

Indicator	Area A	Country B
Export (million)	6000	25.000
Imports (million)	5000	20.000
Revenue (billion)	50	400

Based on these data, which level of openness is greater (region A or country B)?

- 3) Explain at least two things from macroeconomic condition analysis that are not needed at the regional level!
- 4) What are the consequences for regional analysis if regions in Indonesia cannot calculate the balance sheet from the *income approach*?
- 5) Explain the meaning of the components that make up the regional balance of payments!

Practice Answer Hints

- 1) See the last explanation of the subchapter on the difference in the level of openness between regions and nationals!
- 2) Try to calculate both data using the openness rate formula, the largest value indicates a

greater level of openness!

- 3) See explanation of the subchapter differences in terms of macro variables that do not apply in regional analysis
- 4) Recall the discussion about the differences in income and production balances at the regional and national levels.
- 5) Re-read the description in the balance of payments sub-discussion!

SUMMARY _____

There are differences in analyzing the regional economy compared to analyzing the national economy. Some things that distinguish between regional analysis and national analysis, including can be seen from the 3 things below

1. *The difference in the degree of openness (openness).* Usually the degree of openness of a region is greater than the degree of openness of a country.
2. *Differences in regional macro variables compared to national macro variables.* Some macroeconomic variables (especially variables that generally apply in each region) do not affect interregional analysis, but are very influential in national analysis.
3. *Differences in balance sheets support regional and national economic analysis.* In the case of Indonesia, some supporting balance sheets are not yet available at the regional level (but are well available at the national level) so a deeper discussion of the regional analysis will be more difficult than the national analysis.

FORMATIVE TEST 3 _____

A. Choose the one answer you think is right!

- 1) There is greater *openness* in a region compared to national, one of which is caused by the relatively free flow of trade between regions compared to between countries. One of the causes of the free flow of trade between regions is....
 - A. Cheaper transport costs
 - B. No transport documents required
 - C. have the same banking system
 - D. has the same rules
- 2) What is meant by regional capital balance is....
 - A. a data that describes the relationship of debt between regions in a country
 - B. describes the condition of the amount of capital owned by an area in a certain time interval
 - C. Statistical data that measures capital inflows and capital outflows in an area at a certain time interval
 - D. Data that describes the amount of investment that enters an area in a certain period of time
- 3) Which national variables had no effect on the analysis of the region....
 - A. PDB
 - B. real interest rate
 - C. Currency exchange rates
 - D. investment
- 4) Until now, regions in Indonesia have not been able to calculate their regional income

with all existing methods. At the provincial level, the approach to calculating regional revenues is not yet known....

- A. Revenue approach
- B. Spending approach
- C. Production approach
- D. All Answers Wrong

- 5) Some of the variables below are variables that can determine the *openess* magnitude of a region, *except*
- A. the GDP value of the region
 - B. The amount of investment coming into the region
 - C. The size of the region's exports
 - D. the amount of imports to the region

B. Choose your answer according to the rules as below.

If the answers, (1), (2), and (3) are correct then select A If answers (1) and (3) are correct then select B

If answers (2) and (4) are correct then select C If all answers are incorrect then select D

- 6) The regional balance of payments is necessary because it can provide information regarding
- (1) movement of goods, services and capital flows in and out between regions
 - (2) can measure the movement of resources between regions
 - (3) Know the degree of openness of each region
 - (4) movement of labor between regions
- 7) Below are some data that do not exist at all for regions in Indonesia....
- (1) Income and production balance
 - (2) Regional balance of payments
 - (3) *Input-Output* Table
 - (4) Balance of Funds Flows
- 8) Interregional trade is more freely carried out compared to international trade, because....
- (1) does not require administrative documents that hinder
 - (2) The scope of the area is smaller
 - (3) still within one country
 - (4) has relatively cheap distribution costs
- 9) Some of the statements below show region analysis that can be performed using the region *output input* table, *except*
- (1) can describe the relationship of activity between various economic sectors in the region
 - (2) can describe the linkage between economic activity and input providers
 - (3) Can find out the *multiplier effect* as a result of government action to the market
 - (4) can be used as an analysis between economic activity and the provision of inputs
- 10) The regional balance of payments basically consists of a set of balance sheets that have certain functions. Below which are the components of the regional balance of payments are....
- (1) Trade balance, which functions to determine the amount of exports and imports of goods from certain regions to other regions
 - (2) Service Balance, which serves to determine the magnitude of the movement of labor flows from and out of the region

- (3) capital balance, which functions to determine *capital inflows* and *capital outflows* between regions
- (4) Cash balance, which serves to determine the flow of funds into and funds out between regions

Match your answers to the Formative Test Answer Key 3 found at the end of this module. Calculate the correct answer. Then, use the following formula to find out your level of mastery of the Learning Activity 3 material.

$\text{Mastery level} = \frac{\text{Number of Correct Answers}}{100}$

Meaning of mastery level:

90 - 100% = very good

80 - 89% = good

70 - 79% = sufficient

< 70% = less

If you reach a mastery level of 80% or more, you can continue with the next module.
Good! If it is still below 80%, you must repeat the Learning Activity 3 material, especially the parts that have not been mastered.

Formative Test Answer Key

Formative Test 1

1) Answer A

The main characteristics of planning in general are having an end goal to be achieved, there are short-term goals to achieve these long-term goals, and related to a clear time frame for achieving these goals. Official institutions that regulate planning are only needed for development planning, not planning in general

2) Answer B

Every plan aims to be carried out continuously, therefore continuity of implementation is part of the purpose of a plan. Especially for regional planning, there are two main objectives to be achieved, namely people prosperity which in reality can be a proxy for an increase in the per capita consumption rate of its population, and regional welfare (*place prosperity*) which in real life is more emphasized on reducing development disparities between regions. Development integration between regions is the task of national planning

3) Answer C

Development can be seen from two aspects, namely the physical aspect and the social aspect (non-physical). In terms of non-physical aspects, development is characterized by fundamental changes in all patterns of social life of the community (both in terms of institutions, *culture, attitudes, administration*, and others)

4) Answer D

The ideal planning model focuses on data importance and data analysis as the main tools for performing every action in planning. Analysis and data collection is a function that continuously supports all activities and simultaneously receives information from all activities in the planning process.

5) Answer B

A country may have various kinds of characteristic and functional differences from the regions (regions) it has, which causes the need for regional planning because it will be very impossible if the planning is only based on national planning .

6) Answer D

Development planning has two characteristics, namely *physical* growth (such as real growth of *output* and income) and fundamental changes (such as changes in social, administrative, institutional, and cultural conditions).

7) Answer B

The purpose of regional development planning, namely

- a. provide social and economic protection due to inequality, poverty, and pressure on natural resources;
- b. as a medium for the occurrence of market mechanisms;
- c. provide tools for development planning itself;
- d. is an effort to build a better institutional system.

8) Answer A

As shown in Figure 1.2, the fields of social sciences that are directly related to regional planning include:

- a. political science;
- b. anthropological sciences;

- c. sociology;
- d. economics.

9) Answer B

Regional planning is considered as liaison planning in the sense that regional planning is able to link planning at the central level with planning at the local level or in the case of Indonesia regional planning is able to link planning at the national level with planning at the district / city level.

10) Answer C

The main purpose of regional planning is the creation of place prosperity or reducing inequality between regions (regional disparity) and *people prosperity* or reducing income disparity between communities (income *disparity*).

Formative Test 2

1) Answer C

Included in the category of regions with economic concepts are homogeneous regions and nodal regions. Because the watershed (DAS) is one of the areas of the homogeneous area concept, the Kapuas watershed is an area based on the economic concept.

2) Answer D

Until now, every official data released by BPS in Indonesia is based on the approach of administrative regions (planning areas) such as West Java In Numbers, Regional Financial Statistics of Kampar Regency, and so on.

3) Answer A

The division of Indonesian territory into 3 parts of the region, more based on the grouping of regions from the side of homogeneous regions. Because basically both Western, Central, and Eastern Indonesia have distinctive characteristics that can be distinguished from one another (for example, from the progress of development or from other characteristics)

4) Answer A

The linkage of economic activity is not always the same as administrative boundaries, on this basis statistical data (especially economic) often cannot describe the real economic conditions because they are limited by administrative areas

5) Answer A

MSA data is based on the concept of territoriality from the nodal region approach, where a metropolitan is characterized by the presence of dominant activity from a center that is none other than the core of the metropolitan itself.

6) Answer B

Homogeneous regions are based on the similarity of characteristics of a region. Development Areas (WP) and Industrial Plantation Forest (HTI) are examples of homogeneous areas, while Kapet and growth triangles are examples of nodal areas.

7) Answer D

The region is an area that is part of the national territory that has a comprehensive structure and has special characteristics and is a medium for

various activities to be located and interact.

8) Answer A

Although a region can be said to be an *independent* region, in reality each region will definitely interact with each other to get economic benefits.

9) Answer D

The formation of regions in Indonesia, both city / regency and provincial areas, is more based on government policy (regional formation is based on law), which means it is always based on the understanding of administrative regions or planning areas

10) Answer B

Spillover effect is defined as the addition of activities originating from outside the economic area. The development of shopping center infrastructure in the Bodetabek area and industrial supporting infrastructure in Sidoarjo is an example of the *spillover effect* because it turns out that the infrastructure is felt by an area larger than the existing economic area (namely the administrative region).

Formative Test 3

1) Answer D

The same system of rules (both in terms of currency, trade rules, and customs), the absence of entry barriers for trade between regions makes trade between regions relatively easier compared to trade between countries. Therefore, regions usually have a greater level of openness compared to national.

2) Answer C

Regional capital balance is a statistical data that measures capital inflows and *capital outflows* in a region at a certain interval.

3) Answer C

The national variable that has no effect on regional analysis is the exchange *rate* (currency exchange rate), because regional analysis uses only one currency, namely the domestic currency

4) Answer A

The approach to calculating regional income that cannot be done by provinces is the calculation of regional income with an *income approach*, because there is no data available on how much of the share of regional income comes from workers' wages, the income of capital owners, and the income of natural resource owners.

5) Answer B

The easiest way to measure the degree of openness of an area is to calculate it based on the following formula.

6) Answer A

The main use of a balance of payments is to know:

- a. the flow of goods, services, and capital in and out between regions;
- b. can measure the movement of resources between regions;
- c. know the degree of openness of each region;
- d. Identify the existence of a surplus or deficit experienced by a region.

7) Answer C

Until now in Indonesia can not make regional balance sheets, because the inter-regional statistical system does not allow to record this. Likewise, with the balance of fund flows,

the banking system in Indonesia does not recognize the existence of a regional bank system.

8) Answer B

Interregional trade is easier because:

- a. in the movement of commodity flows between regions there are no trade barriers, for example tariffs, export taxes or import taxes;
- b. Interregional trade activities do not require *exchange control* because they are still within a country;
- c. International trade is usually also affected by administrative barriers.

9) Answer D

Various alternative uses of regional *input-output* tables include

- a. can describe the relationship of activity between various economic sectors in the region;
- b. can describe the linkage between economic activity and *input providers*.
- c. can find out *the multiplier effect*;
- d. can be used as an analysis between economic activity and the provision of *inputs*.

10) Answer B

The balance of payments component consists of 3 balance sheets, namely

- a. trade balance, which measures the development of the inflow of goods in and out between regions;
- b. services balance, which measures the development of inflows in and out of services between regions;
- c. capital balance, which measures *capital inflows* and *capital outflows* between regions.

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