

## **Adaptive Governance in Investment Management Policy in Makassar City**

**Andi Zulkifly<sup>1</sup>, Muh. Akmal Ibrahim<sup>2</sup>, Sukri<sup>3</sup>, Muhammad Yunus<sup>4</sup>, Didik Iskandar<sup>5</sup>**

<sup>1</sup>*Doctoral Student of Public Administration, Department of Public Administration, Faculty of Social and Political Science, Hasanuddin University, Makassar, Indonesia.*

<sup>2,3,4,5</sup>*Department of Administrative Science, Faculty of Social and Political Science, Hasanuddin University, Makassar, Indonesia*

*Corresponding Author: Andi Zulkifly*

### **KEYWORDS**

Adaptive Governance,  
Policy and governance,  
Investment

### **ABSTRACT**

Investment in Makassar City has increased in recent years, but still needs to be improved. In order to encourage increased investment, adaptive capacity is needed from the government, society and private sector as the main pillars in the governance perspective. The research method used in this study is a qualitative study. The study was conducted in Makassar City. Data sources consist of primary and secondary data, where primary data is obtained from Focus Group Discussion, in-depth interviews and secondary data is obtained from documentation activities. Data analysis techniques include data collection activities, data reduction, data presentation and drawing conclusions. The results of the study found that the Makassar City Government has demonstrated adaptive capacity by increasing human resource capacity and creating various digitalization-based innovations to facilitate the investment licensing process and implement green and sustainable investment. The Makassar City Government formed the Investment Council as a polycentric institution that plays an important role in investment planning, management and evaluation. Social learning in the investment management policy in Makassar City shows that socialization and education to business actors are less effective and are implemented in a limited manner. Bridging organization in the investment management policy in Makassar City shows that DPMPSTP has carried out its duties in facilitating and bridging investment licensing with related technical OPDs. Multilevel networks in the investment management policy in Makassar City show that the government is actively promoting investment in various forums and seeking investors, both domestic and foreign, but not optimally because investors often expect legal certainty, regulatory stability, investment incentives, security and social stability and a fast bureaucratic process.

## **1. Introduction**

Adaptive Governance in the public administration approach refers to a concept or framework that combines elements of adaptive and responsive policy-making to environmental change, uncertainty, and societal dynamics. Adaptive Governance in public administration emphasizes the importance of inclusive, collaborative, flexible decision-making, and organizational learning in dealing with changes and challenges that occur in public policy management.

Adaptive Governance is an approach to policy decision-making that prioritizes the ability to adapt to environmental, social, economic, and political changes that occur dynamically in investment management. In the context of investment management policy formulation, Adaptive Governance is very relevant because investment is a complex process and involves various parties with diverse interests. The characteristics of Adaptive Governance according to Green et.al (2016) include: adaptive capacity, polycentric institutions, public input, social learning, bridging organizations and multi-level networks. These six elements are the key to the success of adaptive governance (Green et al, 2016).

One of the areas of governance that is required to have adaptive capacity is investment management. This is because investment will encourage an increase in the regional economy. Based on Law Number 25 of 2007 concerning Investment, investment is defined as all forms of investment activities, both by domestic investors and foreign investors to conduct business in the territory of the Republic of Indonesia. Domestic Investment (PMDN) is an investment activity to conduct business in the territory of the Republic of Indonesia carried out by domestic investors using domestic capital. Foreign Investment (PMA) is an investment activity to conduct business in the territory of the Republic of Indonesia carried out by foreign investors, either using foreign capital entirely or in partnership with domestic investors.

Based on data from the Makassar City DPMPSTP in 2023, it shows that the investment realization of

South Sulawesi Province in 2023 was 7 trillion, where investment in Makassar City contributed 36.82% or 2.57 trillion compared to other districts/cities of 4.43 trillion or 63.18%. Investment realization in Makassar City consists of foreign investment of IDR 163,082,482,815 or 6.33% and domestic investment of IDR 2,414,780,800,000 or 93.67%. This investment absorbs a workforce of 3,966 people. The following is the investment realization per sector in Makassar City.

Investment management in Makassar City has so far experienced various problems and challenges. Based on initial findings, it was found that there are no regulations related to the provision of incentives and ease of doing business in Makassar City. This regulation aims to attract investors to invest in Makassar City in order to create a better investment climate, increase economic access and capacity, and increase regional economic growth. This regulation contains the criteria for providing incentives and facilities, the forms of incentives and facilities provided, the types of businesses or investment activities that receive incentives and/or facilities, and the procedures for providing incentives and facilities;

Another problem is the unavailability of data on all potential large-value investments in the form of IPRO (Investment Project Ready to Offer). IPRO is an investment proposal that contains aspects of the market, legality, organizational management, financial, social, environmental, and technical aspects that will be information for investors to attract their interest in investing in Makassar City.

The adaptive governance approach with its 6 attributes (Green, et al, 2016) in investment management policies in Makassar City, when reviewed based on facts in the field, results in the following problems.

First, the adaptive capacity dimension shows that the Makassar City Government continues to adapt to investment management in Makassar City, which is currently entering the digitalization era, through innovation in providing online investment/licensing service information. As an initial step, efforts are made to improve the quality of DPMPTSP human resources through OSS technical guidance for internal DPMPTSP and for business actors. OSS is a licensing service platform that is used nationally in Indonesia. In addition, in preparing the Makassar City strategic investment program, the Makassar City Government also focuses on implementing green and sustainable investment by requiring the availability of green open space for every ongoing investment project. To increase investment interest in Makassar City, the Makassar City Government through an investment climate improvement program has formed an Investment Council involving the government, academics, and business associations in making policies related to investment in Makassar City. However, the problems faced by the Makassar City Government in this dimension show that the Makassar City Government has not maximized its adaptive capacity, this is indicated by the limited quality of human resources to adapt to changes in this case the ease of investment services issued.

Second, the polycentric institutional dimension, where in realizing a collaborative government, the Makassar City Government together with academics, business associations and community leaders formed the Makassar City Investment Council which is a forum for aligning perceptions regarding investment development in Makassar City. This Investment Council is expected to be a forum that is able to absorb the aspirations of business actors in making policies related to smarter investments in realizing World Class Public Services. In addition, in exploring investment potential in Makassar City, it does not only focus on the Investment Office and PTSP, but also involves internal agencies of the Makassar City Government such as: the Tourism Office which is a source of data and investment information in the tourism sector, the Industry Office related to investment information in the industrial sector and other agencies. Cross-agency synergy is needed to facilitate the provision of this information. Building synergy with other stakeholders has been done but there is still a need for increased communication and effective coordination to produce better output. The polycentric institutional dimension shows that the Investment Council is a newly formed institution so that the achievement of success in encouraging investment in Makassar City cannot be measured. In addition, synergy between actors still needs to be improved along with minimizing sectoral egos between sectors.

The third dimension concerns public input where in the management of an investment project, the

Makassar City Government often involves the community in the investment permit issuance process. The aspirations of the public that are often raised are: environmentally friendly development, using local workers, utilizing Corporate Social Responsibility (CSR) or corporate social responsibility for the community around the project location and implementing micro and small business partnerships with investors to revive the community's economy. This is the community's aspiration for every investment implementation in Makassar City. However, public input in this case aspirations have not been fully accommodated by the Makassar City Government and tend to be only formalities, so that various public inputs or community aspirations are not implemented properly.

The fourth dimension, social learning, where the form of education in encouraging investment carried out by the Makassar City Government is: the implementation of socialization of business activities by investors to the surrounding community during the licensing process. In this activity, an explanation is given about the form of business activities that will be carried out, as well as the impacts caused by these business activities, both positive and negative impacts, as well as efforts to manage and monitor the negative impacts caused so that these impacts do not harm the surrounding community. In addition, the Makassar City Government also facilitates the provision of Corporate Social Responsibility (CSR) assistance from investors to the community around the location of business activities. However, these educational efforts have not been implemented effectively due to the limited budget and human resources of the Makassar City Government.

The fifth dimension is the organization that bridges in the context of this study is the Investment Council. Where the Investment Council has the following roles. 1) Collecting, analyzing and providing input to the mayor regarding the formulation of investment policies in Makassar City; 2) Inventorying problems related to investment implementation and finding solutions to problem solving; 3) Analyzing the level of community resistance to the implementation of local government policies, especially those related to investment; 4) Coordinating with related units in order to ensure smooth implementation of tasks. Based on the above, the Investment Council has the responsibility to find solutions to every investment problem in Makassar City in order to ensure the smooth investment process of every business actor in Makassar City. The problem found in this dimension is that the Investment Council is an institution that has just been formed by the Makassar City DPMPSTP, so it has not been able to work optimally with various indicators of achieving investment targets that are expected to be realized.

The sixth dimension is multilevel networks. Where the Makassar City Government continues to build networks not only with local and national governments but also build networks with global investors. However, the reality of building multilevel networks, the Makassar City Government has not been optimal in its implementation, various obstacles faced such as the ability to attract investors and in building networks are very limited.

At the regional level, Makassar City, which is a service city, of course needs basic materials/raw materials from the surrounding area, and the area also needs a market share in Makassar City. Therefore, collaboration with the surrounding area is needed to mutually revive the wheels of the economy. And based on BPS Data in 2023, the contribution of the Makassar City economy to the South Sulawesi economy reached 39%. In addition, at the national level, Makassar City, which is the center of trade and the gateway to the eastern Indonesian region, also contributes 1.26% to the economy. To expand the network with national-level investors, the Makassar City Government actively participates in national-scale forums, both business forums, exhibitions, investment coordination with the central government and others. Likewise with the international network, the Makassar City Government is very active in holding international-scale events such as the Makassar Investment Forum, F8, and other activities. In addition, the Makassar City Government is also very intensive in participating in business forums held abroad, conducting one-on-one meetings with foreign investors, and other activities.

The adaptive governance approach is an approach that is considered fundamental and effective in solving investment management problems in Makassar City. This approach emphasizes the ability of public organizations to adapt to the environment and changes faced in the public sector. Adaptive

Governance focuses on the internal adaptive capabilities of the organization so that it can encourage the implementation of effective good governance. In the phenomenon of investment management in Makassar City, this approach is very relevant and appropriate to use in analyzing the phenomenon, this is because investment management is greatly influenced by the adaptive capabilities of the government.

The adaptive governance approach in investment management policy in Makassar City is expected to be able to create and encourage a conducive investment climate, conducive socio-political and environmental conditions, effective government policies that support investment facilities, government consistency in supporting investment facilities and law enforcement for violations that occur in the investment sector. Therefore, the study aims to analyze adaptive governance and produce an application model of adaptive governance in investment management policy in Makassar City.

## **2. Methodology**

The approach used in this study is a qualitative approach. The selection of this method is based on the theory or model used as a reference in data collection, which is then verified or confirmed with field data collected through qualitative analysis methods, although it does not rule out the possibility of quantitative data being taken and used as supporting data in this study.

The data sources in this study are primary data and secondary data. Primary data is data obtained directly from the original source (not through intermediary media). Primary data can be in the form of opinions of subjects (people) individually or in groups, results of observations of an object (physical), events or activities and test results. Sources of this primary data include institutions or actors involved in investment management activities in Makassar City who are also key informants in this study. Secondary data is data obtained in finished form or in the form of published data. Secondary data is a source of data obtained by researchers indirectly through intermediary media (obtained and recorded by other parties). Secondary data is generally in the form of evidence, records or historical reports that have been compiled in archives (documentary data) that are published and unpublished. Secondary data is used as support or interpretation of data from primary data to understand problems and problem solutions.

The technique of determining informants in this study used purposive sampling technique. Purposive sampling is a technique of taking data source samples with certain considerations. These certain considerations, for example, the person who is considered to know the most about the topic of research being studied, or perhaps he is the ruler so that it will be easier for researchers to explore the object/social situation being studied (Sugiyono, 2013). In this study, the informants were stakeholders and actors involved in investment management in Makassar City. The data collection techniques used were through observation, in-depth interviews, FGDs and documentation.

## **3. Result and Discussion**

Capital investment is an effort to increase economic growth both nationally and regionally, create jobs and encourage the development of the people's economy. Capital investment is one of the driving factors to improve people's welfare because of its influence on the economic growth of a region/area and is able to increase the capacity of a region or area in the process of creating economic output and will have a positive impact on regional fiscal capacity. Investment can be brought in if investors are interested in the projects offered. This interest is a conclusion from considering various factors that influence the course of the investment itself. Expansion of capital investment, both Domestic Investment (PMDN) and Foreign Investment (PMA), is a priority program of the Makassar City government.

In the phenomenon of investment management policy in Makassar City, the explanation of each dimension of the adaptive governance approach is linked to the phenomenon studied by the author, which explains that the investment management policy in Makassar City focuses on providing investment services, easy accessibility of investment/licensing information, implementing green and sustainable investment, receiving and accommodating aspirations, socialization and education for

business actors, facilitating investment/licensing, and promoting investment opportunities.

Table 1. Adaptive Governance In Investment Management Policy in Makassar City

<b>Element</b>	<b>Research Findings</b>
<i>Adaptive Capacity</i> (Adaptive Capacity)	<ul style="list-style-type: none"> <li>• OSS services and online investment opportunity information</li> <li>• Adaptation of manual investment/licensing services to online</li> <li>• Ease of accessibility of investment/licensing information</li> <li>• Implementation of Green and Sustainable Investment as a strategic program</li> <li>• Leaders encourage increased Human Resource Capacity in adapting to change.</li> <li>• The leader (mayor) pushed for the importance of implementing Green and Sustainable Investment</li> </ul>
<i>Polycentric Institution</i> (Polycentric Institution)	<ul style="list-style-type: none"> <li>• Formation of Investment Board</li> <li>• Investment Board becomes an Independent Institution</li> </ul>
<i>Public Input</i> (Public Input)	<ul style="list-style-type: none"> <li>• Accommodate and accept the aspirations of business actors regarding investment/licensing facilities</li> <li>• Bridging business actors with the government</li> <li>• Leaders encourage employees to be proactive in accepting aspirations and providing feedback.</li> </ul>
<i>Social Learning</i> (Social Learning)	<ul style="list-style-type: none"> <li>• Dissemination of investment/licensing information to business actors</li> <li>• Education for business actors</li> <li>• Leaders are committed to providing education and information</li> </ul>
<i>Bridging Organization</i> (Bridging Organization)	<ul style="list-style-type: none"> <li>• DPMPTSP as an OPD that facilitates investment licensing</li> <li>• Bridging business actors with the government</li> <li>• Leaders encourage and bridge the licensing process that goes to PTSP</li> </ul>
<i>Multilevel Networks</i> (Multi-Level Network)	<ul style="list-style-type: none"> <li>• Active in promoting investment opportunities</li> <li>• Mayor encourages investment opportunities</li> </ul>

Source: Research Data Reduction, 2024

Based on the table above, here is an explanation of each element. First, the adaptive capacity element is related to utilizing existing opportunities that are put forward (Green et. al, 2016).

The research findings show that in the investment management policy there are OSS services and online-based investment opportunity information, adaptation of manual investment/licensing services to online, ease of accessibility of investment information, and the implementation of Green and Sustainable Investment as a strategic program. The implementation of adaptive capacity in Makassar City is reflected in the digital innovation of the implementation of OSS and local investment service applications. Then there is human resource development, where technical guidance and socialization aim to improve competence. Other findings show the implementation of the concept of green and sustainable investment. Thus, the Makassar City Government has tried to increase resilience and flexibility in facing the challenges of the digitalization era and investment complexity. This is in line

with the concept of adaptive capacity according to Green et al. (2016), which emphasizes the importance of innovation and responsiveness to change to minimize risk and take advantage of opportunities.

Second, the polycentric institution element is related to institutions that are diverse in type and scope contained therein which are put forward (Green et.al, 2016). Based on the findings of the study, it shows that the implementation of polycentric institutions through the Makassar City Investment Board can encourage and strengthen coordination and synergy between the government and the private sector. Overall, the implementation of the polycentric institution concept in Makassar allows for the creation of inclusive and adaptive governance to change. With the distribution of roles between various actors, investment policy making becomes more responsive, transparent, and efficient.

The research findings on polycentric institutions include the formation of an Investment Board which has a role in conducting feasibility studies and providing recommendations on investment implementation.

Third, the public input element relates to the contribution made by public groups in achieving the stated objectives (expected to have accommodated public input) (Green et.al, 2016). Research findings on public input indicate that the aspirations of business actors are accommodated and accepted in providing investment/licensing facilities, bridging business actors with the government and providing advice and input from the Investment Board. In adaptive governance theory, this approach is recognized as a more flexible and participatory way to manage complex systems where different actors can collaborate in the decision-making process. This approach recognizes that interactions between government, society, and the private sector need to be designed to adapt to uncertainty and change (Folke et.al, 2005).

Fourth, the social learning element is related to the process of understanding the social dynamics that occur and the social impacts given from the results of the policies put forward (Green et.al, 2016). Research findings on social learning indicate that there is socialization of investment/licensing information to business actors and education to business actors. *Social learning* in investment management in Makassar City occurs through a process of socialization and education carried out by the government to business actors. This process helps improve understanding and compliance with applicable regulations, such as LKPM, and creates an environment that supports investment entry. Collaboration between stakeholders, both at the local and international levels, also strengthens the social learning process and contributes to increasing investment attractiveness in Makassar City. This social learning not only encourages regulatory adaptation, such as investment incentives, but also opens up opportunities for broader cooperation in supporting sustainable development in Makassar City. Armitage and Plummer (2010) argue that transformative learning gives rise to a strategy and action by promoting change in the face of significant uncertainty (double-loop).

Fifth, the bridging organization element proposed by Green et.al (2016) explains institutions that use special mechanisms such as working groups to connect and facilitate interactions between individual actors in management arrangements. The findings of the study indicate that the One-Stop Integrated Investment Service Office as a regional apparatus organization facilitates investment/licensing and bridges business actors with the government. The role of the One-Stop Integrated Investment Service Office as a bridging organization is a manifestation of the application of adaptive governance in the context of investment policy in Makassar. Both functions to bridge various parties in the licensing and investment process, while increasing the flexibility and adaptability of the local government to the dynamics of the global economy. Collaboration with local stakeholders such as PHRI and international cooperation through the Letter of Intent also strengthens the city's adaptive capacity in facing the challenges of sustainable development. Where so far DPMPTSP has worked well but still needs to maximize its role in improving the quality of investment management in Makassar City, one of which is by continuing to educate business actors to report LKPM.

Sixth, the multilevel networks element (multi-level networks) proposed by Green et.al (2016) explains

about relationships, not actors as the focus of analysis elements..The findings of the research on the multilevel networks element show that the One-Stop Integrated Investment Service Office is active in promoting investment opportunities. The findings of this study indicate that multilevel networks play a central role in investment management policies in Makassar City. By utilizing networks involving actors at various local, national, and global levels, Makassar City is able to adapt its investment policies to respond to the ever-changing market dynamics. Forums such as the Makassar Investment Forum and local promotional activities such as Makassar Direct Sell are a means to build and expand investment networks, both domestically and abroad. The use of mass media in this process also contributes to the expansion of information networks and transparency of investment services.

In the context of adaptive governance, multilevel networks provide the Makassar City government with the flexibility to navigate the complexities of the global investment market while maintaining close relationships with local business actors. This multilevel network strategy allows the government to continuously adjust their policies and promotional strategies according to evolving conditions, and increase the attractiveness of Makassar as an investment destination.

#### **4. Conclusion**

Based on the research results, the conclusions of the study are as follows. The Makassar City Government has demonstrated adaptive capacity by increasing human resource capacity and creating various digitalization-based innovations to facilitate the investment licensing process and provide investment information and implement Green and sustainable investment in various investments. The weakness that occurs is the capacity of human resources that needs to be improved through various training programs and technical guidance in order to be able to respond well to changes in policies and regulations in investment management. The adaptive governance policy model in the recommended investment management policy not only contains 6 elements in adaptive governance by green, et al (2016) but also requires elements of facilitative leadership and commitment to support the success of investment management policies.

Multilevel network, public input and social learning need to be a special concern for local governments. Where local governments are expected to be able to develop local to international networks to encourage investment and increase the intensity of education for business actors proactively so that investment management policies become effective. In addition, it provides guarantees to investors for legal and policy certainty, investment incentives, social security and stability, and fast bureaucratic processes are important things for local governments to pay attention to. Furthermore, related to the Investment Board, where it was found that so far only Makassar City has an Investment Board, it is hoped that the government will emphasize the role, structure, function and contribution of each and be free from intervention from various parties so that the Investment Board can work optimally.

#### **References**

- [1] Armitage, D., Berkes, F., & Doubleday, N. (Eds.). (2010). *Adaptive co-management: collaboration, learning, and multi-level governance*. UBC Press.
- [2] Folke, C., Hahn, T., Olsson, P., & Norberg, J. (2005). Adaptive governance of social-ecological systems. *Annu. Rev. Environ. Resour.*, 30, 441-473.
- [3] Green, O.O., Garmestani, A.S., Albro, S., Ban, N.C., Berland, A., Burkman, C.E., ... & Shuster, W.D. (2016). Adaptive governance to promote ecosystem services in urban green spaces. *Urban ecosystems*, 19, 77-93.
- [4] Sugiyono, 2013, *Quantitative, Qualitative and R&D Research Methodology*. (Bandung: ALFABETA)