

Research Article

Polycentric Governance in Investment Management in West Sulawesi Province

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Abstract.

The regional government of West Sulawesi Province continues to strive to encourage increased investment. However, in its implementation, it faces various challenges in polycentric governance. Therefore, this study aims to describe investment management and analyze polycentric governance in investment management in West Sulawesi Province. The research approach used is qualitative. Observations were made on various investment governance activities. Research interviews were conducted with informants involved and contributing to investment governance. Research documentation includes statistical and supporting data on investment. Data analysis consists of the stages of data collection, data reduction, data presentation, and drawing conclusions. The results indicate that the management of investment was not implemented effectively. Based on the polycentric governance approach, it shows that: First, coordination between institutions in the West Sulawesi Provincial Government has been carried out in a structured and collaborative manner with various parties, namely across regional apparatus organizations and vertical institutions. Second, distribution of authority in investment management in West Sulawesi is carried out with a clear distribution of roles and responsibilities between the provincial government, districts/cities, and related institutions. It is not effective, but it can be improved by improving coordination between institutions, increasing resource capacity, and ensuring that policies implemented are aligned at all levels of government. If this is done, investment management in the region will be more efficient and have a positive impact on economic growth.

Keywords: polycentric governance, governance, investment management

1. Introduction

Increasing investment is one of the important pillars in supporting regional economic growth, accelerating infrastructure development, and creating jobs. The West Sulawesi Provincial Government is aware of the importance of investment as a driving force for development, so it continues to encourage policies that can increase investment. However, in achieving these efforts, the West Sulawesi Provincial Government faces various problems and obstacles in achieving regional investment targets, including limited basic infrastructure, inefficient and ineffective bureaucratic licensing processes, less than optimal investment promotion, and limited access to basic infrastructure.

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Basic infrastructure such as roads, ports, airports, and energy are still not evenly distributed in West Sulawesi, which has an impact on increasing logistics costs and low investor interest in investing in West Sulawesi Province. Limited accessibility to strategic areas that have investment potential, exacerbates this situation by hampering the mobility of goods and labor. In addition, the implementation of the risk-based licensing system through OSS-RBA still faces technical and bureaucratic obstacles, which reduce the efficiency of the licensing process which should be faster and simpler. Other problems include the less than optimal implementation of investment promotion due to outdated data on priority sector potential, as well as the incomplete Investment General Plan (RUPM) document which should be a strategic reference in investment planning and facilitation. No less important, the lack of aggressive and inclusive financing institutions in remote districts also hinders local business actors in accessing capital, especially due to legal constraints, collateral, and the feasibility of business proposals.

Other challenges faced are the lack of structured and sustainable participatory forums, limited literacy of local communities about the investment process and impacts, and the suboptimal connectivity between local business actors and the regional investment planning system. However, the West Sulawesi Provincial Government through the Investment and One-Stop Integrated Service Agency (DPMPTSP) has taken various strategic steps to encourage the active involvement of the private sector and the community. One concrete form of this effort is the implementation of multi-party cooperation in the preparation of the Investment Potential Map document based on IPRO (Investment Project Ready to Offer). The process of preparing this document involves local governments, the private sector, and the participation of the community around the potential investment location. This collaboration not only strengthens the accuracy of data and the relevance of investment projects, but also ensures that the local potential that is raised is truly in line with the aspirations of the community and the needs of the business world. Through this approach, DPMPTSP seeks to build an inclusive, data-based, and participatory investment ecosystem. Not only large investors are involved, but also MSMEs, community leaders, academics, and other local stakeholders. This is an important step in reducing the information gap, minimizing the risk of social resistance, and increasing the sense of community ownership of investment projects that will be developed in their areas.

However, challenges remain, especially in building the capacity of community participation as a whole, expanding the reach of public dialogue, and ensuring the sustainability of cross-sectoral cooperation. Therefore, strengthening the institutional role of

DPMPTSP as the main facilitator of investment in the regions needs to be continuously encouraged, both through improving human resources, technological support, and regulatory frameworks that encourage collaboration. The West Sulawesi Provincial Government has endeavored to ensure that the investment enhancement strategy is in line with broader regional development policies through an integrated and sustainable approach. This is done in various ways such as Integration with the National Medium-Term Development Plan (RPJMN), Regional Medium-Term Development Plan (RPJMD), National Investment General Plan (RUPMN), Provincial Investment General Plan (RUPMP).

These various research phenomena show that investment governance is a complex problem that requires a comprehensive approach. Investment governance through a polycentric governance approach is a new approach that can be a solution in encouraging the effectiveness of investment governance. This approach is considered flexible and adaptive in overcoming complex problems, by involving various stakeholders and strengthening collaboration to achieve common goals in investment governance.

The main performance indicators used by the local government to measure success in investment governance are as follows; a) Percentage of Investment Increase in West Sulawesi Province; b) Realization Value of Foreign Investment (PMA) and Domestic Investment (PMDN); c) Public Service Index and Public Service Perception; d) Public Satisfaction Survey (SKM); e) Bureaucratic Reform Value (RB) Scope of SKPD; f) Value of Government Agency Performance Accountability System (SAKIP) DPMPTSP; g) Level of ASN Management Governance DPMPTSP; h) Electronic-Based Government System Report Card Index (SPBE) DPMPTSP; i) Level of DPMPTSP Budget Performance Achievement. All investment strategies and programs are designed to support the achievement of regional development targets, such as poverty reduction, improving community welfare, and equitable development. Furthermore, other efforts are Sustainable Utilization of Natural Resources, Empowerment of Micro, Small and Medium Enterprises, Development of Underdeveloped and Potential Areas to data-based monitoring and evaluation.

The West Sulawesi Regional Government has also initiated the West Sulawesi Provincial Regulation Number 9 of 2024 concerning the Provision of Incentives and Provision of Facilities to the Community and Investors, as a form of commitment to creating a more inclusive and sustainable investment climate. This Regional Regulation is formulated by considering Government Regulation Number 24 of 2019 concerning the Provision of Investment Incentives and Facilities in the Regions and Government Regulation Number

6 of 2021 concerning the Implementation of Business Licensing in the Regions. The regional regulation provides a legal basis for the provision of fiscal and non-fiscal incentives, as well as facilitation of licensing and business assistance. Where it is hoped that the existence of this regional regulation can be an attraction for investors. On the other hand, investment problems in the region cannot only be resolved through a top-down approach or a single policy from the central or regional government. Where in this context what is meant is through a polycentric governance approach. The theory of polycentric governance explains the importance of governance that involves various levels of policy makers who interact with each other, work autonomously but complement each other [1,2]. Polycentric governance is able to create a collaborative mechanism between various actors such as the central government, local governments, the private sector, civil society, and financial institutions, in formulating and implementing effective investment policies [3].

This polycentric governance approach is considered more adaptive to the complexity of problems at the local or regional level so that it can accelerate problem solving by distributing proportional authority and responsibility among policy makers[4]. In the context of increasing investment, polycentric governance can be considered a strategic approach in order to overcome policies that tend to be fragmented, strengthen coordination between levels of government, and encourage active participation of various stakeholders in creating a healthy business climate.

Furthermore, Lacroix in his study on water management in Arizona stated that polycentric governance not only provides flexibility in decision-making, but also allows the system to dynamically adapt to social and environmental changes through an adaptive cycle [5]. In this study, the governance system experiences stages of growth, conservation, release, and reorganization, which allows for institutional learning and continuous policy adjustment. Lacroix's idea of adaptive management, one of which is polycentric governance, is very important to be adapted in the context of investment enhancement governance in West Sulawesi Province, which in reality often experiences dynamic changes. Where polycentric governance consists of relationships and coordination between various institutions, distribution of authority and division of roles and responsibilities of stakeholders or institutions involved [5]. In the context of polycentric governance, investment management in West Sulawesi Province still faces various obstacles and problems, especially regarding relationships and coordination between institutions that are less effective and the implementation of the roles and responsibilities of related stakeholders is not optimal. In fact, with a polycentric governance

approach, regional policy makers can build a more adaptive system, where various government actors, business actors or investors, banks or other financing institutions, and the community can be actively involved in the investment governance process. Based on this explanation, this study aims to analyze how the concept of polycentric governance can be applied in investment management in West Sulawesi Province.

2. Methods

This study uses a qualitative approach with the aim of understanding the phenomenon in depth according to the institutional context, management and investment policies in West Sulawesi Province. This approach was chosen because it is believed to be able to explore the meaning, perceptions, and dynamics that emerge behind investment enhancement governance policies and practices, especially within the framework of polycentric governance. Qualitative research emphasizes the importance of an in-depth understanding of the process, social interactions, and the complexity of the actual situation that cannot be reduced only through numbers or quantitative data [6].

The research strategy used is an exploratory case study. This strategy is used to explore and reveal the dynamics of complex investment governance, including the actors involved, institutional structures, coordination mechanisms, and obstacles and opportunities that arise in the implementation of investment policies. Exploratory case studies are chosen because they are appropriate for investigating phenomena that have not been comprehensively studied, and allow researchers to develop a broader conceptual understanding of the phenomenon [7].

The research location is in West Sulawesi Province, with a focus on institutions and actors directly involved in the implementation of investment. Data collection was carried out through three main techniques, namely: Direct observation, to capture the factual situation and interactions between actors in the field; In-depth interviews, conducted in a semi-structured manner with various informants consisting of officials and staff of the Regional Investment Coordinating Board, the Investment and One-Stop Integrated Service agency (DPMPTSP), business actors (both individuals and companies), and the community. All informants were determined by purposive sampling; Documentation, which includes the collection of policy documents, official reports, regional regulations, and statistical data relevant to the focus of the research.

The data sources in this study consist of primary data obtained directly from the results of interviews and observations of key informants; Secondary data comes from official documents such as laws and regulations, agency performance reports, statistical publications, and other supporting documents. Data analysis techniques consist of four stages including data collection, data reduction, data presentation and drawing conclusions.

3. Results and Discussion

The first objective of this study is to describe investment management in West Sulawesi Province. Various research findings show that the West Sulawesi Provincial Government has shown various commitments to increasing investment. The West Sulawesi Provincial Government through the Investment and One-Stop Integrated Service Agency (DPMPTSP) has taken various strategic and sustainable steps to attract and increase investment realization. Some concrete steps that have been implemented include:

a) Regional Regulation (Perda) of West Sulawesi Province Number 9 of 2024 concerning the Provision of Incentives and Provision of Convenience to the Community and Investors; b) Implementation of the Risk-Based OSS (Online Single Submission) System. c) Increasing the Capacity of Human Resources (HR); d) Preparation of Investment Potential Documents based on IPRO (Investment Project Ready to Offer); e) Facilitation of Partnership between Investors and Local MSMEs; f) Investment Promotion and Participation in Regional Forums; g) Supervision and Monitoring of Investment Activity Reports (LKPM); h) Provision of Licensing Outlet Services; i) Development of Independent Applications to Support Digital Services. In addition to these strategic steps, other commitments are shown in terms of budget support allocated for investment development, promotion and implementation control programs, as shown in the Table 1 below:

Table 1 above shows the form of commitment of the West Sulawesi Provincial Government in encouraging increased investment, where in 2023-2024 the program budget increased. However, in 2025 the allocated budget decreased, one of which was due to the central government's policy on budget efficiency. Based on the data search conducted, it was obtained that the realization of West Sulawesi Provincial Capital Investment investment was shown as follows:

TABLE 1: Programs and Budgets to Encourage Increased Investment in West Sulawesi Province.

No	Programs	Year		
		2023	2024	2025
1	Investment Climate Development Program	783,673,613	810,000,000	558,052,679
2	Investment Promotion Program	360,421,350	1,492,135,171	65,039,885
3	Investment Implementation Control Program	925,500,000	1,091,275,000	79,637,410
	TOTAL NUMBER	2,069,594,963	3,393,410,171	702,729,974

Source: Investment and One-Stop Integrated Service Agency (DPMPTSP), 2024

TABLE 2: Investment Realization Value of Capital Investment in West Sulawesi Province, 2017-2024.

No	Year	Target Capital Investment (PMDN/PMA)	Realization Capital Investment (PMDN/PMA)	Realization Value Capital Investment (PMDN/PMA)
(1)	(2)	(3)	(4)	
1	2017	1,800,000,000,000	812,285,595,900	
2	2018	2,110,000,000,000	3,475,190,693,000	
3	2019	8,015,000,000,000	1,339,254,390,000	
4	2020	220,000,000,000	346,925,282,500	
5	2021	350,000,000,000	481,724,905,850	
6	2022	600,000,000,000	1,719,244,447,651	
7	2023	3,360,000,000,000	2,370,349,178,912	
8	2024	3,900,000,000,000	2,925,751,540,655	

Source: Investment and One-Stop Integrated Service Agency (DPMPTSP), 2024

Table 2 above shows that the amount of investment realization fluctuates. In 2022-2024, investment realization increased. Where in that year the government gave new rules in the form of severe sanctions such as freezing of permits/revocation of permits in accordance with statutory regulations if business actors/investors did not immediately report their investment activity reports. The existence of these sanctions is considered effective in increasing investment realization in West Sulawesi Province. However, when viewed from the realization target set, it shows that in the period 2017-2024, the achievement of the realized value was still not in accordance with the expected target. However, the realization value for the last 3 years has increased even though it has not reached the best achievement of the investment realization value in 2018.

Strategic steps taken by the West Sulawesi Province DPMPTSP such as the preparation of Regional Regulation Number 9 of 2024, the implementation of risk-based OSS, and the preparation of IPRO documents reflect systematic efforts in creating a conducive

investment climate. Support for the digitalization of services through the development of independent applications and the establishment of Licensing Outlets shows a response to the demands for efficiency and convenience in investment services. Furthermore, the facilitation of partnerships between investors and local MSMEs also shows an orientation towards inclusive economic development. The data in Table 1 shows that there was a significant increase in budget allocation from 2023 to 2024, especially in the investment promotion and control program. This indicates greater attention to aspects of investment promotion and supervision of its implementation. However, the drastic decrease in budget allocation in 2025 is a challenge in itself, especially when associated with program sustainability. The central government's budget efficiency policy which is the reason for this decrease in allocation could have an impact on the limited room for regional maneuver in encouraging investment, unless there are other funding innovations such as cooperation with the private sector or alternative funding schemes.

From Table 2, it can be seen that the achievement of investment realization experienced quite sharp fluctuations between 2017 and 2024. 2018 recorded the highest achievement, but several years later there was a sharp decline as in 2019. Only in the 2022-2024 period was there a positive trend of increasing investment realization. However, when compared to the set targets, it can be seen that the achievement of realization is still often below the target. In addition, investment management in West Sulawesi Province has been directed towards a modern and adaptive approach, including the use of technology and a collaborative approach. However, long-term success and sustainability are highly dependent on policy consistency, continuity of budget support, and increased coordination between stakeholders. In this context, strengthening the role of regions as facilitators and regulators, as well as developing partnerships with the private sector and local business actors, are key to ensuring that increased investment can be achieved and sustained.

The second objective of this study is to analyze Polycentric Governance in investment management in West Sulawesi Province. Various research results show that investment management in West Sulawesi Province has the characteristics of polycentric governance, as described by Lacroix (2011), which emphasizes the existence of many decision-making centers that are mutually coordinated, flexible, and able to adapt to environmental dynamics [5]. Coordination in investment management is carried out through coordination forums, integrated teams, and the use of digital technology such as the OSS (Online Single Submission) system. Institutions such as the DPMPSTP,

Bappeda, and BKPM work across sectors, both at the provincial and district/city levels. This was emphasized by the Head of DPMPTSP who stated that *“the coordination forum is a medium for coordination between OPDs and stakeholders responsible for investment management in West Sulawesi Province, without this forum, OPDs often work alone and are not well coordinated”*. In the coordination forum that was formed, all stakeholders who each have a role, coordinate in formulating strategies and solving problems in investment, with this forum, investment governance also becomes structured and well coordinated.

In the coordination forum, discussions are held by all stakeholders to align policies and facilitate the flow of investment in the region. This forum brings together various stakeholders, such as representatives of the regional government (especially the Investment and One-Stop Integrated Service Office or DPMPTSP), representatives from the Investment Coordinating Board (BKPM), sectoral agencies and business actors. Discussions in this forum are generally related to the evaluation of the realization of investment that has entered the province. This includes the amount of investment that has been realized, the most popular sectors, and the regions that receive the most investment. This evaluation is not only in the form of a numerical report, but also a discussion of the obstacles encountered by investors, such as unfinished permits, land conflicts, lack of supporting infrastructure, or overlapping regulations. Second, this forum is a forum to identify priority projects that will be offered to investors. The government usually presents a list of strategic regional projects that are ready to be offered to prospective investors. Third, this forum is also used to align and coordinate the roles of various agencies in the investment facilitation process. For example, it discusses how to coordinate between DPMPTSP and other technical agencies (such as the environmental, public works, and transportation agencies) so that the licensing process runs more efficiently. If there are cross-district/city issues within the province, this forum is a place to find joint solutions, including discussing spatial plans, inter-regional connectivity, or the use of strategic areas. Fourth, national regulatory and policy issues that have an impact on the regional investment climate are also often discussed. Provincial governments usually receive updates or direction from the central government regarding new regulations, such as changes to the OSS (Online Single Submission) system, implementation of Risk-Based Licensing, or policies related to green economic development. This forum is important so that local governments do not act alone and are able to adapt to national policies. This shows the existence of collaborative and structured governance practices, one of the main characteristics of a

polycentric system [5]. This collaboration strengthens the consistency of policies and program implementation, and increases the effectiveness of investment management. The division of authority between the provincial and district/city governments is clear. The provincial government plays a role in formulating policies and managing large-scale investments, while the district/city government handles licensing and supervision at the local level. This pattern reflects the principle of nested institutions, namely the existence of various levels of authority with different but mutually supportive responsibilities [5,8,9]. However, the effectiveness of its implementation still needs to be strengthened through increasing human resource capacity and harmonizing regulations.

In the context of polycentric governance, collaboration does not only occur between government institutions but also involves the private sector and the community. The results of the study show that this relationship has been built in an effort to create a conducive investment climate. The West Sulawesi Provincial Government actively engages business actors and the community in formulating policies and implementing investment programs. This model is in line with the participatory principle in polycentric governance that encourages social learning and innovation [10]. Overlapping policies are still a challenge, especially due to differences in regulations between the central, provincial, and district/city governments. This situation can hinder investment flows. However, the existence of cross-sectoral forums and coordination mechanisms between institutions have helped reduce policy conflicts. This practice supports the principle of institutional redundancy in a polycentric system, which allows for mutual control mechanisms and adaptive problem solving [5,11].

Fiscal and administrative decentralization in West Sulawesi allows for innovation in simplifying procedures, promoting local investment, and strategic partnerships. Although still limited by national regulations, local governments still have room to adjust policies to local needs. This shows the flexibility in investment governance which is an important element of a polycentric system [12]. The resilience of investment governance in West Sulawesi can be seen from its ability to deal with changes in central policy, natural disasters, and economic dynamics. Local governments have adaptation and recovery mechanisms, including adjusting regulations and licensing procedures, as well as support for affected investors. Adaptive responses such as this demonstrate success in implementing the principle of adaptive capacity in polycentric governance [5,13]. Although coordination has taken place structurally and cross-sector forums have existed, research shows that responsiveness to market changes and new challenges can still be improved. Policies need to be more flexible and responsive to global

dynamics and investor needs. The ability to adjust policies quickly and appropriately is an indicator of the success of an adaptive polycentric system [5].

4. Conclusion

Investment management in West Sulawesi has been implemented quite well where the government has taken various strategic steps and shown a strong commitment to encourage increased investment. Investment management in West Sulawesi Province has been found to have characteristics of a polycentric governance system where there are various decision makers, cross-sector collaboration, clear division of authority between related actors or institutions, and adaptation to changes, problems and challenges faced in investment. The challenges in this polycentric governance system are increasing the effectiveness of coordination, aligning policies between levels of government, and strengthening institutional capacity. If these challenges are overcome, West Sulawesi can become a model for regional investment management based on effective and sustainable polycentric governance.

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