PREDIKSI
Jurnal Administrasi & Kebijakan
Fakultas Ilmu Sosial dan Ilmu Politik
Universitas 17 Agustus Samarinda

Masniary.A, Samin.R, Akhyari.E (2026). Institutional Governance and Investment Licensing Reform in Indonesia's Free Trade Zones: A Case Study of Tanjungpinang. *Prediksi. Vol. 25 (2) 248-261.*

# Institutional Governance and Investment Licensing Reform in Indonesia's Free Trade Zones: A Case Study of Tanjungpinang

**Ade Masniary[1], Rumzi Samin[2], Edy Akhyari[3]**
[1,2,3] *Universitas Maritim Raji Ali Haji*
*Email:* amasniary@student.umrah.ac.id

**INFORMASI ARTIKEL**
**Riwayat Artikel:**
Received:
18 Mei 2026
Received in revised form:
16 Juni 2026
Accepted:
10 Juli 2026

***Keyword:***
*Free Trade Zone, Institutional Fragmentation, Investment Licensing, Governance, Tanjungpinang*

**Kata Kunci:**
Kawasan Perdagangan Bebas, Fragmentasi Kelembagaan, Perizinan Investasi, Tata Kelola, Tanjungpinang

**ABSTRACT**
*The Free Trade Zone (FTZ) policy was established to stimulate regional economic growth through investment promotion, trade facilitation, fiscal incentives, and simplified licensing procedures. Despite possessing strategic geographical advantages, the implementation of the FTZ policy in Tanjungpinang has not yet achieved its intended objectives. This study examines institutional fragmentation in investment licensing governance within the Tanjungpinang FTZ and analyzes its implications for investment service effectiveness. A qualitative case study approach was employed, utilizing in-depth interviews, document analysis, and literature review. Data were analyzed using the interactive model of Miles, Huberman, and Saldaña, consisting of data reduction, data display, and conclusion drawing. The findings reveal that overlapping authority among the Tanjungpinang FTZ Management Agency, local government institutions, and national licensing authorities has created institutional fragmentation. Weak inter-agency coordination, inconsistent implementation of the Online Single Submission (OSS) system, and regulatory ambiguities contribute to procedural complexity and uncertainty for investors. These challenges have reduced administrative efficiency, delayed investment realization, and weakened the competitiveness of the Tanjungpinang FTZ compared to other special economic zones. The study emphasizes the need for regulatory harmonization, clearer institutional authority, strengthened coordination mechanisms, and integrated licensing services to improve investment governance and enhance regional competitiveness.*

**ABSTRAK**
Kebijakan Kawasan Perdagangan Bebas (FTZ) ditetapkan untuk mendorong pertumbuhan ekonomi daerah melalui promosi investasi, fasilitasi perdagangan, insentif fiskal, dan penyederhanaan prosedur perizinan. Meskipun memiliki keunggulan geografis yang strategis, pelaksanaan kebijakan FTZ di Tanjungpinang belum mencapai tujuan yang diharapkan. Penelitian ini mengkaji fragmentasi kelembagaan dalam tata kelola perizinan investasi di FTZ Tanjungpinang serta menganalisis implikasinya terhadap efektivitas layanan investasi. Pendekatan studi kasus kualitatif digunakan dengan metode wawancara mendalam, analisis dokumen, dan tinjauan pustaka. Data dianalisis menggunakan model interaktif Miles, Huberman, dan Saldaña, yang mencakup tahapan reduksi data, penyajian data, dan penarikan kesimpulan. Hasil penelitian menunjukkan bahwa tumpang tindih kewenangan antara Badan Pengusahaan FTZ Tanjungpinang, instansi pemerintah daerah, dan otoritas perizinan nasional telah menimbulkan fragmentasi kelembagaan. Lemahnya koordinasi antarinstansi, penerapan sistem *Online Single Submission* (OSS) yang tidak konsisten, serta ketidakjelasan regulasi berkontribusi pada kompleksitas prosedur dan ketidakpastian bagi investor. Berbagai kendala ini telah menurunkan efisiensi administratif, menghambat realisasi investasi, dan melemahkan daya saing FTZ Tanjungpinang dibandingkan dengan kawasan ekonomi khusus lainnya. Penelitian ini menekankan perlunya harmonisasi regulasi, kejelasan kewenangan kelembagaan, penguatan mekanisme koordinasi, dan integrasi layanan perizinan guna memperbaiki tata kelola investasi serta meningkatkan daya saing daerah.

## PENDAHULUAN

The acceleration of investment has become one of the primary strategies adopted by governments worldwide to stimulate economic growth, create employment opportunities, increase productivity, and improve regional competitiveness. In the context of globalization and increasing economic integration, regions are no longer competing solely at the national level but also at the regional and international levels to attract domestic and foreign investors. Consequently, governments have introduced various policy instruments to create a more favorable business environment, one of which is the establishment of Free Trade Zones (FTZs).

Free Trade Zones are designated areas that receive special regulatory treatment aimed at facilitating economic activities through fiscal incentives, customs exemptions, simplified administrative procedures, and improved investment services. The concept of FTZs has been widely implemented in many countries as a mechanism to enhance economic competitiveness and attract foreign direct investment (FDI). According to the United Nations Conference on Trade and Development (UNCTAD, 2024), more than 5,000 special economic zones currently operate worldwide and contribute significantly to global trade and investment flows. Countries such as China, Singapore, South Korea, and the United Arab Emirates have successfully utilized special economic zones as catalysts for regional economic transformation and industrial development.

In Indonesia, the legal framework governing Free Trade Zones is established through Law Number 36 of 2000 concerning Free Trade Zones and Free Ports. The implementation of this policy reflects the government's commitment to creating investment-friendly environments capable of competing with neighboring countries in Southeast Asia. The Riau Islands Province occupies a particularly strategic position in this policy framework due to its geographical proximity to Singapore and Malaysia and its location along the Malacca Strait, one of the world's busiest international shipping routes. This strategic advantage provides substantial opportunities for the region to become a hub for trade, logistics, manufacturing, and investment activities.

Several regions within the Riau Islands Province have been designated as Free Trade Zones, including Batam, Bintan, Karimun, and Tanjungpinang. Among these regions, Batam has emerged as the most successful example of FTZ implementation in Indonesia. Through a combination of strong institutional governance, developed infrastructure, and extensive international business networks, Batam has consistently attracted substantial investment inflows and contributed significantly to national economic development. In contrast, Tanjungpinang, despite possessing similar regulatory privileges and strategic geographical advantages, has not achieved comparable levels of investment growth. Recent investment statistics illustrate this disparity. According to data from the Regional Investment and One-Stop Integrated Services Agency (DPMPTSP) of the Riau Islands Province, investment realization in Batam reached IDR 44.19 trillion in 2025, while Tanjungpinang recorded only IDR 626 billion during the same period. This substantial gap raises important questions regarding the effectiveness of investment governance and institutional arrangements within the Tanjungpinang Free Trade Zone.

***Table 1. Comparison of Investment Realization in Batam and Tanjungpinang (2023–2025)***

| Year | Tanjungpinang (IDR Billion) | Batam (IDR Trillion) |
|---|---|---|
| 2023 | 603 | 15.62 |
| 2024 | 483 | 25.46 |
| 2025 | 626 | 44.19 |

***Source:*** *DPMPTSP Riau Islands Province (2026)*

The data indicate that although Tanjungpinang experienced a modest increase in investment realization in 2025, its performance remains substantially below that of Batam. This disparity suggests that regulatory incentives alone are insufficient to attract investment. Effective governance structures, institutional capacity, and administrative efficiency are equally important determinants of investment attractiveness. Furthermore, national investment performance has demonstrated remarkable growth in recent years. The Ministry of Investment and the Investment Coordinating Board (BKPM) reported that Indonesia's total investment realization exceeded IDR 1,700 trillion in 2025, surpassing the government's annual target. Major investment contributions originated from manufacturing, transportation, logistics, and industrial sectors. Despite this positive national trend, investment distribution remains uneven across regions, with a significant concentration occurring in major industrial centers such as Jakarta, West Java, East Java, and Batam.

***Table 2. Indonesia's Investment Realization (2021–2025)***

| Year | Investment Realization (IDR Trillion) |
|---|---|
| 2021 | 901.0 |
| 2022 | 1,207.2 |
| 2023 | 1,418.9 |
| 2024 | 1,578.4 |
| 2025 | 1,700.0+ |

***Source:*** *Ministry of Investment/BKPM (2025)*

Although Indonesia has achieved impressive investment growth nationally, regions such as Tanjungpinang continue to face challenges in attracting significant investment inflows. This situation suggests the existence of local-level constraints that hinder the effective implementation of investment policies. One of the most frequently identified obstacles concerns institutional governance within investment licensing systems. Effective investment promotion depends not only on fiscal incentives and infrastructure availability but also on the existence of clear, efficient, and integrated administrative procedures. Investors require regulatory certainty, transparent processes, and predictable decision-making mechanisms when evaluating potential investment destinations.

However, investment licensing governance within the Tanjungpinang FTZ involves multiple institutions operating at different administrative levels. These include the Tanjungpinang FTZ Management Agency, local government agencies, the Ministry of Investment, sectoral ministries, and the Online Single Submission (OSS) system. While the involvement of multiple actors may theoretically improve governance through collaborative arrangements, it may also create institutional fragmentation when responsibilities and authorities overlap. Institutional fragmentation refers to the dispersion of authority and decision-making functions among multiple organizations without adequate coordination mechanisms. According to Peters (2018), fragmented governance structures often produce administrative inefficiencies, policy inconsistencies, and accountability challenges. In the context of investment licensing, fragmented institutional arrangements can generate procedural complexity, increase transaction costs, and create uncertainty for investors.

The introduction of the Online Single Submission (OSS) system was intended to address many of these challenges by integrating licensing services through a centralized digital platform. Nevertheless, evidence suggests that OSS implementation within the Tanjungpinang FTZ has not completely eliminated institutional overlaps. Investors continue to interact with multiple agencies, and licensing procedures often require coordination beyond the digital platform. Consequently, the intended benefits of streamlined investment services have not been fully realized. The governance challenges faced by the Tanjungpinang FTZ can also be understood through the perspective of collaborative governance. According to Ansell and Gash (2008), effective collaboration among institutions requires shared objectives, clearly defined roles, strong leadership, and continuous communication. In the absence of these elements, collaborative arrangements may instead result in fragmented decision-making processes and reduced policy effectiveness.

Previous studies on Free Trade Zones in Indonesia have primarily focused on economic growth, investment competitiveness, infrastructure development, and regional economic performance. Research examining Batam's success has highlighted the importance of institutional capacity and integrated governance structures in attracting investment. However, limited scholarly attention has been devoted to understanding how institutional fragmentation affects investment licensing governance in other FTZ regions, particularly Tanjungpinang. This gap in the literature underscores the need for a more comprehensive examination of governance challenges affecting investment performance in emerging FTZ areas. From a theoretical perspective, this study contributes to the literature on governance, public administration, and institutional theory by exploring how fragmented authority structures influence policy implementation and public service delivery. From a practical perspective, the findings are expected to provide policy recommendations for government agencies responsible for investment promotion, regulatory reform, and FTZ management.

Therefore, this study aims to analyze the forms of institutional fragmentation in investment licensing governance within the Tanjungpinang Free Trade Zone, identify the factors contributing to fragmentation, examine its impacts on investors and investment performance, and formulate recommendations for improving governance effectiveness. Understanding these issues is essential for ensuring that the Tanjungpinang FTZ can fulfill its intended role as a strategic economic zone capable of attracting sustainable investment and promoting regional economic development.

## METODE PENELITIAN

This study employed a **qualitative research approach** using a **case study design** to examine institutional fragmentation in investment licensing governance within the Tanjungpinang Free Trade Zone (FTZ). A qualitative approach was selected because the research seeks to gain an in-depth understanding of institutional interactions, authority distribution, coordination mechanisms, and governance challenges among actors involved in investment licensing services. The case study design allows for a comprehensive exploration of complex institutional phenomena within a specific policy context, namely the Tanjungpinang FTZ.

The research was conducted in the Tanjungpinang Free Trade Zone, particularly within the Dompak and Senggarang FTZ areas, where investment activities are administered through multiple governmental institutions. The study focused on key stakeholders involved in investment licensing processes, including the Tanjungpinang FTZ Management Agency (BP Kawasan Tanjungpinang), the Regional Investment and One-Stop Integrated Services Agency (DPMPTSP), the Ministry of Investment/Investment Coordinating Board (BKPM), relevant technical agencies, and business actors or investors operating within the FTZ.

Data collection was conducted through three primary techniques: **in-depth interviews, document analysis, and literature review**. In-depth interviews served as the primary source of empirical data and were conducted using a purposive sampling technique. Informants were selected based on their direct involvement in investment licensing governance and their knowledge of institutional coordination processes within the FTZ. Interviews explored issues related to authority distribution, licensing procedures, inter-agency coordination, regulatory implementation, and perceptions regarding investment service effectiveness.

Document analysis was employed to complement the interview findings. Relevant documents included national and regional regulations, government reports, investment realization statistics, policy documents, institutional reports, and official publications related to FTZ governance and investment licensing. These documents provided contextual information and facilitated the verification of empirical findings. Furthermore, a literature review was conducted to establish the theoretical foundation of the study. Academic books, peer-reviewed journal articles, government publications, and international reports concerning governance, institutional fragmentation, collaborative governance, and investment administration were systematically reviewed to support data interpretation and discussion.

***Table 3. Sources of Research Data***

| Data Source | Type of Data | Collection Technique |
|---|---|---|
| FTZ Management Agency Officials | Primary Data | In-depth Interviews |
| DPMPTSP Officials | Primary Data | In-depth Interviews |
| Investors and Business Actors | Primary Data | In-depth Interviews |
| Government Regulations | Secondary Data | Document Analysis |
| Investment Reports and Statistics | Secondary Data | Document Analysis |
| Academic Literature and Journals | Secondary Data | Literature Review |

***Source:*** *Developed by the Author (2026)*

Data analysis followed the interactive model of Miles, Huberman, and Saldaña (2014), consisting of three interconnected stages:

1. Data Reduction – organizing, selecting, and simplifying relevant information obtained from interviews and documents.
2. Data Display – presenting data in narrative descriptions, matrices, and tables to facilitate interpretation.
3. Conclusion Drawing and Verification – identifying patterns, relationships, and explanations related to institutional fragmentation and investment licensing governance.

To enhance the credibility and trustworthiness of the findings, the study employed **source triangulation**. Information obtained from interviews was compared and cross-checked with regulatory documents, government reports, statistical data, and previous research findings. This triangulation process ensured consistency and minimized potential bias in data interpretation.

***Table 4. Research Analytical Framework***

| Research Objective | Data Source | Analytical Focus |
|---|---|---|
| Identify institutional actors | Interviews, Documents | Authority and Responsibilities |
| Analyze forms of fragmentation | Interviews, Regulations | Overlapping Authority and Coordination |
| Examine impacts on investment | Interviews, Reports | Licensing Efficiency and Investor Perceptions |

| Research Objective | Data Source | Analytical Focus |
|---|---|---|
| Formulate governance improvements | Interviews, Literature | Institutional Reform Strategies |

***Source:*** *Developed by the Author (2026)*

Through this methodological approach, the study provides a comprehensive understanding of how institutional fragmentation affects investment licensing governance in the Tanjungpinang Free Trade Zone and offers policy recommendations for strengthening institutional coordination and improving investment service delivery.

## HASIL PENELITIAN

### Overview of Investment Development in the Tanjungpinang Free Trade Zone

The findings indicate that the implementation of the Free Trade Zone (FTZ) policy in Tanjungpinang has not yet produced optimal investment outcomes despite the region's strategic geographic position and regulatory incentives. The FTZ areas of Dompak and Senggarang were established to attract both domestic and foreign investment by providing various fiscal and administrative advantages. However, investment growth remains relatively limited compared to other FTZ regions in the Riau Islands Province.

Research findings show that investment realization in Tanjungpinang remains significantly lower than in Batam, which continues to dominate regional investment performance. Informants revealed that while the FTZ status has increased investor interest, several institutional and administrative obstacles continue to hinder investment realization. Investors acknowledged the potential of Tanjungpinang as an emerging investment destination but emphasized the need for more efficient governance mechanisms and clearer administrative procedures. Furthermore, the study found that many potential investors initially express interest in investing within the FTZ area but often require extended periods to complete licensing and administrative processes. This situation has contributed to slower investment realization and reduced the overall competitiveness of the FTZ.

### Institutional Structure of Investment Licensing Governance

The research identified a complex institutional structure governing investment licensing in the Tanjungpinang FTZ. Several governmental organizations are involved in the investment process, each operating under different legal and administrative mandates. The Tanjungpinang FTZ Management Agency is responsible for promoting investment and managing FTZ development. Meanwhile, the Regional Investment and One-Stop Integrated Service Agency (DPMPTSP) oversees business licensing administration at the local level. In addition, the Ministry of Investment and the Online Single Submission (OSS) system play significant roles in processing investment permits at the national level.

The findings reveal that although these institutions share the common objective of facilitating investment, their responsibilities are not always clearly integrated. Several interview participants stated that investors frequently need to communicate with multiple institutions to obtain information and approvals. Consequently, the licensing process often becomes more complicated than expected. The study also found that institutional coordination largely depends on informal communication among officials rather than a formalized governance mechanism. This condition creates differences in administrative practices and interpretations of regulations across institutions.

**Manifestations of Institutional Fragmentation**

One of the most important findings of this study is the existence of institutional fragmentation within the investment licensing system.

The first manifestation of fragmentation is overlapping authority among institutions. Although the FTZ Management Agency is expected to facilitate investment activities within the designated zone, local government agencies continue to exercise authority over various licensing and administrative matters. As a result, investors frequently encounter uncertainty regarding which institution possesses the final authority to make decisions. The second manifestation is fragmented service delivery. Despite the implementation of the OSS platform, investors still need to obtain approvals from multiple agencies. Several informants explained that the digital licensing system has simplified some procedures; however, it has not completely eliminated the need for direct interaction with different governmental institutions.

The third manifestation involves weak inter-agency coordination. The findings indicate that communication among institutions often occurs only when specific problems emerge. There is limited evidence of regular coordination meetings or integrated service mechanisms designed to streamline investment procedures. Another manifestation of fragmentation relates to inconsistent information provided by different agencies. Some investors reported receiving different explanations regarding licensing requirements, administrative procedures, and regulatory obligations. Such inconsistencies create confusion and prolong the investment process.

**Impact of Institutional Fragmentation on Investment Activities**

The findings demonstrate that institutional fragmentation has generated several consequences for investment activities in the Tanjungpinang FTZ. First, fragmented governance has increased administrative complexity. Investors must navigate multiple institutions throughout the licensing process, requiring additional time and resources. This complexity often discourages investors who seek efficient and predictable administrative procedures. Second, institutional fragmentation contributes to uncertainty in investment planning. Investors require clear information regarding licensing requirements, approval timelines, and regulatory obligations before committing financial resources. However, the existence of multiple authorities and overlapping responsibilities makes it difficult to predict the duration and outcome of licensing procedures.

Third, the research found that fragmented governance negatively affects investor confidence. Several business actors expressed concerns regarding the consistency of government services and the predictability of regulatory implementation. Investors generally prefer locations where administrative procedures are transparent, integrated, and supported by strong institutional coordination.

Fourth, fragmentation reduces the competitiveness of the Tanjungpinang FTZ compared to alternative investment destinations. Informants noted that neighboring regions, particularly Batam, provide more integrated investment services and clearer institutional arrangements. Consequently, some investors perceive Batam as a more attractive destination for business expansion.

**Factors Contributing to Institutional Fragmentation**

The study identified several factors that contribute to institutional fragmentation within investment licensing governance.

One significant factor is the complexity of the regulatory framework governing FTZ administration and investment licensing. Multiple regulations issued by different levels of government create overlapping responsibilities and administrative ambiguity. Another contributing factor is the coexistence of traditional administrative structures and digital licensing reforms. Although the OSS system was introduced to simplify licensing procedures, some institutional practices remain unchanged, resulting in parallel administrative processes.

The findings also indicate that sectoral organizational culture continues to influence institutional behavior. Government agencies tend to prioritize their respective mandates rather than adopting a collaborative approach to service delivery. This condition limits the effectiveness of coordination efforts and reinforces institutional fragmentation. Additionally, the absence of a dominant coordinating institution has contributed to governance challenges. While several organizations participate in investment administration, no single institution possesses sufficient authority to fully integrate all investment-related services within the FTZ.

**Emerging Need for Governance Reform**

The findings suggest that improving investment performance in the Tanjungpinang FTZ requires substantial governance reform. Stakeholders consistently emphasized the importance of strengthening institutional coordination, clarifying organizational responsibilities, and improving service integration. The study found strong support among informants for the development of a more comprehensive one-stop investment service model capable of integrating licensing procedures across institutions. Informants also highlighted the need for regulatory harmonization to reduce overlapping authority and improve administrative certainty.

Overall, the findings indicate that the effectiveness of investment promotion in the Tanjungpinang FTZ depends not only on economic incentives but also on the quality of institutional governance. Strengthening coordination mechanisms, reducing fragmentation, and enhancing administrative integration are essential steps toward creating a more attractive and competitive investment environment.

## PEMBAHASAN

### Institutional Fragmentation as a Governance Challenge in Investment Licensing

The findings demonstrate that institutional fragmentation has become one of the primary challenges affecting investment licensing governance in the Tanjungpinang Free Trade Zone (FTZ). Although the FTZ policy was designed to simplify investment procedures and improve the business environment, the existence of multiple institutions with overlapping responsibilities has created administrative complexity rather than procedural efficiency. This situation reflects the argument of Peters (2018), who emphasizes that fragmented governance structures often generate coordination problems, reduce administrative effectiveness, and weaken policy implementation outcomes.

The involvement of various institutions, including the Tanjungpinang FTZ Management Agency, DPMPTSP, technical agencies, and the Ministry of Investment through the OSS system, illustrates a multi-level governance arrangement. In theory, multi-level governance can improve public service delivery by distributing responsibilities among specialized organizations. However, the findings reveal that the absence of clearly defined institutional boundaries has resulted in overlapping authority and procedural uncertainty. Consequently, investors frequently face difficulties in determining which institution possesses the authority to address specific licensing matters. From a public administration perspective, effective governance requires clarity of authority, accountability, and coordination among implementing agencies. When institutional roles are not clearly differentiated, administrative processes become more complicated and less predictable. This condition is particularly problematic in investment governance because investors generally prioritize efficiency, certainty, and transparency when selecting investment destinations.

### The Limitations of OSS Integration in Special Economic Areas

One of the major objectives of the Online Single Submission (OSS) system is to streamline business licensing processes through digital integration. The implementation of OSS represents a significant administrative reform aimed at reducing bureaucratic barriers and increasing investment attractiveness throughout Indonesia. However, the findings suggest that the integration of OSS within the Tanjungpinang FTZ remains incomplete. Although the digital platform has simplified several licensing procedures, investors continue to interact with multiple institutions outside the OSS framework. This finding indicates that digital transformation alone is insufficient to resolve governance problems when institutional structures remain fragmented. The coexistence of national licensing systems and local FTZ governance arrangements has created parallel administrative pathways that often confuse investors.

This condition supports the argument that technological innovation must be accompanied by institutional reform. Digital systems can improve efficiency only when organizational structures, regulatory frameworks, and administrative procedures are aligned with technological changes. Without institutional integration, digital platforms may merely transfer existing bureaucratic complexities into electronic formats rather than eliminating them. Furthermore, the findings reveal that several agencies continue to apply sector-specific administrative procedures despite the existence of integrated licensing mechanisms. As a result, investors are often required to comply with both digital and conventional administrative requirements. This situation diminishes the effectiveness of licensing reforms and limits the intended benefits of OSS implementation.

**The Impact of Fragmentation on Investor Confidence and Investment Competitiveness**

The study found that institutional fragmentation directly influences investor perceptions regarding the quality of public services and the attractiveness of the investment environment. Investors generally seek predictable regulatory frameworks, efficient administrative procedures, and clear communication from government institutions. When governance structures appear fragmented, uncertainty increases and investor confidence declines. The findings indicate that administrative delays, inconsistent information, and overlapping authority create additional costs for investors. These costs are not limited to financial expenditures but also include opportunity costs associated with delayed project implementation and business expansion. Consequently, investors may choose alternative locations that offer more efficient administrative services and stronger institutional coordination.

This phenomenon is particularly relevant in the context of regional competition. Tanjungpinang does not compete solely with other Indonesian cities but also with neighboring economic centers such as Batam, Singapore, and Johor in Malaysia. These regions have established reputations for providing relatively efficient investment services and clear regulatory environments. Therefore, institutional weaknesses in Tanjungpinang may significantly reduce its competitiveness within the broader regional investment market. The findings further suggest that investment attractiveness depends not only on economic incentives but also on governance quality. While fiscal incentives and strategic geographic locations remain important, investors increasingly evaluate the effectiveness of public institutions before making investment decisions. Thus, institutional reform should be considered an essential component of regional investment strategies.

**Governance and Collaborative Coordination in Investment Administration**

The findings highlight the importance of collaborative governance in addressing institutional fragmentation. Ansell and Gash (2008) argue that collaborative governance enables public organizations to coordinate resources, share information, and achieve common policy objectives. In the context of the Tanjungpinang FTZ, effective collaboration among institutions is necessary to create an integrated investment licensing system. However, the study found that coordination among institutions remains largely reactive and informal. Communication generally occurs when specific problems arise rather than through structured coordination mechanisms. This situation limits the ability of institutions to anticipate challenges, harmonize procedures, and provide consistent services to investors.

absence of a strong coordinating mechanism also contributes to differing interpretations of regulations among agencies. As a result, investors may receive inconsistent information depending on the institution they consult. Such inconsistencies undermine administrative credibility and reduce public trust in government services. Collaborative governance requires more than periodic communication among agencies. It requires shared objectives, clear responsibilities, mutual trust, and institutional commitment to collective problem-solving. Therefore, strengthening collaborative governance arrangements should become a priority in future investment governance reforms.

**Institutional Capacity and the Future of FTZ Development**

Another important issue emerging from the findings concerns institutional capacity. The effectiveness of investment governance depends not only on regulatory frameworks but also on the ability of institutions to implement policies effectively. Compared with Batam, the Tanjungpinang FTZ remains in an earlier stage of institutional development. This difference is reflected in organizational experience, investment promotion capabilities, administrative integration, and governance maturity. The findings suggest that strengthening institutional capacity should become a central component of FTZ development strategies. Capacity-building efforts may include professional training programs, digital governance enhancement, organizational restructuring, and improved inter-agency coordination mechanisms. These initiatives can enhance administrative performance and improve service quality for investors.

In addition, the establishment of a stronger institutional leadership structure may help reduce fragmentation. A lead agency with clearly defined coordinating authority could facilitate communication among stakeholders and ensure greater consistency in investment service delivery. Such an approach would support more integrated governance and reduce administrative duplication.

Ultimately, the findings indicate that the success of the Tanjungpinang FTZ cannot be achieved solely through regulatory incentives or infrastructure development. Long-term success requires effective governance institutions capable of providing efficient, transparent, and investor-oriented services. Institutional integration, collaborative coordination, and organizational capacity enhancement therefore represent critical factors in improving investment performance and achieving the broader objectives of the FTZ policy. In summary, the discussion confirms that institutional fragmentation remains a significant obstacle to investment licensing effectiveness in the Tanjungpinang FTZ. Addressing this challenge requires comprehensive governance reform focused on regulatory harmonization, institutional integration, collaborative coordination, and capacity development. Through these measures, the Tanjungpinang FTZ can strengthen its competitiveness and enhance its role as a strategic investment destination in Indonesia.

## KESIMPULAN

This study examined institutional fragmentation in investment licensing governance within the Tanjungpinang Free Trade Zone (FTZ) and its implications for investment service effectiveness. The findings reveal that the governance of investment licensing involves multiple institutions operating under different regulatory mandates, including the Tanjungpinang FTZ Management Agency, local government agencies, technical institutions, and the national Online Single Submission (OSS) system. While these institutions share a common objective of facilitating investment, their interactions are characterized by overlapping authority, fragmented administrative procedures, and limited inter-agency coordination. The study further demonstrates that institutional fragmentation has contributed to administrative inefficiencies, procedural uncertainty, and inconsistent service delivery. Investors frequently encounter difficulties in navigating licensing requirements due to the involvement of multiple agencies and the absence of fully integrated governance mechanisms. As a result, investment processes often require additional time and resources, reducing the attractiveness of the Tanjungpinang FTZ as a destination for business development.

Another important finding is that the implementation of OSS-based licensing reforms has not fully resolved governance challenges within the FTZ. Although digitalization has simplified certain procedures, institutional integration remains incomplete. Consequently, investors continue to interact with various organizations outside the digital platform, limiting the effectiveness of administrative reforms. The study also highlights that governance quality is a critical determinant of investment competitiveness. The strategic location of Tanjungpinang and the availability of fiscal incentives alone are insufficient to attract sustainable investment if they are not supported by effective institutional arrangements. Investors place considerable importance on regulatory certainty, administrative efficiency, and coordinated public services when making investment decisions.

Therefore, improving investment performance in the Tanjungpinang FTZ requires comprehensive governance reforms. These reforms should focus on clarifying institutional responsibilities, harmonizing regulatory frameworks, strengthening inter-agency coordination, and developing a genuinely integrated investment service system. Enhancing institutional capacity and collaborative governance mechanisms is also essential to ensure more effective policy implementation.In conclusion, the long-term success of the Tanjungpinang FTZ depends not only on economic incentives and infrastructure development but also on the ability of public institutions to provide transparent, efficient, and investor-oriented services. Addressing institutional fragmentation will be a crucial step toward strengthening regional competitiveness, increasing investor confidence, and achieving sustainable economic growth within the Free Trade Zone.

## DAFTAR PUSTAKA


Ansell, C., & Gash, A. (2008). Collaborative governance in theory and practice. *Journal of Public Administration Research and Theory, 18*(4), 543–571. https://doi.org/10.1093/jopart/mum032

Badan Pusat Statistik Kota Tanjungpinang. (2024). *Kota Tanjungpinang dalam angka 2024*. Badan Pusat Statistik Kota Tanjungpinang.

Benz, A., & Papadopoulos, Y. (Eds.). (2017). *Governance and democracy: Comparing national, European and international experiences*. Routledge.

Christensen, T., Lægreid, P., & Rykkja, L. H. (2016). Organizing for crisis management: Building governance capacity and legitimacy. *Public Administration Review, 76*(6), 887– 897. https://doi.org/10.1111/puar.12558

Djelic, M. L., & Quack, S. (2018). *Governance, regulation, and institutional change*. Edward Elgar Publishing.

Hill, M., & Hupe, P. (2022). *Implementing public policy: An introduction to the study of operational governance* (4th ed.). SAGE Publications.

Kementerian Investasi/Badan Koordinasi Penanaman Modal. (2025). *Laporan realisasi investasi triwulan IV dan Januari–Desember 2025*. Kementerian Investasi Republik Indonesia.

Klijn, E. H., & Koppenjan, J. (2016). *Governance networks in the public sector*. Routledge.

Lægreid, P., & Rykkja, L. H. (2015). Organizing for "wicked problems": Analyzing coordination arrangements in two policy areas. *International Journal of Public Sector Management, 28*(6), 475–493. https://doi.org/10.1108/IJPSM-01-2015-0009

Miles, M. B., Huberman, A. M., & Saldaña, J. (2014). *Qualitative data analysis: A methods sourcebook* (3rd ed.). SAGE Publications.

North, D. C. (1990). *Institutions, institutional change and economic performance*. Cambridge University Press. https://doi.org/10.1017/CBO9780511808678

Organisation for Economic Co-operation and Development (OECD). (2023). *Global investment trends and policy developments*. OECD Publishing.
Pemerintah Provinsi Kepulauan Riau. (2025). *Evaluasi penguatan kelembagaan kawasan Free Trade Zone di Provinsi Kepulauan Riau*. Pemerintah Provinsi Kepulauan Riau.
Peters, B. G. (2018). *The politics of bureaucracy: An introduction to comparative public administration* (7th ed.). Routledge.
Peters, B. G. (2019). *Institutional theory in political science: The new institutionalism* (4th ed.). Edward Elgar Publishing.
Pierre, J., & Peters, B. G. (2020). *Governance, politics and the state* (2nd ed.). Red Globe Press.
Pollitt, C., & Bouckaert, G. (2017). *Public management reform: A comparative analysis into the age of austerity* (4th ed.). Oxford University Press.
Republik Indonesia. (2000). *Undang-Undang Republik Indonesia Nomor 36 Tahun 2000 tentang Penetapan Peraturan Pemerintah Pengganti Undang-Undang Nomor 1 Tahun 2000 tentang Kawasan Perdagangan Bebas dan Pelabuhan Bebas menjadi Undang-Undang*. Sekretariat Negara Republik Indonesia.
Republik Indonesia. (2007). *Peraturan Pemerintah Republik Indonesia Nomor 47 Tahun 2007 tentang Kawasan Perdagangan Bebas dan Pelabuhan Bebas Tanjungpinang*. Sekretariat Negara Republik Indonesia.
Republik Indonesia. (2021). *Peraturan Pemerintah Republik Indonesia Nomor 5 Tahun 2021 tentang Penyelenggaraan Perizinan Berusaha Berbasis Risiko*. Sekretariat Negara Republik Indonesia.
Torfing, J., Peters, B. G., Pierre, J., & Sørensen, E. (2012). *Interactive governance: Advancing the paradigm*. Oxford University Press.
United Nations Conference on Trade and Development (UNCTAD). (2024). *World investment report 2024: Investment facilitation and sustainable development*. United Nations.
Verhoest, K., Van Thiel, S., Bouckaert, G., & Lægreid, P. (2012). *Government agencies: Practices and lessons from 30 countries*. Palgrave Macmillan.
Weiss, T. G. (2019). *Global governance: Why? What? Whither?* (2nd ed.). Polity Press.
World Bank. (2020). *Doing business 2020: Comparing business regulation in 190 economies*. World Bank. https://doi.org/10.1596/978-1-4648-1440-2
World Bank. (2024). *Global economic prospects 2024*. World Bank Group.
Wu, X., Ramesh, M., Howlett, M., & Fritzen, S. (2018). *The public policy primer: Managing the policy process* (3rd ed.). Routledge.