

ABSTRACT

Investment is one of the important components of economic growth. The attractiveness of the investment climate depends on government capability to formulate and implement investment policy. Investment is needed by the Yogyakarta Special Region (YSR) as a source of local revenue which is used to finance development. Therefore, policies that support the investment climate are needed.

This research is aimed to investigate what factors are affecting investment policy implementation in YSR. This understanding would be useful to evaluate policy implementation related to investment. This research uses qualitative and case study methodology. Primary data are collected through interviews with some key actors in the YSR and complemented by secondary data. Four variables are used to investigate the investment policy implementation in YSR, namely inter-organizational relations and coordination; the capacity of implementing agencies; economic, social, and political conditions; and interest groups.

This study found that problems exist in the inter-organisational relations and coordination: overlapping implementers, an unclear delegation of authority in the policy implementation, and the degree of interest. The capacity of implementing agencies is considered good. Economic and social conditions support the investment policy implementation, but the political conditions both support and constrain the investment policy implementation. Interest groups are involved in the investment policy formulation and implementation, and they could perform their role well. Investment policy implementation in YSR needs to be further improved.

Keywords: investment, investment climate, policy implementation,



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Investment Climate Improvement**

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