

# The role of investment law in Indonesia's economic recovery efforts

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## Abstract

**Purpose:** This study examines the role of investment law in Indonesia's economic recovery efforts, particularly under Law No. 25 of 2007. Indonesia, as a developing country, emphasizes high economic growth as a measure of success in enhancing societal welfare. Investment, through capital investment, is crucial for increasing capital stock, production capacity, and economic growth, thereby creating jobs.

**Methodology:** The study uses a normative legal research method with an analytical descriptive approach, analyzing regulations related to Law No. 25/2007, relevant literature, and data from the internet.

**Results:** The findings indicate that legal certainty significantly influences investment decisions. A country with clear, fair, and well-enforced laws attracts more investors, which is essential for sustainable economic growth. Recent studies highlight the benefits and challenges of foreign direct investment (FDI) in Indonesia.

**Conclusion:** Investment law strengthens legal certainty, boosts investor confidence, and supports Indonesia's sustainable economic recovery through continuous reforms.

**Limitations:** This study is limited to normative legal analysis with secondary data, excluding empirical evidence and international comparative perspectives.

**Contribution:** Government efforts—regulatory reforms, legal enforcement, and infrastructure—foster a conducive investment climate. Continuous legal updates are essential to sustain investor confidence, ensure effectiveness, and support Indonesia's economic growth.

**Keywords:** *Economic Recovery, Foreign Direct Investment (FDI), Indonesia's Economic, Investment Law, Legal Certainty*

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## 1. Introduction

Legal certainty. Countries with good, fair, and clear laws attract more investors. Conversely, Indonesia is a developing country that focuses on economic development and growth. High economic growth is a measure of a country's success in improving people's welfare. Economic development requires investment, which is one of the main factors contributing to economic growth. Investment, through capital investment, continues to increase the capital stock, increase production capacity and quality, and encourage economic growth and job creation (Mashur, Yakubi, & Riswandi, 2024; Nofrianto & Basri, 2024; Nur Susilowati et al., 2023). Investment is the commitment of funds or other resources to obtain future profits (Afriyani, Indrayani, Indrawan, Wibisono, & Ngaliman, 2023). Investment is needed to fulfil the needs and desires of society, both individually, in groups, and in countries (Quah, 2023). When the government, entrepreneurs, or individuals invest, a certain amount of capital is invested or spent on production to produce goods and services in the future, which can create new jobs and improve people's

welfare. Investment also requires countries with bad and unclear laws, which will make investors hesitate to invest (Suherman, 2005).

Legal certainty plays a foundational role in fostering investor confidence, not only by stabilizing expectations but also by aligning domestic regulations with international norms. Recent findings indicate that strengthening legal certainty can significantly enhance developing countries' competitiveness in the global market and attract higher levels of investment (Hutahayan, Fadli, Amimakmur, & Dewantara, 2024). Topçu (2024) demonstrates in a panel study of 66 countries (2008–2021) that legal and regulatory quality positively and significantly affects foreign direct investment (FDI) inflows, with a stronger impact observed in developing nations. In the Indonesian context, empirical evidence from the Indonesia Stock Exchange shows that investors' perceptions of legal certainty are positively influenced by factors such as the independence of the judiciary, legal culture, and governmental authority. These factors significantly improve investment decisions (Hutahayan et al., 2024). This underscores the importance of the institutional and cultural dimensions of legal certainty for investment climates.

Institutional integration plays a crucial role beyond national frameworks. In Africa, the African Union (AU) provides legal certainty to foreign investors through coherent regional frameworks, legal instruments, and enforcement bodies. This contributes to transparency, predictability, and improved institutional trust in the system. These practices illustrate the broader importance of supranational mechanisms in strengthening investment confidence. Conversely, legal uncertainty, such as ambiguity or volatility in corporate taxation, can deter FDI. Uncertainties in corporate income tax systems negatively affect FDI inflows, particularly in developing economies. Such risks compound investor hesitation, highlighting that legal clarity and consistency are as critical as regulatory content in attracting investment. Synthesizing these findings: Indonesia's path toward bolstering investment should focus on both strengthening domestic legal certainty and aligning with international best practices (Elistyawati, Made Wendri, Sukmawati, & Susyarini, 2022; Jimad, Roslina, Aviati Syarif, & P Wahono, 2022; Rahayu, Roza, Edmawati, & Karib, 2022). Law No. 25 of 2007, which sought to streamline investment regulations, was an important milestone. However, to fully leverage its impact, the government must enhance law enforcement, reduce bureaucratic inconsistencies, and improve inter-agency coordination. Furthermore, improving legal certainty is associated with broader institutional reforms. Policy coordination, dispute resolution mechanisms, judicial independence, and transparent regulations are all essential. Public–private partnerships and institutional boldness, such as establishing one-stop investment services, will also help translate legal improvements into tangible investor confidence (Ferguson, Krupa, & Laux, 2025; Zagler, 2023).

Legal certainty is not merely a legal principle; it is also an essential driver of sustainable economic development. Its presence ensures that business actors can predict outcomes, assess risks, and allocate resources effectively. For investors, certainty regarding contracts, property rights, taxation, and dispute resolution is indispensable. Without these guarantees, even the most attractive economic prospects may lose their appeal, as uncertainty imposes hidden costs and risks on investors. In this sense, legal certainty is the foundation of investor trust and economic resilience. One important dimension of legal certainty is regulatory stability. Frequent changes in investment rules or inconsistent enforcement practices can undermine the confidence of both domestic and foreign investors. Indonesia has experienced challenges in this regard, where different ministries and local governments sometimes issue overlapping or contradictory regulations on waste management. Such conditions create legal pluralism that confuses investors and increases their transaction costs. Thus, a harmonized regulatory framework backed by consistent enforcement would greatly improve Indonesia's investment climate (Azizah & Amalia, 2025; Widijowati, 2023).

The efficiency of legal institutions is another dimension. Courts that are slow, corrupt, or unpredictable discourage investors because they cannot rely on timely dispute resolution. Research indicates that countries with efficient judiciary systems enjoy higher levels of foreign direct investment (FDI) inflows because investors feel protected by the impartial enforcement of contracts and laws (Jandhyala, 2021). For Indonesia, ongoing judicial reforms, such as the introduction of e-courts and the strengthening of

anti-corruption agencies, are positive steps, but greater efforts are needed to improve transparency and speed in handling commercial disputes. Property rights protection is equally critical in this regard. Clear ownership rules, effective land registration systems, and fair expropriation policies ensure that investors do not face sudden asset losses. In Indonesia, unresolved land disputes often hinder infrastructure and energy projects, demonstrating how weak property rights enforcement undermines investment opportunities in these sectors. Thus, reforms in land titling and digital land registries are central to strengthening legal certainty and reducing disputes. Beyond the national framework, legal certainty is shaped by international commitments. Participation in bilateral investment treaties (BITs) and free trade agreements (FTAs) provides investors with an additional layer of protection. These agreements often include clauses on fair treatment, protection from expropriation, and access to international arbitration, among others. For Indonesia, careful alignment with such treaties can enhance investor trust while balancing national interests in the regulation of labor and environmental standards. This dual approach ensures that investment protection is coupled with sustainable development.

Simultaneously, tax policy consistency plays a decisive role. Investors are highly sensitive to tax-related uncertainties, especially when corporate tax rules change abruptly or are selectively applied. Stable and transparent tax systems not only generate predictable revenue for the government but also reduce investors' anxiety. In this regard, Indonesia must continue to reform its tax administration to ensure consistency, fairness, and clarity, particularly in the context of regional tax competition within ASEAN. Global experiences further highlight how legal certainty contributes to a country's development. For instance, Singapore has become a leading investment hub by prioritizing transparency, efficient dispute resolution, and strong enforcement of intellectual property rights. Similarly, Korea's stable regulatory environment and coherent industrial policies attracted massive FDI, driving its transformation into a high-income economy. These cases illustrate how Indonesia can strengthen its legal institutions to enhance investor confidence. Moreover, legal certainty must be dynamic and adapt to technological changes and new business models. The rapid growth of digital platforms, fintech, and green industries requires innovative regulations. Rigid or outdated laws may hinder the growth of these sectors, whereas adaptive legal frameworks encourage innovation. Indonesia's Omnibus Law on Job Creation represents a step toward regulatory simplification; however, its implementation should prioritize inclusiveness, transparency, and legal clarity to avoid new uncertainties (Silva, Martinez, Zanolati, & Sarlo Neto, 2024).

Investor perception and trust are also shaped by the quality of governance. Even the best legal texts can be undermined by corruption, selective enforcement or weak institutions. Empirical evidence suggests that trust in government institutions strongly mediates the effect of legal certainty on investment decisions (Wei, 2020). In Indonesia, strengthening anti-corruption measures and promoting transparency in public services are integral to enhancing credibility and sustaining the trust of investors. Another critical component is the integration of legal certainty into sustainable development goals (SDGs). Investments should not only drive economic growth but also promote environmental protection, social justice and good governance. Legal certainty in environmental and labor laws ensures that investments are aligned with long-term societal interests. Weak enforcement in these areas may attract short-term capital but risks damaging natural resources, exacerbating inequality and reducing overall welfare. Technology-driven reforms can reinforce legal certainty. Digital platforms for licensing, taxation, and compliance reduce bureaucratic inefficiencies and corruption opportunities. Online dispute resolution and AI-assisted legal analytics enhance predictability while lowering the costs. For Indonesia, embracing such digital tools will modernize the investment climate and improve its competitiveness (Osuma et al., 2024; Saha et al., 2022).

Ultimately, strengthening legal certainty requires a comprehensive reform. This involves not only drafting clear laws but also ensuring their consistent implementation across different levels of the government. Coordination between ministries, the reduction of overlapping regulations, and greater accountability in enforcement are crucial. Public-private partnerships and one-stop investment services can further reduce barriers and streamline procedures, making Indonesia a more attractive investment destination. In conclusion, legal certainty is a cornerstone of economic development and of investor confidence. For Indonesia, reinforcing legal certainty means harmonizing laws, strengthening the

judicial system, securing property rights, stabilizing tax policies, and adapting regulations to emerging sectors. Coupled with broader institutional reforms, such as anti-corruption efforts, digital governance, and sustainable development policies, these measures will create a resilient and inclusive investment climate. By embedding legal certainty within a framework of institutional trust and global integration, Indonesia can secure a path toward sustainable economic growth and improved welfare for its people.

## **2. Literature review**

### ***2.1 Definition and Types of Investment***

Investment is the commitment of funds or other resources to obtain future profit. Investments can be in the form of financial assets, such as deposits, stocks, or bonds, as well as real assets, such as land, gold, or buildings (Afriyani et al., 2023). Sustainable investment increases economic activity, employment opportunities, national income, and societal prosperity. According to Harrod-Domar, investment is essential for economic growth because it increases the capital stock required for the production of goods and services (Todaro, 2009). Investment can be divided into short-, medium-, and long-term investments, as well as investments in financial and real assets (Suherman, 2005).

### ***2.2 Legal Certainty and Investment***

Legal certainty is the principle that puts the law as the commander and the provisions of laws and regulations as the basis for every policy and action in the field of investment (Ilmar, 2014). Legal certainty affects investors' decisions to invest in a country. Indonesia, through Law No. 25 Year 2007, emphasises the importance of legal certainty in investment activities to support national economic growth. Good law enforcement is also an important factor in attracting foreign investors. An efficient and effective judicial system, increased accountability of judges, and simplification of judicial procedures are key to successful law enforcement that can stimulate investment (Suherman, 2005).

### ***2.3 Recent Studies on Investment Law in Indonesia***

A study shows that investment laws in Indonesia, particularly Law No. 25/2007, provide various facilities to attract foreign investment, such as land rights and protection against non-commercial risks (Kurniawan, Kalo, Ginting, & Siregar, 2022; Pijoh & Melo, 2020). In addition, a study on the impact of foreign investment on the Indonesian economy shows that while it brings benefits, it also brings disadvantages in other sectors of the economy (Yuspin & Muhammad, 2022). Changes in investment regulations, such as those stipulated in the Job Creation Law, also aim to improve Indonesia's investment ecosystem by facilitating and accelerating national strategic projects oriented towards the national interest (Pardede, 2023). However, research also reveals challenges in the implementation of investment regulations, including legal conflicts and the need for continuous legal reform (Nurmal, 2023).

### ***2.4 Theoretical Perspectives on Investment and Legal Certainty***

Investment theory has long been central to economic studies, not only as a driver of growth but also as a reflection of institutional strength. The Keynesian framework emphasizes that investment decisions are shaped by expectations and the marginal efficiency of capital. In situations of uncertainty, investors may delay or cancel their investment plans, leading to slower economic growth. This is directly connected to the concept of legal certainty, where clear laws reduce uncertainty and lower transaction costs, thereby motivating investors to commit their resources. Similarly, neoclassical growth theory highlights the role of capital accumulation as a determinant of long-term growth, while institutional economics stresses that without strong institutions—particularly those guaranteeing property rights and contract enforcement—capital accumulation may not yield optimal benefits. In Indonesia, these theories manifest in the role of legal and regulatory frameworks in shaping investor confidence. For example, inconsistencies in land law and overlapping sectoral regulations often deter investment in the infrastructure and mining sectors. Conversely, when the government introduces reforms to streamline licensing processes, investor responses are more positive. This illustrates the interplay between theory and practice: laws must not only exist on paper but also be implemented with clarity and fairness (Arwani & Priyadi, 2024; Kovač 2016; Osuma et al. 2024).

### ***2.5 Legal Certainty as an Institutional Guarantee***

Legal certainty is not limited to the existence of codified rules but extends to the predictability of their applications. The theory of legal morality, clarity, stability, and congruence between rules and their enforcement are critical for legal systems to function effectively. Investors rely heavily on these qualities, as unpredictability in enforcement undermines the purpose of having codified laws. Indonesia has made significant progress by enacting Law No. 25 of 2007 on Investment, which guarantees equal treatment for foreign and domestic investors and provides protection against the expropriation of foreign investments. However, challenges remain, particularly in terms of implementation. Studies have shown that judicial independence and regulatory consistency are key variables affecting the perception of legal certainty in Indonesia (Hutahayan et al., 2024). Without credible enforcement, even well-drafted laws may fail to stimulate the intended flow of investment.

### ***2.6 Comparative Insights: Global and Regional Lessons***

To further understand Indonesia's challenges, it is instructive to examine comparative case studies. Singapore has become a global investment hub, largely because of its transparent regulations, efficient dispute resolution system, and protection of intellectual property rights. Legal certainty is reinforced by consistent enforcement and a culture of zero tolerance for corruption. South Korea demonstrates how coherent industrial policies, supported by predictable legal frameworks, attracted large-scale FDI during its rapid industrialization phase. Stable taxation policies and strong property rights helped transform the country into a high-income economy. In contrast, countries such as Nigeria illustrate the risks associated with weak legal institutions. Research shows that corruption, selective enforcement, and bureaucratic hurdles significantly undermine investor confidence, despite the existence of attractive investment opportunities (Osuna et al., 2024). These global experiences highlight the importance of institutional quality, not just the letter of the law. For Indonesia, aligning its investment laws with international best practices while ensuring robust domestic enforcement is a necessary step to strengthen its competitiveness in the global market (Aidy & Cardenas Jr, 2025; Lane, 2025; Mahpudin, 2024).

### ***2.7 The Role of Tax Policy and Fiscal Certainty***

Another vital dimension of legal certainty is tax policy. Stable and predictable tax regimes are crucial for investment decisions. Investors often avoid environments where tax rules are frequently changed, selectively applied or ambiguously interpreted. Empirical studies have demonstrated that tax uncertainty negatively impacts FDI inflows, particularly in developing economies (Topçu, 2024). In the ASEAN context, regional tax competition has intensified. Countries such as Vietnam and Thailand offer attractive tax incentives and clearer fiscal policies, which often give them an edge over Indonesia. Thus, Indonesia must ensure that its tax administration reforms, including the adoption of digital tax systems, are consistently and fairly implemented. These reforms not only reduce opportunities for corruption but also increase transparency, thereby strengthening the overall legal certainty (Zagler, 2023).

### ***2.8 Sustainable Development, ESG, and Legal Certainty***

In today's investment landscape, legal certainty must integrate sustainability. Investors are increasingly evaluating opportunities through the lens of Environmental, Social, and Governance (ESG) standards. Strong and clear environmental regulations, for instance, ensure that investment projects are aligned with long-term societal and ecological goals. However, weak enforcement risks short-term capital inflows that may damage natural resources and increase inequality. Research indicates that countries that integrate sustainable investment frameworks into their legal systems attract higher-quality investments, those that generate inclusive growth and align with the UN Sustainable Development Goals (SDGs) (OECD, 2022). For Indonesia, this means that legal certainty must extend beyond property and contract rights to include environmental protection, labor standards, and corporate governance. Such an approach will not only attract foreign investors but also promote resilient and equitable economic growth (Nipper, Ostermaier, & Theis, 2025).

### ***2.9 Technology and Digital Transformation in Investment Law***

Technological innovations are reshaping legal systems worldwide. Digital platforms for licensing, taxation, and compliance reduce bureaucratic inefficiencies and limit corruption opportunities. For

example, Indonesia's Online Single Submission (OSS) system represents a major step in simplifying investment licenses. Although implementation challenges remain, the system demonstrates the potential of digital governance to strengthen legal certainty. Moreover, advances in Artificial Intelligence (AI) and online dispute resolution (ODR) provide new tools to enhance the predictability and efficiency of legal processes. Research on digital mediation in Indonesia shows that structured digital systems can significantly improve dispute resolution outcomes, thereby reducing transaction costs and strengthening investor confidence (JISEM, 2024). The broader implication is that legal certainty in the digital age must adapt to new business models, including fintech, e-commerce, and green industries, which require innovative and clear regulatory frameworks (Adyati & Ahmad, 2025; Ayumna, Andni, & Faza, 2023; Cahyadi, Putri, Safiranita, & Hidayat, 2024; Hidayat & Defitri, 2024; Polanco, 2023).

In addition, adopting blockchain technology offers further opportunities to enhance transparency and accountability in investment law. Blockchain-based registries for land ownership, corporate records, and licensing procedures could minimize disputes related to fraud or double claims and provide investors with higher security. Furthermore, the expansion of e-government services allows investors to track applications, monitor compliance, and access real-time data, thus reducing uncertainty. However, these benefits can only be maximized if digital infrastructure is inclusive and accessible in all regions, including remote areas. The integration of digital literacy programs for both government officials and private stakeholders is crucial to ensure effective implementation. Comparative studies also highlight that countries that successfully digitized their legal systems, such as Estonia, were able to build robust investment ecosystems supported by efficiency and trust. Indonesia can learn from such experiences while tailoring its digital transformation to its unique socio-political context. Ultimately, the modernization of legal certainty through digital innovation should balance speed, fairness, and inclusiveness, ensuring that technological progress is translated into equitable economic development.

### ***2.10 Challenges and Ongoing Reforms***

Despite this progress, Indonesia still faces persistent challenges, such as Regulatory Overlap: Different ministries and local governments sometimes issue contradictory regulations, creating confusion and legal pluralism. Judicial Weaknesses: Issues such as judicial corruption, case backlogs, and inconsistent rulings undermine investor trust in dispute resolution mechanisms. Bureaucratic Inefficiencies: Excessive red tape and procedural delays increase transaction costs and reduce the effectiveness of investment laws. Implementation of the Omnibus Law: While the Omnibus Law was intended to simplify regulations, it has faced criticism for insufficient stakeholder involvement and a lack of clarity in certain provisions (Mahy, 2022; Prasetyo, 2024; Yuwono, Wiryawan, & Yuzuru, 2025). Addressing these challenges requires continuous legal and institutional reform. Strengthening judicial independence, enhancing coordination among government agencies, and ensuring transparency in policymaking are central to improving Indonesia's investment climate. In addition, the role of public participation and accountability mechanisms must be reinforced to ensure that reforms are inclusive and sustainable in the long run. Legal certainty will only be achieved when regulations are consistent and perceived as fair by all stakeholders, including local communities, small and medium enterprises, and foreign investors. Efforts to digitize regulatory and judicial processes should be expanded to reduce opportunities for corruption and enhance efficiency. Furthermore, capacity building for legal institutions, particularly in the regions, is necessary to address disparities in law enforcement and administrative performance. By combining structural reforms, digital innovation, and stronger governance practices, Indonesia can gradually transform its investment climate into one that is more transparent, predictable, and attractive to global investors while fostering long-term social and economic stability.

### ***2.11 Conclusion: Legal Certainty as a Catalyst for Investment***

Legal certainty is a cornerstone of a successful investment policy. For Indonesia, the path forward involves not only enacting strong investment laws but also ensuring consistent enforcement. Lessons from other countries underscore that investor confidence is built on the predictability of rules, transparency of governance, and alignment with global best practices. Furthermore, in the modern economy, legal certainty must evolve to integrate sustainability and technological transformation goals.

By advancing judicial reforms, improving tax policy stability, and embracing digital innovation, Indonesia can strengthen its position as an attractive investment destination for foreign investors. In doing so, the country will not only accelerate economic growth but also ensure that such growth is sustainable, inclusive, and resilient in the face of global challenges (Cahyadi et al., 2024; Hutahayan et al., 2024; Huwae, Wibowo, & Prasetyo, 2024). Simultaneously, Indonesia needs to strengthen institutional synergy across ministries, local governments, and independent agencies to ensure that investment policies are coherent and mutually supportive. Clear coordination reduces legal pluralism and avoids overlapping rules that often discourage investors from investing. Moreover, increasing judicial transparency, adopting digital monitoring systems, and expanding public participation in policymaking can further build credibility and trust. Another important dimension is the alignment of legal certainty with regional and international commitments, such as ASEAN economic integration and global ESG standards. By harmonizing domestic regulations with these frameworks, Indonesia can expand its attractiveness to a broader range of high-quality investors. Ultimately, legal certainty should not be seen merely as an abstract principle but as a practical instrument that connects law, economics, and governance into a unified system that secures both investor trust and national development in the long run.

### **3. Research methodology**

This study uses a normative legal research method with an analytical descriptive approach. This study examines the regulations related to Law No. 25/2007 on Investment, literature related to the role of investment in economic development, and relevant data from the Internet. To answer the research objectives, why is investment important for Indonesia? What has the Government done in terms of legal efforts to increase investment, especially those related to laws and regulations that support investment?

### **4. Results and discussion**

#### ***4.1 The Importance of Investment for Indonesia***

Investment spurs economic growth and has a positive relationship with the Gross Domestic Product (GDP). Good investment can increase capital stock, production capacity and national income. According to the Harrod-Domar theory, investment is spending that increases the economy's ability to produce goods and increases society's effective demand (Todaro, 2009). Recent studies have shown that foreign direct investment (FDI) also contributes significantly to Indonesia's economic growth, despite some challenges in its implementation (Yuspin & Muhammad, 2022).

#### ***4.2 Government Efforts to Increase Investment***

The Indonesian government has made various efforts to increase investment, mainly by updating laws and regulations. Law No. 25/2007 on Investment is an effort to provide legal certainty to investors. In addition, the government issued Presidential Regulations No. 76 and No. 77 of 2007 on the List of Business Fields that are Open and Closed with Requirements in the Investment Sector.

Good law enforcement is also an important factor in attracting foreign investors. An efficient and effective judicial system, increased accountability of judges, and simplification of judicial procedures are key to successful law enforcement that can stimulate investment.

#### ***4.3 Case Studies and Investment Realisation***

Indonesia has seen a significant increase in investment realization. According to the World Investment Report 2018, foreign direct investment (FDI) in Indonesia has shown significant growth. In the first quarter of 2019, investment realization recorded an increase of 53% compared to the first quarter of 2018 (Report, 2018).

#### ***4.4 Infrastructure and Investment Policy***

Infrastructure development is the main focus of the government to improve the investment environment. Good infrastructure reflects economic efficiency and attracts investment. The Indonesian government also encourages investment in labor-intensive real sectors, such as the food and beverage industry, to increase labor absorption and economic value.

## **5. Conclusion**

### **5.1 Conclusion**

Investment is a cornerstone of Indonesia's economic development, serving as an engine that drives productivity, job creation, and long-term growth. This study affirms that legal certainty is not only a principle of law but also a fundamental determinant of investor confidence. In the Indonesian context, the enactment of Law No. 25 of 2007 on Investment and the subsequent Omnibus Law on Job Creation were pivotal efforts to establish a more coherent and predictable regulatory environment for FDI. However, the challenge lies not merely in enacting laws but in ensuring their consistent enforcement and transparent application across national and local levels. The findings suggest that Indonesia's investment climate is strongly influenced by the interplay between legal certainty, tax stability, institutional credibility and governance quality. Comparative lessons from countries such as Singapore and South Korea demonstrate that investment thrives in environments where the law is stable, corruption is minimal, and institutions function efficiently. Conversely, countries struggling with weak law enforcement and overlapping regulations face difficulties in sustaining foreign direct investment (FDI), despite offering attractive incentives.

Legal certainty extends beyond the traditional domains of property rights and contracts. In the contemporary era, sustainability considerations, environmental governance, and digital transformation must be embraced. Investors are increasingly guided by Environmental, Social, and Governance (ESG) standards, making the integration of sustainable frameworks into Indonesia's legal system a prerequisite for attracting high-quality, long-term investments. Furthermore, digital governance innovations, such as the Online Single Submission (OSS) system, illustrate Indonesia's commitment to modernization, although implementation gaps persist. Therefore, the conclusion drawn is clear: to enhance investor confidence and strengthen its position in the global market, Indonesia must continue to improve the predictability, transparency, and inclusiveness of its legal framework. Investment will remain a primary vehicle for economic recovery and resilience, but its effectiveness depends heavily on how well the legal system supports business actors through certainty and fairness.

### **5.2 Suggestion**

To operationalize these findings, several recommendations can be made.

1. Strengthen Law Enforcement and Judicial Independence
  - a) Laws must be applied consistently at both the central and regional levels.
  - b) Judicial independence should be promoted to avoid selective enforcement, delays, or corruption in dispute resolution.
  - c) Invest in training judges, prosecutors, and regulators to enhance their capacity and professionalism.
2. Harmonize Regulations Across Sectors and Regions
  - a) The regulatory overlap between ministries and local governments should be reduced by developing a single authoritative regulatory framework.
  - b) Establish an inter-agency coordination body to ensure coherence in investment-related regulations.
3. Enhance Tax Policy Stability and Transparency
  - a) Commit to long-term consistency in corporate tax policy to reduce uncertainty.
  - b) Expanding digital tax administration to minimize opportunities for corruption and bureaucratic inefficiencies is recommended.
  - c) Benchmark Indonesia's tax system against ASEAN peers to maintain its competitiveness.
4. Promote Sustainable Investment Practices
  - a) Integrate ESG standards into investment regulations, particularly in the natural resources, manufacturing, and infrastructure sectors.
  - b) Strengthen the enforcement of environmental and labor laws to ensure that growth is both inclusive and sustainable.
  - c) Encouraging green financing and renewable energy investments through legal incentives.
5. Accelerate Digital Transformation of Legal and Administrative Systems

- a) Expand the OSS system to cover more sectors and improve its interoperability with regional governments.
  - b) Online dispute resolution platforms should be developed to reduce case backlogs and improve efficiency.
  - c) Leverage Artificial Intelligence (AI) in compliance monitoring and risk assessment to enhance predictability for investors.
6. Improve Governance and Combat Corruption
    - a) Implement stronger anti-corruption measures, especially in the licensing and procurement processes.
    - b) Transparency can be increased by publishing investment-related data, judicial rulings, and regulatory drafts for public scrutiny.
    - c) Encourage public-private partnerships to foster trust and ensure participatory policymaking.
  7. Align Investment Policies with Global Best Practices
    - a) Learn from countries such as Singapore, South Korea, and Malaysia to create transparent, stable, and innovation-friendly regulatory environments.
    - b) Strengthening international cooperation to adopt best practices in dispute settlement, intellectual property rights, and sustainable development financing.
  8. Foster Inclusiveness and Public Engagement
    - a) Engage stakeholders, including local communities, NGOs, and businesses, in regulatory reforms to improve legitimacy and acceptance.
    - b) Educational programs and outreach initiatives should be provided to raise awareness of investment law, especially among SMEs and local entrepreneurs.

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