

## The Rise of Development in Papua Region Papua, Indonesia

Juliana J. Waromi

Local Government of Papua, Papua, Indonesia

---

**Abstract:** Successful development of the region will be explained by two components namely the welfare and income components. The welfare of the Papuan community is strongly explained by the overpriced construction index while the stronger regional income component is explained by the large local revenues, local taxes and user charges. About 58.6% of Papua is included in the high category. Higher development success tends to be in the coastal region of Papua.

**Keywords:** Development success, local revenue, local taxes, regional fees, special allocation funds, general allocation funds, human development index, construction cost index, dependency burden

---

### INTRODUCTION

Economic development at both national and regional levels, implemented in a planned, directed and appropriate manner will have implications for a dynamic development model, not only in terms of economic growth but also covering the realization of equity, sectorally and individually. Regional development as an integral part of national development is directed at developing regions and harmonizing growth rates between regions, between cities and villages, between sectors as well as the opening and acceleration of development of underdeveloped, remote, minus, critical, border and underdeveloped regions others are adjusted to the priority of the area concerned.

Regional development in Eastern Indonesia, especially, Papua has been the focus of the central government in recent years, the success of development is not separated from the role of local government in the implementation of regional development. In carrying out development in the region should be sought alignment and continuity between various related sectors, so that, development carried out in the region really in accordance with the potential of the priorities in the region. The economic development in Merauke Regency during the year of research showed a good improvement as seen from the value of gross domestic product which tend to increase every year. Merauke Region also has an advantage in agriculture in the form of rice commodities. Other progress can also be seen in the city of Jayapura. Provision of public services namely the field of population, the field of administrative licensing areas that can impact on the success of achieving PAD (local revenue). The organization of regional apparatus serves the community quickly, precisely and transparently. Other progress in Jayapura city is the

development of Micro Small and Medium Enterprises (MSMEs) which is fostered through mentoring program. About 90% of MSMEs are given mentoring opportunities and 50% of them attend various training provided by Jayapura City government. Mentoring MSMEs mostly aimed at Indigenous Papuans (IPA) because the budget used is a special autonomy fund. Other advances in the field of bureaucracy, especially the results of audits on the use of the state budget, some districts have received Unqualified Examination (WTP) like Jayapura, Mimika, Yapen Islands, Nabire, Jayawijaya and Asmat districts. Progress in Papua province in addition to the economic field also in other areas such as education and health. Especially in the field of health, the main concern of a number of local governments is on the handling of malnutrition and the prevention of HIV/AIDS.

The success of development is inseparable from the successful development of each sector of the existing economy in contributing. The contribution of each economic sector in spurring economic growth can be seen from the amount of goods and services produced. There are nine sectors of the economy with the condition of the resources of different economic factors, of course, causing the economic contribution also differs from one sector to another. Today, the relationship between economic growth and exports has a very close relationship and is a concern for many because it is believed to be a leading movement factor in economic growth. In Papua, especially, Merauke Regency exports are running well but have not reached the optimum level, this is because the natural resources possessed by this area is very potential and has strategic economic value especially from the forestry sub sector but the carrying capacity of the capital and resource resources humans are so, low that they lead to management that leads to efficiency and effectiveness far from what is expected.

National development is directed to the achievement of the standard of quality of life of the community both the level of welfare and health and education. Economic development is one part of development that is important for society. The achievement of economic development can be indicated by high economic growth increased per capita income, breadth of employment opportunities, reduced unemployment rate and poverty level. Economic development is a process that causes income per capita population in an area increases in the long term. Economic activities carried out by the local government together with the community, processing and utilizing existing resources to stimulate regional economic development and welfare of society including the level of fulfillment of community needs derived from the various products produced.

Community economic development aims to increase community participation in various development activities, especially in the field of economy, improving the quality of human resources in order to be able to process natural resources efficiently and sustainable in order to increase pandapatan and prosperity. Encouraging communities, small and medium entrepreneurs to develop and able to support the development of regional economy and create jobs and business opportunities.

Populist economy grows naturally because of a number of economic potentials around it. The economy of the people initially developed without any incentive or in other words rely solely on business instinct and the support of the potential of natural resources, human resources and market opportunities. It should be understood that in the national economic space there are also a number of economic actors (conglomerates) with a form of business that contrasts with what most of the people's economic actors do. Has a large capital has a broad market access, mastering the business from upstream to downstream, mastering production technology and modern business management.

Rural development has a very important role in national and regional development, it is contained elements of equity development and its results including the fulfillment of the needs of people who live in rural areas to improve welfare. Efforts to support government programs in poverty alleviation and strengthen the implementation of governance in development that is directly based on initiatives and active participation of the community in building basic rural infrastructure. Two factors behind the rural economy compared to the city are the structural context and cultural context. The structural context refers to development policy (economic and political) which prioritizes urban development rather than rural.

Inequality of development, especially in rural areas, including the construction of rural transportation infrastructure and facilities is inseparable from the implementation of urban biased development policies with the state as the main actors. Development policy that is betting strong policy with state centered development strategy. In this context the state becomes the initiator, executive and supervisor of the overall development. Through bureaucratic apparatus as an extension of the government, almost all development processes both physical and non-physical are determined, directed and encouraged by them. This top down development model has not only created community dependence on the state, moreover, it has turned off initiative and community participation. Society becomes passive as well as object of development. In this context the development for the people approach is more advanced than the development of the people. Effective development requires early and tangible participation (participation) on the part of all stakeholders in the design of activities that will affect them. As the communities involved feel that their participation is important, the quality, effectiveness and efficiency of development will increase. In the implementation of the village infrastructure development above the participation of the community to participate in it has been very large, it is marked by the donation in the form of energy, funding, lands yard, material.

Human development is always at the forefront of development planning. So, the essence of development is an effort to promote people's lives, so that, in the preparation of budget allocations for human development needs to be prioritized (Fhino and Priyo, 2009). The priority is expected to improve the welfare of the community with the Human Development Index (HDI) as a measure. With regard to development, the current paradigm is economic growth measured by human development, can be seen through the level of quality of human life in each country. Since, 1999 the development of the quality of human life (HDI index) worldwide has been investigated and the report is published by the United Nations Development Program (UNDP). As a measure of quality of life, HDI is built through a basic three-dimensional approach. Dimensi includes long and healthy life; knowledge and decent living. In measuring the health dimension, life expectancy is used. Furthermore, to measure the dimensions of knowledge used indicator of literacy rate and the average length of school combined. And to measure the dimensions of life worth using purchasing power parity (purchasing power parity). Michael (2003) suggests there are three major components in the economic growth of each country. First, the accumulation of capital which includes all forms

or types of new investments invested in land, physical equipment and human capital or human resources. Second, population growth will further increase the labor force. Third, technological progress is in the form of new ways or improvements to the old ways of dealing with a job.

Michael (2003) states that capital accumulation occurs when a portion of income is saved and reinvested in order to increase output and income in the future. According to Sasana (2009) investments made by the local government is to allocate funds for various development projects to build public facilities and infrastructure. The local government investment is detailed in local government capital expenditures. In reality, capital expenditures have fewer portions than their employee spending, although, capital expenditure is part of the details of direct expenditures that have benefits directly felt by the community.

Population growth and labor force growth (which occurred several years later after population growth) has traditionally been regarded as one of the positive factors that spur economic growth. A larger number of workers means increasing the number of productive people. However, the supply of labor force in developing countries has not been matched by the number of employment, so that, labor surplus does not necessarily have a positive impact on its economic development. Skilled labor is a potential human resource that is needed in the development process to welcome the era of globalization. Michael (2003) investment in human resource development can also improve the quality of human capital which in turn will bring the same positive impact on production figures, even more so considering the growing number of people. This is in accordance with the theory of human capital, namely that education has an influence on economic growth because education plays a role in improving labor productivity.

## **Literature review**

**Theory of growth and regional development:** Neoclassical Economic Theory, this theory provides two basic concepts in regional economic development, namely equilibrium and production factor mobility. That is, the economic system will achieve its natural balance if capital can flow without restriction (restriction). Therefore, capital will flow from high-wage areas to low-wage regions. Theory of economic basis, this theory states that the main determinant of economic growth of a region is directly related to the demand for goods and services from outside the region. Growth of industries using local resources including labor and raw materials The emerging regional development strategy emphasizes the importance of aid to businesses with national and international markets. This model will cause a very high dependence on market forces nationally and globally but this model is very useful to

determine the balance between the types of industries and sectors that society needs to develop economic stability. Location theory, the ancient industrial development model states that the best location is the cheapest cost between raw materials and the market. This resulted in companies tend to choose locations that can minimize costs but maximize their chances of approaching the market. Central place theory, central place theory assumes that there is a hierarchy of places where each center is supported by a smaller number of places that provide resources (industry and raw materials). The central place is a settlement that provides services to the local population that supports it. This theory can be applied to regional economic development, both in urban and rural areas. Cumulative causation the condition of the areas around the city getting worse shows the basic concept of the cumulative causation (cumulative causation) thesis. Market forces tend to exacerbate the gap between these areas. The developed regions experience an accumulated competitive advantage over other regions. Theory of attraction, the theory of industrial attractiveness is the most widely used model of economic development by society. The underlying economic theory is that a society can improve its market position against industrialists through subsidization and incentives.

**The importance of community participation:** Infrastructure refers to the physical system that provides transportation, irrigation, drainage, building buildings and other public facilities needed to meet basic human needs in the social and economic sphere. The infrastructure system is a major supporter of social functions and economic system in the daily life of society. Basically, the provision of infrastructure is carried out by each individual as well as the fulfillment of other basic needs such as sadang and food. Community participation in the national development process is a major prerequisite that will underlie success in Indonesia's development process. Community participation in development is not only seen as part of the process but also a part of the goal where participation is one indicator of success rate, especially, the village development program. Therefore, participation can be dual as a tool to organize development and as the goal of development itself.

The concept of development with community participation approach can provide several advantages. Development will be more rooted in the community, so that, the sustainability of the development result is more secure. Development becomes cheaper as the community also endures some or all of the cost of the development project. The role of government or non-governmental organizations is limited only as a facilitator while initiatives come from the community. Herlina also adds that another advantage of participation is empowerment

in the sense of raising public awareness, so that, they are able to take initiative on their own and affect development processes and outcomes, improve community capacity, so that, they are able to take responsibility in managing development projects, efficiency and effectiveness of the project.

The form of community participation refers to the form of community contribution in its participation. The contribution of community participation is certainly dependent on the stages of the program implementation process as the form of the contribution will be different at each stage. Suppose that in the stage of participation in decision-making, then the contribution of community participation in the form of donations of thought where the benchmark is the number of proposals and suggestions or even rejection. The same thing is said by that the form of community participation in decision-making can vary such as: attendance at meetings, discussions, thought contributions, responses or rejection of the programs offered. Looking at the stages of development implementation where participation is divided into direct and indirect participation. direct participation means that members of the community participate in providing energy assistance in activities undertaken, for example in road construction projects, community members participate in the work of building the road.

The level of participation seen from the amount of willingness or sincerity of participation (community) can be divided into two, namely the participation of genuine and pseudo. Original participation implies a willingness and democratic community involvement, equitable sharing of benefits, togetherness in goal, policy, planning and implementation decisions. When community involvement in policy implementation is limited, decision making by outsiders or determined by the government, then participation is a false participation. Moreover, the nature of genuine participation is growing from below (grassroots), focusing on distributing the development pie evenly, serves to heighten awareness of self-abilities and believe that participants can influence outcomes.

**Special and general allocation funds:** Balancing funds are funds sourced from APBN revenues allocated to regions to fund local needs in the context of decentralization implementation with a view to reducing fiscal gap between government and local government and between central government. Balancing fund consists of General allocation fund, special allocation fund and profit sharing fund.

Special allocation funds are funds sourced from APBN revenues allocated to certain regions with the aim of assisting in funding specific activities which are regional affairs and in accordance with national priorities. The use of DAK is the authority of the local government

because DAK is part of APBD, so that, the use of DAK of local government in line with the national interest then the use of DAK is regulated through various rules regulated by the central government. Following the enactment of the decentralization system in 2001, the scope of DAK-funded activities grew to include seven areas of government service, namely education, health, agriculture, public works (roads, irrigation and clean water), government, marine and fishery infrastructure, life. The allocation of DAK through capital expenditures directly affects the welfare of the people. If DAK is used wisely, it will impact on improving the quality of education, health and infrastructure supporting the economy of the community.

**Human development index:** This human development paradigm has 4 economic pillars containing the following principles. Productivity, equity, sustainability, empowerment. The human development index is based on three categories: longevity is reflected in the life expectancy index educational attainment as measured by a combination of literacy levels and the average length of schooling standard of living as measured by per capita consumption expenditure approach in PPP rupiah. The scale of HDI is between 1 and 100.

According to UNDP, human development is defined as a process of enlarging choices for the population. The real focus of development is the inhabitants or the people themselves because the population is the real wealth of a nation. According to Wijanarko the development of human quality is actually a planned effort to increase the capacity of individuals and communities of a nation to be able to actively determine its future in order to achieve material and spiritual welfare. According to Santi (2003) human development is one indicator for the progress of a country. A country is said to be advanced not only calculated from gross domestic income but also includes aspects of life expectancy and community education. According to BPS, the term human development (human development) was first popularized by the United Nations Development Program and published periodically in the annual report of Human Development Report (HDR).

In the HDR, an annual report on the Human Development Index (HDI) or Human Development Index (HDI) is released. Human Development Index (HDI) measures human development outcomes based on a number of basic components of quality of life. As a measure of quality of life, HDI is built through a basic three-dimensional approach. These dimensions include long and healthy life, knowledge and decent living. These three dimensions have a very broad sense because it is related to many factors. Measurement of health dimensions used life expectancy at birth. Furthermore, to measure the dimensions of knowledge used combination

of indicators of school old expectations and the average length of school. As for measuring the dimensions of life, it is feasible to use an indicator of people's purchasing power to a number of basic needs which are seen from the average amount of per capita expenditure as an approach that represents the achievement of development for decent living. According to Astri *et al.* (2013), this HDI approach can be used for development planning of human resource improvement concerning health, education and welfare dimension.

## **MATERIALS AND METHODS**

The research approach used is quantitative approach in analyzing data. This is because the data obtained and the results of the survey are secondary data sourced from the Central Bureau of Statistics and the Ministry of State Finance. The data obtained were analyzed using statistical methods to answer the questions and test the research hypothesis. The sampling technique used is the total sampling in the annual data in the period 2013-2016. Sourcedata is public data on all districts/municipalities in Papua Province in the form of dependency dependency value, expensiveness index, Human Development Index (HDI), contribution of work people, allocation fund general allocation (DAU), special allocation funds (DAK), local revenues, local own revenues (PAD), local taxes and user charges. Data analysis in this study is Principal Component Analysis (PCA) to describe the relationship structure between variables. While the mapping of relations between cities/districts in Papua province based on the variables studied will use MultiDimensional Scaling (MDS) calculated using SPSS Software Version 20.

## **RESULTS AND DISCUSSION**

Research data were obtained from 2013-2016 in the form of Human Development Index (IPM), construction cost index, special allocation allocation fund (DAK) and general allocation fund (DAU), regional income, local revenue (PAD), local taxes and user charges area. While the burden of dependency and contribution of districts/cities to total people who work only use the data in 2016. Data analysis done on data period 2016.

**Descriptive analysis:** Our descriptive data analysis can be figured as presented in Table 1 as we can see the performance of some economic development indicators summarized in Papua Province.

La Pago includes Jayawijaya district, Puncak Jaya, Yakuhino, Pegunungan Bintang, Tolikara, Nduga, Lanny Jaya, Central Mamberano and Puncak. Ha Anim covers the districts of Merauke, Boven Digoel, Mappi and Asmat. Mee Pago includes the districts of Mimika, Paniai,

Dogiyai and Deiyai. Saereri includes Biak Numfor Regency, Yapen Islands, Waropen and Supiori. While Mamta covers Jayapura, Sarmi, Keerom and Jayapura Districts. HDI increased year by year explaining the development of community welfare level in Papua Province. But in detail the HDI with a value of more than 50 new in 12 districts/cities while in 17 other districts still need to be done various efforts to improve the welfare of the community. Indications of the level of community welfare one of them assessed from the Human Development Index (HDI). HDI ranges from 27-79 where the lowest value is in Nduga District as part of La Pago Region while the highest is in Jayapura City. HDI in the coastal area is higher than the mountains.

Price pricing is actually more prominent and strategic in the economic development of the province of Papua. Because the problem is considered as one factor why poverty alleviation and inequality between regions in the province of Papua is very difficult to implement. During the period 2013-2016 the overpriced index fell from 255.7-243.43%. In the La Pago Region as a mountainous area, the price index is the highest in Papua at 351.7%. While in the coastal area the price index is lower in the range of 153-224%. Due to this high price index, the highest poverty rate is also in La Pago Region. The decline in the overpriced index in 2016 indicates the success of improving the performance of the Papua Province government. The distribution of dependency load rate in Papua Region ranges from 34.11-79.01% where areas with high price overpriced index have lower dependency burden.

Papua Province's revenues in 2016 of Rp. 12.567 trillion increased about 6% from the previous year. Progress in each wilyah based on kabupaten/kota revenue is not much different in Ha Anim, La Pago, Mamta and Mee Pago areas with a range of 1,208-1,497 trillion rupiah. Not too high income is in the Saereri Region with an average of Rp. 997.83 billion. Regional revenue component as an indication of measurable success of substantial local revenue (PAD), local taxes, regional restitution and general and special allocation funds. In each region the components of this income do not always have the same tendency (Table 2).

The success rate in Papua province when viewed from the high (%) growth rate is not focused on one particular region. The growth rate information should be related to the average. HDI in the region of La Pago averaged 43.70 is the lowest compared to the other four regions but has the highest growth. This indication explains the success of accelerated progress programs in disadvantaged areas. Local revenue growth (PAD) in the La Pago region averaged 170.79% is highest while the average PAD in this region is the lowest. Areas in the more advanced provinces of Papua such as Mamta and Mee Pago have lower growth rates which explains the

**Table 1: Summary of average scores of research data in Papua Province**

Description of growth (%)	Development area				
	Ha Anim	La Pago	Mamta	Mee Pago	Saereri
Human development index (0-100)	57.75	43.70	64.60	56.50	65.25
Construction cost index (%)	193.00	351.70	163.60	224.00	153.00
Contribution of labor (%)	3.10	4.72	2.78	4.2100	1.54
Load dependency	65.89	45.78	54.94	46.390	63.23
Locally-generated revenue (Milyard Rp.)	71.72	23.34	72.59	68.750	25.43
Local tax (Milyard Rp.)	7.82	3.90	40.74	48.940	4.78
Levy area (Milyard Rp.)	4.96	5.72	11.58	12.75	7.48
General allocation fund (Milyard Rp.)	939.87	716.04	676.45	600.08	537.07
Special allocation fund (Milyard Rp.)	193.68	230.31	190.10	184.97	168.46
Income (Milyard Rp.)	1,497.43	1,371.37	1,208.40	1,311.89	997.83

**Table 2: Regional progress in Papua Province based on growth data**

Description of growth (%)	Development area				
	Ha Anim	La Pago	Mamta	Mee Pago	Saereri
Human development index	0.85	2.55	0.97	1.13	0.73
Construction cost index	0.15	5.11	1.75	0.71	0.55
Locally-generated revenue	12.38	170.79	121.64	101.89	41.99
Local tax	18.14	49.48	225.66	57.24	270.29
Levy area	-0.11	1.53	1.6500	0.64	1.45
General allocation fund	4.55	7.33	5.4700	5.57	7.10
Special allocation fund	36.19	31.96	68.380	48.44	64.10
Income	11.21	19.09	13.410	17.01	16.66

**Table 3: Matrix of correlation coefficients**

Variables	1	2	3	4	5	6	7	8	9
Load dependency	-								
Overpriced index	-0.393*	-							
IPM	0.126	-0.797*	-						
Contribution of working people	-0.649*	0.234	-0.086	-					
DAK	-0.143	0.286	-0.122	0.281	-				
DAU	0.105	0.175	-0.056	0.255	0.214	-			
PAD	-0.107	-0.373*	0.588*	0.294	0.218	0.226	-		
Local tax	-0.234	-0.313	0.543*	0.227	0.145	-0.095	0.906*	-	
Levy area	-0.321	-0.390*	0.549*	0.356	0.310	0.028	0.533*	0.402	-
Income	-0.165	0.047	0.171	0.489*	0.447*	0.542*	0.776*	0.627*	0.315

Information: \* =  $p < 0.05$

stability of progress in the region. The disadvantaged areas have low local tax and retribution income and also have low growth rates.

**Analysis of variable relationships:** The correlation coefficient is used to recognize the relationship characteristics among the explanatory variables of development success in Papua. Furthermore, to describe the relationship pattern will be done using Principal Component Analysis (PCA) (Table 3 and 4).

PCA results on the components of community welfare consisting of 4 variables extracted into two components with an information content of 86.35%. The Human Development Index (HDI) is negatively correlated with the overpriced construction index, i.e., in areas with high HDI likely to have a lower cost index. The contribution of districts to total working people is negatively correlated with the burden of dependence. High contribution to total working people has lower dependency burden. Components of welfare, the largest contribution is on the index overpriced construction.

**Table 4: Coefficients of principal component analysis results**

Variables	Dimension 1	Dimension 2
<b>Components of welfare</b>		
Human development index	-0.753	0.609
Construction cost index	0.912	-0.375
Contribution of labor	0.541	0.708
Load dependency	-0.734	-0.568
Eigenvalues	2.130	1.324
Percentage of total diversity (%)	53.250	33.100
Cumulative percentage of total diversity (%)	53.250	86.350
<b>Income components</b>		
Locally-generated revenue	0.934	-0.047
Local tax	0.815	-0.381
Levy area	0.831	-0.023
General allocation fund	0.063	0.834
Special allocation fund	0.454	0.710
Eigenvalues	2.462	1.255
Percentage of total diversity (%)	49.240	25.100
Cumulative percentage of total diversity (%)	49.240	74.340

The PCA results in the income component consisting of 5 variables are extracted into two components with an information content of 74.34%. Revenues in the first dimension are more described in terms of local revenue,

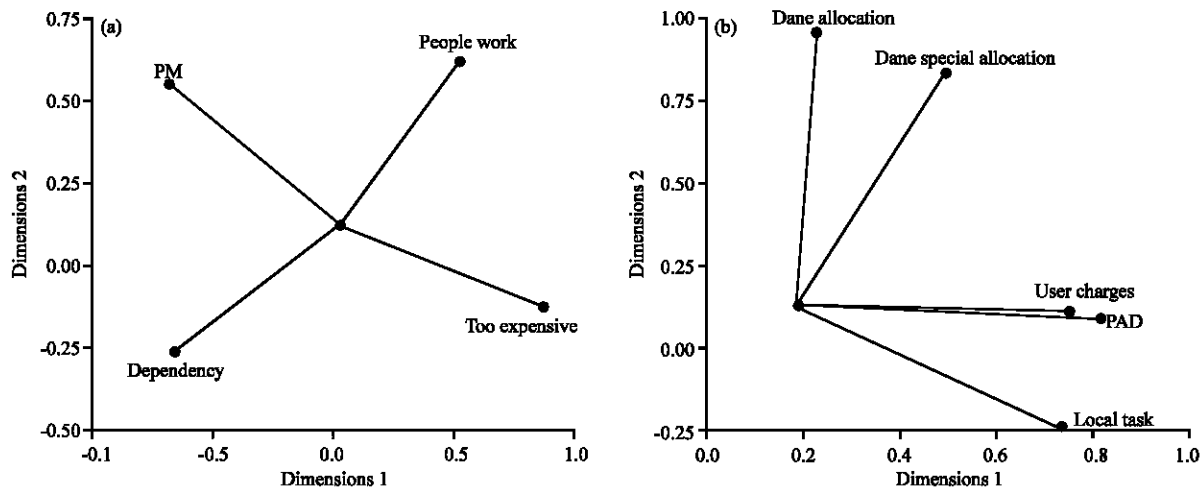


Fig. 1: Biplot of PCA results of development success; a) Components of welfare and b) Income components

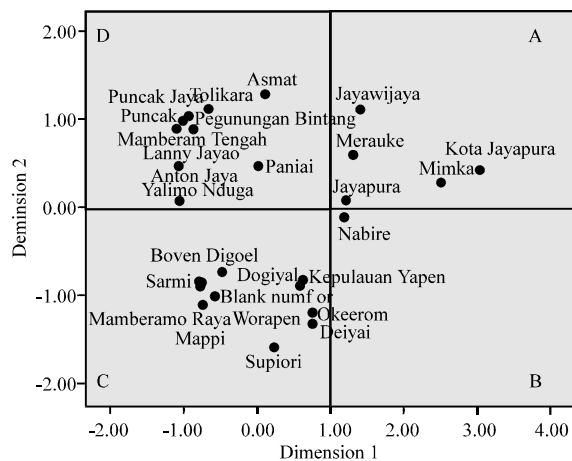


Fig. 2: Mapping results with multidimensional scaling

local taxes and user charges. High PAD comes from Ha Anim, Mamta and Mee Pago areas in the range of 68.75-72.59 billion rupiah. Income from local taxes has a wider average variation ranging from 3.90-48.94 billion rupiah. While in the second dimension is explained by general and special allocation funds. The proportion of revenues from special allocation funds ranges from 30-40% of general allocation funds. Income component, the largest contribution is on local revenue, local taxes and regional levies (Fig. 1).

The results of mapping the success of district and city development in Papua province based on multidimensional scaling analysis are described in Fig. 2. Region A is a region with a high success rate, area B or C is a region with moderate success rate and area D region with low success rate. The distribution of

districts/cities with high success lies in the four regions of Nabire and Mimika Districts for Mee Pago, Jayapura and Jayapura Districts for Mamta Region, Jayawijaya District for La Pago and Merauke Districts for Ha Anim area. As for the Saereri region the whole district is in a moderate success rate. A total of 12 districts were analyzed into the category of low success and most are in the region of La Pago, i.e., Yalimo, Yahukimo, Tolikara, Puncak Jaya, Puncak, Pegunungan Bintang, Nduga, Mamberamo Tengah and Lanny Jaya.

Investment is one of the determinants of economic growth. The development of the regional economy in Papua can not be separated from the role of invested investment, the more investment that enters in various sectors of the economy will increase production and increased production is expected to affect the expansion of industry. Inequality can occur in the regional development process due to differences in the potential of natural resources, human resources, capital flows, central government development policies that are unprofitable to certain regions and improper local planning. One of the factors that influence the growth of the economy is the level of education. Growing quality of human resources whose distribution is uneven can lead to productivity differences that impact on income differences. The quality and availability of sufficient labor quantity can spur economic growth in the developing regions, the more goods and services produced, the more production the greater the chance of an area to export because with exports the capital inflows become more large to allow for greater growth.

The development of the populist economy in the province of Papua has been going to increase over time,

although, there are some weaknesses and other technical constraints such as lack of business capital, equipment that is still simple, the difficulty of market access and the weakness of the soul of Kewirappehaan, especially, for the indigenous people/entrepreneurs of Papua. Community economic development can be done by utilizing the role of SMEs and Cooperatives/KUDs because the community can easily be involved in both containers of the people's economy. Community economic development can be done by improving the quality and quantity of local products in order to compete with regional and international markets, providing stimulant fund for business capital for the people economic actors by using OTSUS fund and APBN. Increased agricultural human resources can be through the support of the private sector (business partners) and capital from banking institutions. To overcome the weaknesses in the development of the people's economy, it can be done by improving the quality of human resources of the people's economy through non-formal education/training, continuous education and training for co-workers, the provision of venture capital and agricultural equipment by utilizing appropriate technology (TTG) increase the role of SMEs and cooperatives to all districts/cities. Utilization of program funds for productive economic activities. People's economic development policy has an opportunity to increase the quality and quantity of local products that are competitive, the community does not always depend on government capital aid, the people's economic actors are not always dependent on the co-workers. Meanwhile, the suggestion or recommendation of this study are: community economic development program should be done through the utilization of economic institutional facilities in the form of SMEs and cooperatives/KUD. Community economic development is carried out by utilizing appropriate Technology (TTG) and product diversification, so that, the quality and quantity of products can be further improved. Continuing guidance and assistance, so that, people's economic actors can be independent and do not depend on government assistance. In the development of populist economy still pay attention to the values of local wisdom in order to create sustainable development.

The direction of development in the Papua Province as set forth in the Papua Province Provincial Development Plan (RPJMD) for 2013-2018 (Bappeda Papua Province, 2013) is established with a view to providing direction and guidance for all stakeholders in the government, community and business world. In realizing the aspirations and goals of sustainable regional development and focusing on the economic development of rural or

kampung communities. This is the answer to the inequality of community life so far, especially with regard to efforts to fulfill the basic rights of indigenous Papuans who are mostly domiciled in the villages. In accordance with the mandate of the Special Autonomy Law Number 21 of 2001, Article 65 Paragraph 2 stating that "indigenous Papuans are entitled to the opportunity and prioritized to obtain employment in the territory of the Papua Province based on their education and expertise regulated through Perdasi and Perdasus.

Financing the development of democratic economy of at least 20% of which budgeting is allocated for credit business of the people's economy, revolving funds, subsidizing the price of nine basic needs and the development of commodities. Efforts to develop the economy to increase the income of the community including the effort of equitable distribution of development results to be felt by all levels of society. The problems of economic development so far in Papua Province include the ineffectiveness of the development of the people's economy to support the income of indigenous peoples based on rights. The ineffective implementation of RESPEK in triggering the growth of village productivity not yet optimal development of superior commodities in areas with wide market potential both nationally and internationally. The lack of regional tourism industry development with various natural and cultural potentials that can increase the income of indigenous peoples and local people. There is still little protection of indigenous people's rights to culture and its products which should increase local incomes. The not optimal role of indigenous peoples and religious institutions in developing the economy and incomes of the population. The absence of more comprehensive and integrated conception/action plan for people's economic development from production to marketing stage that leads to market conformity (Bappeda, 2013).

In order to accelerate development in Papua and West Papua Provinces, there is Presidential Regulation No. 65/2011 on the Acceleration of Development of Papua and West Papua Provinces. In the regulation mentioned that the development of Papua Province and West Papua Province requires acceleration and improvement and optimization for the effectiveness of the implementation of Otsus. Therefore, in order to accelerate development in Papua and West Papua Provinces, a thorough approach is needed including socio-economic, socio-political and cultural approaches as well as being part of the National Medium-Term Development Plan 2010-2014. The Development Acceleration Unit of Papua and West Papua Provinces (UP4B), i.e., institutions established to support coordination, facilitate and control the implementation of



the Accelerated Development of Papua and West Papua Provinces. UP4B is located in the capital of Papua Province (Katharina, 2015). UP4B is in charge of assisting the President in coordinating and synchronizing coordinated planning, facilitation and control of the implementation of the Accelerated Development of Papua and West Papua Provinces.

High regional revenues can improve the quality of public facilities and infrastructure or direct programs that can stimulate greater productivity for communities and business actors in the regions. In addition, this income increase will also impact on the basic services that must be obtained by the community, namely education and health. Local revenues are appropriately allocated so that the improvement of local infrastructure and public facilities will remain good, thus improving the quality and quantity as well as increasing local productivity, community income and increasing the Human Development Index (HDI). Performance indicators that show the achievement of output and better service quality can support various activities both social and economic community. So that, the results, benefits and impacts can be felt directly or indirectly for the maximum benefit of the people that led to the improvement of welfare.

### CONCLUSION

In the era of fiscal decentralization the region is required to perform its functions effectively and efficiently, especially in programs/activities aimed at improving the Human Development Index (HDI). Therefore, local governments are expected to increase their fiscal capacity and increase the allocation for programs and activities related to the improvement of HDI. It is expected that the local government will not only pursue the improvement of the economy but it needs a strong political will to realize high HDI by increasing human resources, so as to improve the welfare of the community.

The local government is expected to be able to further explore and utilize the potentials and sectors of the regional economy that can increase the source of tax revenues, so that, it can fund all activities of regional governments independently and not always dependent on transfer funds from the central government. Can utilize funds sourced from tax per capita for the development of human resources more optimally, build public infrastructure and other supporting facilities that are

needed by the community. Feasibility studies and analysis of public investments should always be conducted prior to the construction of public facilities and infrastructure, so that, the project can be utilized according to the intended purpose. Officers assigned to manage operations of facilities and infrastructure built must always be considered in order to achieve the purpose of the construction of public facilities.

The presence of the Development Acceleration Unit of Papua and West Papua Provinces (UP4B) is felt by many parties, especially, the local people of Papua, through various exclusion programs. Second, UP4B working relationships with special autonomy implementing agencies in Papua and West Papua Provinces go according to the rules contained in Presidential Regulation No. 66 Year 2011. Third, the implementation of coordination between UP4B and Central Government is done through the Papuan Desk. While the implementation of coordination between UP4B and local government is done through Bappeda institution.

### REFERENCES

- Astri, M., S.I. Nikensari and H. Kuncara, 2013. [The effect of regional government expenditure on the education and health sector on human development index in Indonesia (In Indonesian)]. *J. Pendidikan Ekonomi Bisnis*, 1: 77-102.
- Phino, A.C. and H.A. Priyo, 2009. [Relationship between general allocation funds, capital expenditure and human development quality]. *Proceedings of the 3rd National Conference on UKWMS*, October 10, 2009, Widya Mandala Catholic University, Surabaya, Indonesia, pp: 1-24 (In Indonesian).
- Michael, P.T., 2003. [Economic Development]. Erlangga, Jakarta, Indonesia, (In Indonesian).
- Santi, N., 2003. [Analysis of the effect of capital expenditure on local government, absorbed workforce and human development index on economic growth and poverty (Case study 35 districts/cities in Central Java Province) (In Indonesian)]. *J. Bisnis Ekonomi*, 20: 131-141.
- Sasana, H., 2009. [The role of fiscal decentralization on economic performance in Central Java provincial districts (In Indonesian)]. *J. Ekonomi Pembangunan Kajian Masalah*, 10: 103-124.