

# The Institutional Arrangement of Special Autonomy Fund Management of Papua Province

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## Abstract

Institutional arrangement of special autonomy fund management is essential for the sake of the management of the fund to be more adaptable and acceptable to the changes and developments it faces. The institutional arrangement is needed for better and professional fund management. The urgency of it is to simplify special autonomy fund management by special institutions in order to improve and develop the fund management to be more autonomous, transparent, accountable, short hierarchy, decentralized and more professional. The facts show that there is no special institution to manage Papua Special Autonomy fund management starting from planning, preparation, stipulation, implementation, and supervision of budget. The distribution of special autonomy funds is also not shared proportionally and equitably based on the location of the regencies, as stipulated in the Law No. 21 of 2001 concerning Special Autonomy for Papua Province.

**Keywords:** Institutional Arrangement; Fund Management; Special Autonomy

## 1. Introduction

The Papua's special autonomy status has been done since 16 years ago (2002-2017). It is based on a strategy of long-term conflict resolution and an accelerating economic development in Papua due to the 35-year development gap and human rights violations.<sup>1</sup> The vast Province of Papua covers 756,881.89 km<sup>2</sup> and has the richest natural resources in Indonesia such as gold, copper, chromium, and uranium contested by various world political powers.<sup>2</sup>

The Province of Papua has an abundant wealth. It can be proven that there are deposits of 2.5 billion tones of gold and copper mine (based on the Freeport concession), 540 million m<sup>3</sup> of commercial sustainable timber potential, and 9 million hectares of conversion forests for large-scale plantation development. The coastal length of this region is 2,000 miles, the water area of 228,000 km<sup>2</sup>, with no less than 1.3 million tons of fisheries sustainable potential per year. However, Papua is the most backward province in Indonesia. In 1997-before the crisis, Papuan poverty rates were reported above 50%, while the national poverty rate was approaching 14%. Papua became the province with the largest poor population in Indonesia. In 1999, the reported percentage of poor Papuans was 54.75% and made Papua as one of the largest poor population in Indonesia today.<sup>3</sup>

The cornerstone of giving Papua Special Autonomy is the birth of the Law No. 21 of 2001 Concerning Special Autonomy of Papua. Under the Law, it is emphasized to accelerate development in 4 (four) sectors - namely (i) Education sector amounted to 26.21%; (ii) Health sector for 20.35%; (iii) economic empowerment sector for 16.93%; and (iv) Infrastructure sector for 22.35%. The Central Government has allocated development fund to reach 59.51 trillion Rupiah to implement the Special Autonomy of Papua (OTSUS) since 2002 until now. The fund consists of funds OTSUS 47.9 trillion Rupiahs sourced from 2 percent of National General Allocation Fund (DAU). Papua Province also received Infrastructure funds of 11.2 trillion Rupiahs, which is an additional fund for Infrastructure within the framework of OTSUS Papua.

Article 2 of the Special Local Regulation (PERDASUS) No. 25 of 2013 concerning the Division of Revenues and Financial Management of the Special Autonomy Fund stipulates that the distribution of revenue and management of special autonomy funds includes:

1. The general principle of the distribution of revenues and the management of special autonomy funds;
2. Distribution of special autonomy funds;
3. Preparation of plans for the use of special autonomy funds;
4. Implementation of autonomy fund;
5. Accountability and reporting of special autonomy funds; and
6. Guidance and supervision of special autonomy fund.

<sup>1</sup>Agung Djojosoekarto, et.al., *Evaluation Report of Special Autonomy of Papua in Chapter General Policy of Partnership for Good Governanvce*, Jakarta, 2008, p.. 12.

<sup>2</sup>Jacobus Perviddya Solossa, *Papua Special Autonomy to Appoint Dignity of Papua People in The Unitary of Indonesia State (Otonomi Khusus Papua Mengangkat Martabat Rakyat Papua di Dalam Negara Kesatuan Republik Indonesia)*, Pustaka Sinar Harapan, Jakarta, 2005, p. 15.

<sup>3</sup>Agung Djojosoekarto, et.al., op.cit., p. 12.

The Revenues for the sake of Special Autonomy Fund is equal to 2% of DAU and will expire in 2021. The Revenue Sharing Fund from petroleum and natural gas exploitation furthermore will end in 2025. In 2021, the allocation of the Special Autonomy Fund of approximately 2.7 to 3 trillion Rupiahs will not be accepted anymore. It means that Provincial and district / municipality governments across Papua will face dramatically reduced fiscal capacity up to approximately 50 percent starting in 2021.<sup>1</sup>

This situation will bring a problem in which the Special Autonomy funds do not work in appropriate ways. A number of sectors is defined as a priority such as education, health, infrastructure, and people's economy, but there are no effective oversight mechanisms and sanctions to ensure their implementation. In the midst of the problematic management of the special autonomy fund faced by the provincial government of Papua, the special autonomy fund management institution is becoming increasingly important because the change of society demands more transparent, accountable, and professional. This special institution is needed to deal with various challenges or obstacles encountered.

In this context, the institutional arrangement in a comprehensive, systematic and substantive way is very important. The urgency of the institutional arrangement of the Papua Special Autonomy Fund is in line with Sedarmayanti's opinion, which is "the Institutional arrangement of the governance of both central and local government is directed to be more simple government bureaucracy in order to complete and develop it with more proportional, flat, transparent, short hierarchy and decentralized"<sup>2</sup>.

In general, the substance of the institutional arrangement of Papua Special Autonomy Fund is a strategic effort to make the fund management institution more transparent, accountable and professional. The management of special autonomy funds through a clear and strong institution will be able to improve performance both as a function and as an organ. The institutional arrangement of one organization in terms of the development of resources of the financial apparatus is also an essential part of it. This is in line with Notoatmodjo's view. He states that

"macro human resource development is the process of improving the quality or ability of human beings in order to achieve national development goals. While micro human resource development is a process of education planning, training and management personnel or employees to achieve an optimal result."<sup>3</sup>

Regarding some opinions as discussed, the focus of this research is to address the management of special autonomy funds in Papua from 2002 to 2017 in which the management has not been effective yet. In this context, it is unclear who is responsible for all programs / activities funded by the special autonomy fund started from planning, implementation and supervision.

## 2. Methods

The location of this research was conducted in the Local Government of Papua Province and the House of Representatives of Papua (DPRP). The research method applied in it was a qualitative approach. The qualitative approach was used not only for the sake of the need to answer the problem of research, but is also based on the consideration that there is no special autonomy fund institution to manage the special autonomy funds. The data were collected through in-depth interviews and they will be analyzed descriptively qualitative.

## 3. The Institutional Management of Papua's Special Autonomy Fund

The institutional arrangement of special autonomy fund can be used to design the management usage of special autonomy fund either in Papua or in West Papua to be more adaptable and acceptable. In line with institutional management of Special Autonomy fund is needed for better and professional financial management.

The idea of the institutional management can bring any influence to the formulation an implementation of the special autonomy fund management. As can be seen, the funds will be directly beneficial to the life and welfare of the Papua people (OAP). The use of special autonomy funds is governed in the Law No. 21 of 2001. Article 36 stipulates that:

- a) The changes and calculations of the Papua Province's Revenue and Expenditure Budget are determined by a Provincial Regulation (PERDASI).
- b) At least 30% of revenues as referred to Article 34 paragraph (3) letter b number (4) and number (5) shall be allocated for education expenses and at least 15% for health and nutrition improvement.
- c) Procedures for the preparation and implementation of the Provincial Revenue and Expenditure Budget, the amendments, the calculations, responsibilities, and the control are governed by a Provincial Regulation (PERDASI).

<sup>1</sup> Ibid. p.16.

<sup>2</sup>Sedarmayanti, *Re-arrangement Institutional of Local Government to Increase the Quality of Work and to Embody Good Governance in the New Era of Government* (Menata Ulang Kelembagaan Pemerintah Daerah untuk Meningkatkan Kinerja dan Mewujudkan Pemerintahan yang Baik di Era Baru Pemerintahan), Humaniaora, Bandung, 2006, p. 10.

<sup>3</sup>Soekidjo Notoatmodjo, *Development of Human Resources* (Pengembangan Sumber Daya Manusia), Rineka Cipta, Jakarta, 2010, p. 5.

In Article 2 of the Special Local Regulation (PERDASUS) No. 25 of 2013 on the Division of Revenues and Financial Management of the Special Autonomy Fund stipulates that the distribution of revenue and management of special autonomy funds includes:

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An effective financial management is applied to execute all financial systems in accordance with the scope of revenue sharing and management of the special autonomy fund as stipulated in the Article 2 of PERDASUS No. 25 of 2013. By implementing article 2, the management of the special autonomy fund must be accommodated by a special institution. The institution will manage the funds to avoid the funds go directly the districts / cities. The mechanism of the fund must go through the State Treasury Office of the Ministry of Finance (KPN). The argumentation for the mechanism must go through KPN because almost all autonomy fund receipts by district / municipality are not program-based. This is not in accordance with the scope of the distribution of the special autonomy funds as stipulated in Article 2 paragraph 3 of PERDASUS.

The Papua Special Autonomy Fund basically has transferred to Papua Province since 2002. However, it has not shown any encouraging achievement. The output of new special autonomy is only an additional budget from the special autonomy fund but it has not yet reached substantial funding objectives of fulfilling justice, welfare, law enforcement, and the protection of human rights in Papua. Even the provinces of Papua and West Papua remain lagging behind other provinces.<sup>1</sup> The Special Autonomy Fund has been a significant source of development funding for provincial and district governments in Papua Province. This can be seen from several sources which indicate that:

1. The management of special autonomy funds is not specially treated. The standard budgeting of the special autonomy fund is similar to the management of provincial funds outside Papua. So, the possibility of the special autonomy fund management is not the right target and the exact amount.
2. The distribution of the special autonomy funds is not shared proportionally and equitably. For example, the mountain area equals to some coastal areas.
3. The mechanism of transfer of special autonomy funds is carried out directly to the regions, not through the KPN.
4. There is no preventive effort by the central government before the Local Revenue Budget (APBD) is enacted. It is unclear whether the special autonomy fund should be included in the APBD.
5. The Role DPRP, especially DPRP in the Regency / Municipality does not supervise the strategic budget points to the field.
6. Limited supervision of funds.

After sixteen years of revenue sharing and management of the special autonomy fund, the district / municipality governments in Papua, in 2014, have greater authority to manage these funds. With the enactment of PERDASUS No. 25 of 2013 which regulates the allocation received by the regencies / municipalities to be 80% and 20% for the province of Papua. However, the allocation of special autonomy funds allocated to districts / municipalities is not accompanied by in-depth and operational studies with programs or projects. It was only on the basis of agreement between the Governor and the Regent and the Mayor. The calculation of the distribution of special autonomy funds to districts / municipalities by 80% and 20% for provinces is not carried out by specialized agencies, but rather by teams established by Governors such as the MRP, DPRP, Universities and Academics on an individual basis. The impact of such revenue sharing mechanisms is too pragmatic and academic. It should be addressed by Local Development Planning Council (BAPPEDA) or at least it should be directed by BAPPEDA to get an overview of how the fund management program and project-based autonomy fund is being managed.

Through the revenue sharing mechanism, there is a greater opportunity for the district / municipality governments to manage their funds. It means that if the funds are managed in appropriate ways, the funds will be used effectively. To guarantee the effectiveness of use the funds it must be followed with a good regulation that is clear and binding.

There is no clear design or regulation on the governance model of the special autonomy fund in Papua. Practically, the funds are transferred directly to the regencies/municipalities around 80%. The regencies/municipalities have full authority to manage the funds. However, the management of the funds managed by the regencies/municipalities is considered less effective. Therefore, the necessity of special institution to manage the funds is pivotal plan, channel, and utilize the funds. As required by the PERDASUS

<sup>1</sup> See <http://www.dpd.go.id/artikel-tahun-kesembilan-otonomi-khusus-papua-belum-berhasil>.

that the program of activities funded by the special autonomy fund must have a significant, measurable, and perceived impact on the benefits of the OAP. This is one of the strategies to build the people of Papua by making the system and mechanism of planning, implementation and supervision and periodic evaluation that should be built as a necessity. The master plan on the use of special autonomy funds and various regulations and technical guidance on the management of the special autonomy fund is inevitable from the aspirations of a prosperous and justice of Papuan society.

The Papua Government does not have a master plan which is the main reference in formulating the plan and implementation of development activities funded by the special autonomy fund. It is unclear who is responsible for all programs and activities financed from the special autonomy fund and the use of special autonomy funds from planning, implementation to supervision. The special autonomy fund manager is an apparatus in the region responsible to the Governor.

The planning and budgeting of the special autonomy fund is one of the most difficult tasks in managing the special autonomy fund. In 2011, the World Bank concluded that the planning and programming process financed by the special autonomy fund became one of the weakest points in governance of the special autonomy fund. Almost all districts receiving special autonomy funds do not have programs referring to the Medium Term Development Plan (RPJM). The absence of a master plan makes the programs and activities of the autonomy less strategic and less significant activities towards economic development, as well as poverty reduction. In addition, the division of works and coordination between the Governor and the Regent / Mayor are not clearly visible.

The special autonomy funds are not correlated with the improvement of the welfare of the majority of the people of Papua. There are even strong indications that the flow of special autonomy funds enriches the local ruling elites in Papua. This is due to the large amount of special autonomy fund is not balanced with the implementation of the principles of good financial governance.

Since the enactment of the Law No. 21 of 2001, the special autonomy policy is a policy which is of strategic value in order to improve services, accelerate development, and empower all people in Papua, especially OAP. Through this policy, it is expected to reduce the gap in Papua and West Papua provinces with other provinces in the country. It will provide also opportunities for OAP to take part in their territory as subject and object of development.<sup>1</sup> In this connection, the results of the Partnership's study on Governance Reform in Indonesia reveal that from the aspect of financial management, there are 4 (four) specificities of financial rights for different Papua significantly different from other regions.<sup>2</sup>

In the 2016 Fiscal Year, for example, the proposed programs and activities in the planning of special autonomy have not been fully developed based on the needs. The planning and spending of the Special Autonomy Fund particularly in the education, infrastructure and health sectors have not been financed in right path. It can be seen that the program in the education sector has been prioritized for physical development, especially school buildings and classrooms. However, the school buildings and classrooms including the devices at the time are not adequate.

The programs and activities of special autonomy funds in the health sector are also not fully based on need eventhough the data show that the distribution of health care centers in Papua is not evenly distributed. The allocation of special autonomy funds in the construction of new health care centers for districts looks different from the needs. This difference occurs because it is possible to budget special autonomy funds for the planned year based on the location of the Special Autonomy Fund of the previous budget year. In addition, the programs and activities of special autonomy at the district / municipality level can be implemented without mutually agreed upon during Discussion of Development Palnning (MUSREMBANG) of special autonomy. The program proposal must come from the preparation of programs / activities in each district / municipality. The proposal then must be delivered to the Provincial Government through BAPPEDA.

Most of the proposal of programs and activities proposed by districts / municipalities are directly approved by the province. The proposal is considered to be an agreement and a joint decision. According to the PERDASUS No 25 of 2013, The preparation of the work plan for the use of special autonomy funds for the Provincial and Regency / City sections for a period of 5 (five) years is an inseparable part of the Local Medium Term Development Plan (RPJMD )of the Provincial Governor as well as the RPJMD district / municipality in which it is a description of the vision, mission and Governor program based on Long Term Development Plan (RPJP) Province with respect to National RPJM and minimum service standard stipulated by the Government. Similarly, the program for the Regent / Mayor based on the RPJP of the Regency / municipality with respect to the Provincial RPJP and National RPJM as well as the minimum service standards established by the Government.

<sup>1</sup> Soekidjo Notoatmodjo, op.cit., p. 4.

<sup>2</sup> Agung Djojosoekarto, et.al., op.cit., p. 39.

#### **4. Conclusion**

It can be concluded that the management of the special autonomy fund since 2002 to 2016 has not been effective yet. The essence of institutional arrangement of Papua special autonomy fund descriptively is actually a strategic and systematic step by the Papua provincial government. The management of it must be started from planning, compilation, division of implementation and accountability will be more transparent, accountable and professional.

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