

Development of Disadvantaged, Frontier, and Outermost Villages in Manokwari

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Abstract: Research related to the development of Disadvantaged, Frontier, and Outermost (3T) villages needs to be improved in Indonesia. Especially in Manokwari Regency with IDM status that still has underdeveloped and very underdeveloped villages. This research was conducted by examining the literature related to the development of underdeveloped villages. The findings show that APBD and village funds can play a role in improving the development of underdeveloped villages, accompanied by alignment of fund allocation and reduction of potential human error. In addition, domestic investment and foreign investment can also play a role in improving village development, accompanied by the establishment of strict regulations and supervision of the investment process from upstream to downstream. It is expected that APBD, village funds, domestic investment, and foreign investment can play a role in changing the status of underdeveloped and very underdeveloped villages in Manokwari Regency into independent villages.

Keywords: Village Development, Underdeveloped, Frontier, Outermost

1. Introduction

The development of Disadvantaged, Frontier, and Outermost (3T) regions has become a priority focus of government development. The National Medium-Term Development Plan (RPJMN) for 2020 to 2024 has targeted that 25 of the 62 existing underdeveloped regions need to be resolved (Republik Indonesia 2020). The main problems of the 3T regions will refer to high poverty levels, low health levels, low community income levels (Kurniawan and Simandjorang 2022). In line with this, the Central Bureau of Statistics (BPS) also noted that Indonesia's level of inequality tends to increase from 2019 to 2023, with the gini ratio reaching 0.388 points in March 2023 (BPS 2023). Meanwhile, the level of inequality has been considered as an antecedent in the increase of poverty in Indonesia (Mansi et al. 2020). On the other hand, economic development, which is expected to have a positive correlation, tends to show a dualistic effect and widen existing inequality (Azis 2022; Mansi et al. 2020; Shoesmith, Franklin, and Hidayat 2020). An increase in GDP only reflects an increase in people's purchasing power and the poverty rate will depend on the average income level (Le Caous and Huarng 2020).

Similar problems have been faced by the world community and have become a common consensus to reduce poverty, hunger, improve health and welfare, and improve the quality of education mandated in the Sustainable Development Goals (SDGs) (UNDP 2015). Based on the SDGs index in 2023, Indonesia has ranked 75 from 166 countries with total score 70.2. However, in the SDGs report 2023, some of the main challenges are health levels, education levels, and inequality. Meanwhile, poverty shows a better direction in the SDGs index record (United Nations 2023). As mandated in the *Undang-Undang Dasar 1945 (UUD 1945)*, one of the government's goals is to promote general welfare. The translation of this goal is included in several articles which stipulate that the state needs to guarantee the fulfillment of decent life for every citizen (Article 27 Paragraph 2), the fulfillment of the right to life and survival (Article 28A), obtaining the right to education (Article 31 Paragraphs 1 to 5), obtaining health services (Article 28H Paragraphs 1), and ensuring the prosperity of the people from an economic and social perspective (Article 33 Paragraph 3 and Article 34 Paragraphs 1 to 2).

In realizing the achievement of these welfare indicators, the 1945 Constitution Article 23 paragraph 1 regulates that the State Budget (APBN) is a manifestation of state financial management and is carried out openly and responsibly for the prosperity of the people. Thus, the allocation of APBN funds will be the starting point for the success of social welfare problems in Indonesia (Arma, Noor, and Sujarwoto 2017). Previously, research by Putri & Wulandari (2022) has explained that the allocation of the state budget in the aspect of electricity infrastructure is more efficient in reducing inequality than the development of sanitation and road infrastructure. Furthermore, in carrying out the role of decentralization, the government also allocates budgets to each regional authority such as provinces to rural areas (Purbadharmaja et al. 2019). The allocation of Regional Budget (APBD) funds and village funds is intended to increase development in the autonomous regions in question (Kurniawan and Simandjorang 2022; Purbadharmaja et al. 2019). Indirectly, these allocations are also intended to reduce inequality, poverty, improve health services, and improve the quality of education, in realizing prosperous village communities. Another consideration rather than APBD allocations is the allocation of investment to villages. This consideration is based on the empirical findings of Park & Wang (2010) which reveal that investment allocations can benefit poor villages in China. However, these benefits can be achieved if the allocation is more focused on aspects of human resource development and health infrastructure improvement. In addition, the targeted allocation of village funds also plays an important role in improving the economy of rural communities in the West Kalimantan region (Alias 2022). Consideration of the quality of resources also needs to be improved in realizing an increase in the quality of village development (Faradis and Afifah 2021).

Selaras dengan hal tersebut daerah Provinsi Papua Barat dan Papua telah disebutkan sebagai provinsi dengan otonomi khusus (Kemenko Polhukam 2016). Penetapan ini diharapkan akan mengubah pola pendekatan pembangunan yang lebih berpihak kepada masyarakat Papua. Mengingat bahwa data Peringkat Indeks Desa Membangun (IDM) tahun 2023 menunjukkan bahwa Papua Barat masih menjadi provinsi dengan status IDM tertinggal, termasuk Kabupaten Manokwari (Direktorat Jenderal Pembangunan Desa dan Perdesaan 2024). Fakta ini akan berlainan dengan sejumlah temuan empiris yang menyebutkan bahwa APBN dan APBD berpengaruh dalam meningkatkan pembangunan desa pada daerah Papua Barat (Adriana and Suparyati 2023; Mollet 2011; Wakarmamu and Indrayono 2019; Yesyan, Mangantar, and Tulung 2021). Meskipun, temuan Aninam, Maryunani, and Susilo (2018) menunjukkan bahwa alokasi dana tidak memiliki pengaruh terhadap pembangunan di Papua Barat, utamanya pada pertumbuhan ekonomi. In line with this, the increase in Foreign Investment and Domestic Investment also shows an influence on the economic development of the Manokwari region (Luthfi, Hamzah, and Izazi 2018; Mollet 2011). The influence of the Village Fund also shows an increase in regional development in Manokwari Regency (Mualim and Maspaitella 2021; Rahim 2022). As the capital of West Papua Province, Manokwari Regency has an important role

in the development of underdeveloped regions in West Papua. Thus, mapping the role of APBD, APBN, Village Fund, Foreign Investment, and Domestic Investment on the development of underdeveloped villages in the Manokwari region is important.

2. Results

Village Development Index

The village development index is a composite index that consists of an assessment of 3 factors, namely social resilience, economic resilience, and environmental resilience (BPS 2018). The social resilience index will represent aspects of health, education, media for socialization, and village community habits. The economic resilience index economic resilience index will relate to the availability of access to logistics distribution, accessibility to financial institutions, the existence of financial institutions, and the ease of using financial industry services. financial industry. The ecological aspect will relate to the environmental conditions and existing natural potential (BPS 2018; Kemendesa 2023). According to the Regulation of the Minister of Villages (Permendesa PDTTrans) No. 2/2016 the village development index will be used to classify the status of the village. used to classify village status in 5 categories, including:

1. Pratama village. A pratama village is a village in an undeveloped status and is highly vulnerable to economic shocks and socio-political conflicts. This village is considered unable to manage its potential resources. Villages in this status have an index value below 0.491.
2. Pra-madya village. This village has potential social, economic, and ecological resources, but the management of these resources still needs to be improved. The poor management of these resources has resulted in low community welfare and quality of life. Villages in this status have an index value in the range of 0.492 to 0.599.
3. Madya village. Intermediate villages are villages that have many potential resources, but are constrained in resource optimization. Thus, the problem of this village is the utilization of resources to reduce poverty. The value range of 0.600 to 0.707 will be the index for villages in middle status.
4. Pra-sembada village. Pre-sufficient or developing villages are villages that have all the potential economic, social, and ecological resources. In addition, this village can also manage these resources to improve welfare, quality of life, and alleviate poverty. The index value for this village is 0.707 to 0.815.
5. Sembada village. Sembaga village or independent villages are villages that can carry out village development independently by utilizing all potential resources owned. Thus, the village will act as an autonomous government to regulate all forms of development in the region. The index value for this village is more than 0.815.

In the 3T village category, the average village development index value is in the range of less than 0.491 to 0.707. Therefore, it can be seen that the index for 3T villages will fall into the category of pre-primary to intermediate villages. The main characteristic of the primary to intermediate village category is the management of economic, ecological, and social resources (Prasetyo and Sonny 2020). Thus, it can be seen that the problems of village development or development from the economic, social, and ecological aspects need to be classified.

Regional Budget

The APBD is the financial plan of the local government in one year that has been stipulated in regional regulations and has been approved by the regional legislature or the Regional People's Representative Council (DPRD). The APBD will consist of 3 main components, namely Regional Original Revenue (PAD), Balancing Funds, and Other Legitimate Regional Revenues (Directorate General of Fiscal Balance 2017b). The composition of PAD will include Local Taxes, Local Retribution, Results of Management of Separated Regional Wealth, and Other Legitimate PAD. Thus, PAD will relate to the

revenue obtained by a region from the collection carried out based on local regulations that are in accordance with applicable regulations. Furthermore, the Balancing Fund will relate to funds derived from APBN revenues allocated to regions in the context of decentralization (Directorate General of Fiscal Balance 2021). These funds will consist of the General Allocation Fund (DAU), Revenue Sharing Fund (DBH), and Special Allocation Fund (DAK) (Directorate General of Fiscal Balance 2017a). Meanwhile, Other Legitimate Regional Revenues will relate to all funds outside PAD and balancing funds. These funds can take the form of grants, emergency funds, and other revenues that are in accordance with applicable laws (Directorate General of Fiscal Balance 2021).

The manifestation of development decentralization from the central government to local governments will be reflected through the Balancing Fund. This is because, in the Balancing Fund, DAU will be the main source of funds with a percentage reaching 61.6 percent (Directorate General of Fiscal Balance 2017b). Given that the purpose of this fund allocation is to improve the equitable distribution of regional development in Indonesia (House of Representatives 2020). Thus, using these funds, local governments will carry out development functions, community service functions, and community protection functions (Swandewi 2014). The main function of this fund is to increase the development of the national government. This explains that the local government acts as an extension of the central government to carry out development in the area. This allows development to run objectively with benchmark development indicators set by the local government. In this regard, village funds are also a small part of the DAU. Given that village funds are an allocation of 10% DAU plus DBH (Directorate General of Fiscal Balance 2018).

The amount of DAU for West Papua Province in 2024 reached Rp577,396,133 and DAU for Manokwari Regency amounted to Rp618,719,412. This amount decreased from the previous year where the West Papua Province DAU reached Rp1,259,198,372, while for Manokwari Regency the DAU in 2024 tended to increase compared to 2023 amounting to Rp533,928,292 (Ministry of Finance of the Republic of Indonesia 2024a). The main focus of the regional budget allocation in Manokwari Regency in 2024 is funding for the Regional Head Election (Pilkada) with allocations to election organizers such as the KPU, Bawaslu, and security forces. In addition, Manokwari is also running a strategic project as the capital of West Papua province, this project will include the construction of roads, bridges, and Rendani Airport. Finally, Manokwari's APBD allocation is also focused on implementing education, health, business capital, economic empowerment, fertilizer subsidies, and BPJS Health contributions for the community (Ichsan 2024).

In line with this, research by Akita, Riadi, and Rizal (2021) explains that the allocation of DAU and DBH will be one of the decentralization steps in order to increase the effectiveness of development in each region. This decentralization step has also shown positive results in reducing the level of regional disparity and the level of regional development (Talitha, Firman, and Hudalah 2020). Research by Sihombing et al. (2022) suggests that the economic function of the APBD needs to be allocated in a targeted manner in supporting increased development. Findings, Maskun & Istinah (2020) howed that APBD arrangements allocated to villages can increase village development. Research by Pentury (2011) also shows that the allocation of DAU, DAK, and Special Autonomy Fund (DOK) to the West Papua region will have an impact on increasing development, especially in encouraging improvements in education, health, and infrastructure. This will be in line with the IDM, which focuses on indicators of health, education, and the affordability of rural communities (Kemendesra 2023). Thus, effectiveness in APBD allocation will basically be able to increase the competitiveness of 3T villages in the Manokwari area.

Village Fund

Village funds are funds that have been allocated by the central government to village governments to improve development and welfare for the community (DJPB 2021). The purpose of allocating village funds has been explained in Law (UU) Number 6 of 2014

concerning Villages, that the allocation of village funds is one of the state's commitments to protect and empower village communities to become strong, democratic, independent, and advanced. Thus, in Government Regulation (PP) No. 60/2014 on Village Funds, it is explained that the allocation of village funds needs to be done in an equitable manner. Village funds are another manifestation of the decentralization function towards village governments. APBN funds are transferred through the APBD and allocated to villages. Thus, the village government has the authority to act in financial management and adjust the focus of development through these funds. The allocation of village funds began in 2015 with a projection that each village would receive a maximum budget of IDR 1,400,000,000 (BPK 2016).

In 2023 Manokwari received a village fund allocation of Rp130,413,000,000 with the total allocation reaching Rp116,253,000,000 by October 2023. In 2023, the main focus of village funds is aimed at economic recovery programs in the form of social protection and extreme poverty alleviation (Ichsana 2023). Given that the IDM level of Manokwari Regency until 2023 is still in a lagging status (Kemendesa 2023). In addition, the index of underdeveloped villages in West Papua Province also dominates at 82% compared to villages with developing status (17%) and villages with independent status (0.16%) (BPS West Papua 2018). Specifically in Manokwari Regency, there are at least 8 villages with disadvantaged status and 23 villages with very disadvantaged status (BPS Manokwari 2016). In line with this, in 2024 the Manokwari Regency Government focuses on improving the people's economy, land acquisition in the context of infrastructure development, and infrastructure development in alleviating poverty (Suara Mandiri 2023).

The effect of allocating village funds will be useful in improving the development of the village. The research findings of Handayani & Badrudin (2019) explain that the impact of the allocation of village funds in 2015 has shown economic growth in 411 districts in Indonesia. Similar findings were also shown by Arham & Payu (2020) that the proper allocation of village funds will be able to reduce poverty levels. According to Fahri (2017) shows that the relationship between village funds and village development is positive. So that an increase in the allocation of village funds can increase village development. In addition, village financial management also shows a positive influence on village development. In line with this, research by Muslihah et al. (2019) also explains that an increase in the allocation of village funds can improve community welfare. Thus, village funds will be able to improve village development, but targeted allocations need to be considered. On target in this context is village development by taking into account its potential. According to Tapi et al (2021) the allocation of village funds in Manokwari can improve community welfare if it is based on common interests and does not refer to the subjective interests of village leaders. In line with this, the problem of human error in the allocation of village funds also needs to be minimized in order to encourage villages to get out of the underdeveloped or even very underdeveloped index (BPK 2016).

Domestic Investment

Another factor that shows an important influence on rural development is investment. Investment allocation will have an impact on increasing the attractiveness of the region as an investment destination for micro and multinational entrepreneurs (Elias 2022). Based on Law No. 25/2007 on Investment, domestic investment or domestic investment is defined as business investment activities in Indonesia carried out by domestic investors or using domestic capital. This investment process will drive economic growth. Until the first quarter of 2024, gross fixed capital investment (PMTB) has contributed around 29.3% to the Gross Domestic Product (GDP) (Ministry of Finance of the Republic of Indonesia 2024b). PMTB is essentially the process of investment made by the government (Center for Budget Studies Expertise Secretariat General of the House of Representatives 2021). Although, PMTB will include expenditure on residential and non-

residential buildings, the source of PMTB capital is still classified based on investment status, namely PMDN and Foreign Direct Investment (PMDA) (Marlinda 2018).

The Investment Realization Report of Manokwari Regency in 2022 shows that the total PMDN for non-Micro Small Businesses (MSEs) reached Rp291,060,064,713 and PMDN for MSEs reached Rp44,766,131,060. The PMDN came from 31 companies with the implementation of 116 projects. The domestic capital flow has absorbed at least 2,286 workers and 147 workers from PMDN UMK (DPMPTSP Manokwari Regency 2023). However, the report also noted that company investors have a tendency not to report capital investment activities (LKPM) as stipulated in the Head of BKPM Regulation Number 6 of 2020. On the other hand, the allocation of investment funds also does not really involve village communities. This has led to conflicts between investors and customary rights holders of the area. Finally, local government supervision and regulations are also noted to be weak in regulating the initial investment process to investment implementation (DPMPTSP Manokwari Regency 2023).

These problems will essentially hamper the role of domestic investment in improving rural development. Given that, increased investment allows the development of village potential, by utilizing existing land and building human resources (Ding and Lichtenberg 2011). The findings of Paramita & Purbadharmaja (2015) show that allocated investment has shown a role in reducing poverty and increasing economic growth in Bali. In line with these findings, Solow's growth theory has emphasized that domestic investment can increase domestic income and increase working capital which ultimately increases economic productivity. Thus, investment allocations focused on job creation and development of village potential will improve the quality of the village (Ding and Lichtenberg 2011; Elias 2022; Paramita and Purbadharmaja 2015; Park and Wang 2010). Research by Mahriza & B (2019) shows that domestic investment has a significant positive effect on increasing economic growth. In addition, Soleh (2017) suggested that village development can be carried out with a domestic investment scheme by involving villagers. The effectiveness of village development using PMDN flows in Manokwari Regency can basically be done. However, the implementation of investment projects must involve the people or be pro-people. In the aspect of regulation and investment process, the district government needs to take part in order to determine the criteria for investment types (such as environmentally friendly investment) and supervision of the investment process from upstream to downstream still needs to be monitored.

Foreign Investment

Presidential Regulation No. 76/2007 on the Criteria and Requirements for Opening Closed Business Fields with Conditions in the Investment Sector states that foreign investment is an investment activity carried out by foreign investors or collaboration between domestic investors and foreign investors. Therefore, foreign capital that is fully invested in Indonesia or partly foreign capital and partly domestic capital can be interpreted as Foreign Investment (FDI) (Akbar, Haerisma, and Suharto 2023). In general, Indonesia ranks second with the largest total foreign investment flows in the Southeast Asian region (United Nations Conference on Trade and Development 2023). The total FDI in Indonesia in 2022 reached US\$20,100,000,000 and was just below Singapore with a total FDI of US\$99,100,000,000. The government sets regulations related to FDI in Law No. 25/2007 on Investment. The law regulates the prohibition of business types (such as not related to the production of weapons and war equipment), fulfillment of labor rights, and government protection of FDI companies.

Specifically in Manokwari Regency, the total realization of PMA investment in 2022 has reached Rp39,163,181,774 with a workforce absorption of 315 people and the number of Foreign Workers (TKA) 61. The allocation of foreign investment comes from 4 multinational companies (DPMPTSP Manokwari Regency 2023). In line with PMDN, PMA problems in Manokwari Regency are also constrained by the indiscipline of company investors in submitting LKPM. On the other hand, local labor absorption of PMA also

needs to be improved. The Manokwari Regency Government needs to encourage the flow of FDI that benefits the community by using related regulations and rules. The government also needs to provide guarantees to investors regarding the security of investment in the Papua region or at least act as a mediator between customary stakeholders and investors. Given that the allocation of FDI in West Papua Province is generally categorized as low (BKPM 2024).

The allocation of foreign investment can strengthen domestic capital and encourage increased development (Awandari and Indrajaya 2016). Increased foreign investment will lead to increased economic development (Tseng and Zebregs 2002). The neo-classical theory of economics explains that an increase in foreign capital allocation can encourage increased ownership of domestic technology, this step will be aligned with increased productivity and increased economic growth (Solow 1956). In addition, endogenous growth theory also assumes that the flow of investment funds can increase the technological potential of a region from the increase in human resources owned and ultimately increase the development of the region (Romer 1990). However, the findings of Purwadi et al. (2019) explain that investment strategies will be able to boost the economy in Indonesia by increasing investment facilities and investment-related regulations that can benefit the community. FDI will be effective in alleviating the problems of underdeveloped villages in Manokwari Regency if the government can provide solutions to existing structural problems. This will provide certainty to investors and may attract foreign investors to allocate their funds to Manokwari Regency (Madura 2018). However, local labor absorption must also dominate over foreign workers. The hope is that foreign investment can increase village excellence, including through the development of the village's Human Resources. Finally, village independence is likely to be created.

3. Conclusions

Overall, this research was conducted by conducting a literature review to consider the factors of APBD, village funds, domestic investment, and foreign investment on the development of 3T areas in Manokwari Regency. The findings of this study indicate that the APBD and village funds can basically be effective in improving the development of the 3T areas of Manokwari, but the allocation of funds needs to be adjusted to the advantages or potential possessed by the region. In addition, human error related to the allocation of funds also needs to be reduced to prevent village funds and APBD from being channeled inappropriately. In addition, domestic investment and foreign investment can also improve the development of the 3T area of Manokwari Regency. However, the government needs to create regulations that govern the flow of investment funds and the investment process. The flow of investment funds must be pro-people and not subjectively benefit related parties. The regulation will be a form of legal certainty to domestic and foreign investors regarding their protection in investing in Manokwari Regency.

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