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## The Impact of the Formation of Three New Provinces on Papua's Economic Performance

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**Abstract:** Currently, there have been three new autonomous regions established as a result of regional expansion in Papua Island, namely South Papua Province, Central Papua Province, and Papua Mountain Province. The formation of new provinces is expected to become a prime mover for accelerating equitable economic development in the Papua region. Therefore, it is necessary to conduct a study to analyze the impact of the formation of the province on the economic performance of Papua Island. The method used is the Final Demand Impact analysis of the Input-Output (I-O) Table. The results of this study indicate that the formation of the province has an impact on increasing the economic output of Papua Island by 37.7 percent and 69.5 percent for an increase in added value and contributing to an increase in employment of 71.1 percent or as many as 1.5 million people. The improvement in the economic performance of Papua Island, in turn, will indirectly have a positive effect on improving people's welfare and strengthening regional competitiveness and the contribution of the regional economy to the national economy. In addition, it also reduces the level of inequality in economic development nationally, which is still dominated by Java Island.

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## I. Introduction

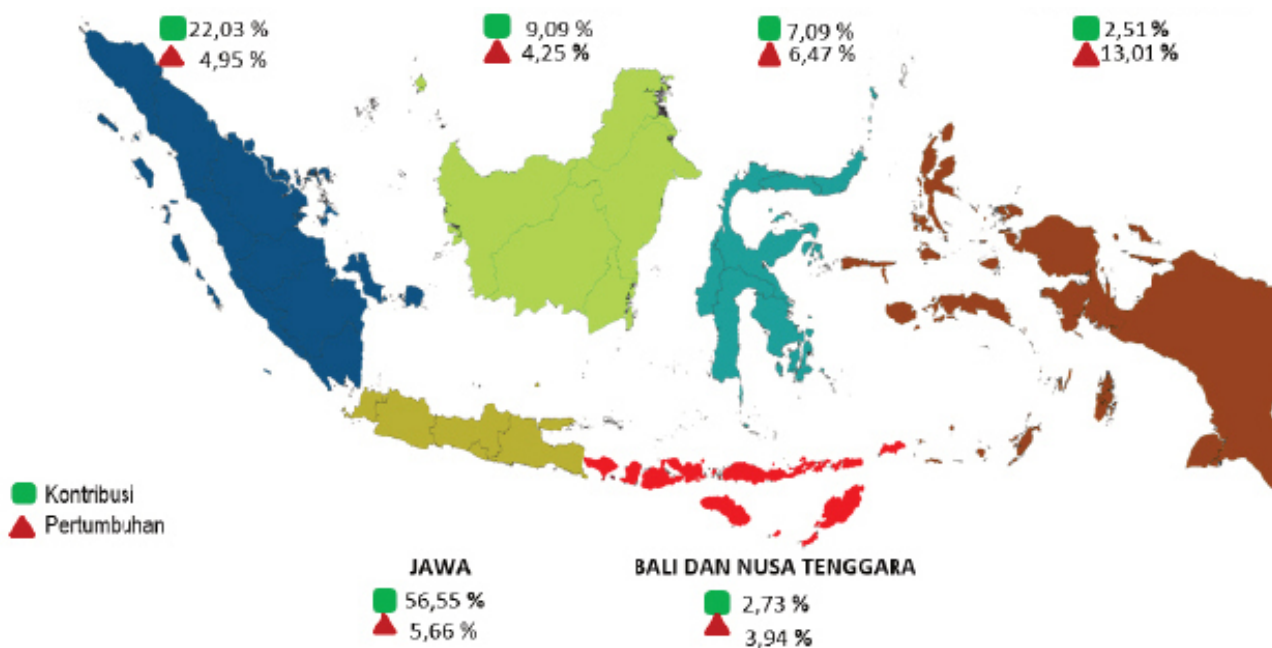
The condition of the Indonesian economy in the last two years has experienced shocks due to the influence of the COVID-19 pandemic and the ongoing global economic crisis. This situation can be seen in the negative growth of the national economy starting in the second quarter of 2020 at -5.32 percent and continuing until the first quarter of 2021. However, as the conditions of the COVID-19 pandemic began to be controlled and public activities began to return to normal as before the pandemic, the performance of the national economy has also started to improve since entering the second quarter of 2021 which grew positively by 7.07 percent and by 5.44 percent in Quarter II of 2022.

This positive achievement in national economic performance was supported by strengthening economic performance in various regions in Indonesia. Economic growth in all regions experienced positive growth in the second quarter of 2022. The islands of Maluku and Papua were the regions with the highest economic growth, namely 13.01 percent, followed by Sulawesi Island at 6.47 percent, Java Island at 5.66 percent, and the areas with the lowest

economic growth were the islands of Bali and Nusa Tenggara by 3.94 percent. However, the national economy's performance is still dominated by the contribution of the economy in Java. Java Island in the second quarter of 2022 contributed more than half of GDP or 56.55, followed by Sumatra Island with 22.03 percent. Meanwhile, the contribution of Papua Island is only 2.51 percent (Statistics Indonesia, 2022, p. 7).

The growth and contribution of GRDP by Island in Quarter II-2022 are depicted in Figure 1.

This condition confirms that the eastern region of Indonesia, such as Papua Island, still has minimal contribution despite having abundant natural resource potential. The Papua region has natural wealth through mining, such as gold, copper, iron sands, oil and natural gas, nickel, and other natural resources. This potential has yet to be utilized optimally so that the structure of Papua's economy is still extractive, in which the contribution is dominated by the primary sector, namely the mining sector and the agricultural, forestry, and fisheries sectors. Meanwhile, the secondary sector, such as the manufacturing sector, still makes a minimal contribution. In



Source: Statistics Indonesia (2022)

Figure 1. Growth and Contribution of GRDP by Island in Quarter II-2022 (percent)

addition, the area of Papua Island is 418,707 km<sup>2</sup>, the third largest island after Kalimantan Island and Sumatra Island. However, it only consists of two provinces until 2021, namely Papua Province, which is the largest province in Indonesia (16.67 percent of Indonesia's total area.) and West Papua Province, with an area of 99,671 km<sup>2</sup> (5.21 percent).

Furthermore, in 2022, the Government formed three new provinces on Papua Island in an effort to accelerate equitable development, improve public services and improve the welfare of the Papuan people. The new provinces consist of the following:

#### 1. South Papua Province

South Papua Province was formed through Law No. 14 of 2022 concerning the Establishment of South Papua Province. This province comes from parts of the Papua Province, consisting of the Merauke Regency, Boven Digoel Regency, Mappi Regency, and Asmat Regency. The capital city of South Papua Province is located in Merauke Regency.

#### 2. Central Papua Province

Central Papua Province was formed through Law No. 15 of 2022 concerning the Establishment of Central Papua Province. This province comes from parts of the Papua Province, consisting of Nabire Regency, Puncak Jaya Regency, Paniai Regency, Mimika Regency, Puncak Regency, Dogiyai Regency, Intan Jaya Regency, and Deiyai Regency. The capital city of South Papua Province is located in Nabire Regency.

#### 3. Province of Papua Mountains

The Papua Mountains Province was formed through Law No. 16 of 2022 concerning the Formation of the Papua Mountains Province. This province originates from parts of the Papua Province, consisting of Jayawijaya Regency, Gunung Bintang Regency, Yahukimo Regency, Tolikara Regency, Mamberamo Tengah Regency, Yalimo Regency, Lanny Jaya Regency, and Nduga

Regency. The capital city of South Papua Province is located in Jayawijaya Regency.

The formation of these new provinces is also a mandate from Law No. 2 of 2021 concerning the Second Amendment to Law No. 21 of 2001 concerning Special Autonomy for the Province of Papua. In general, the legal basis for dividing the territory of the Unitary State of the Republic of Indonesia (NKRI) into smaller territorial units covering provinces and regencies/cities is mandated in Article 18, paragraph (1) of the 1945 Constitution. Then in the regional government law, namely Law no. 23 of 2014 concerning Regional Government, Article 32 regulates the formation of new autonomous regions with various requirements that must be met. Among others related to the region's capacity are geography, demography, security, socio-political, customs and traditions conditions, economic potential, regional finance, and governance capacity.

Establishing a new autonomous region carried out under the provisions of the applicable laws and regulations is expected to positively impact improving services to the public, accelerating equity, spreading economic development, and realizing people's welfare. Implementing decentralization policies positively impacts increasing infrastructure development in the regions, encouraging regional economic growth (Kusuma, 2016, p. 10). In addition, implementing decentralization policies will encourage the formation of regions that accelerate welfare improvements in the region (Sulistiowati, 2014, p. 270).

On the other hand, regional expansion has broad implications for increasing government budget allocations which will become a new burden for the State Revenue and Expenditure Budget (APBN) and Regional Revenue and Expenditure Budget (APBD). Then there will be adjustments to the government structure in the regions and the potential for cross-regional conflicts (Muqoyyidin, 2013, p. 307). The positive impact and implications of a region's division are that the government is continuing to make efforts to accelerate regional economic development through establishing regional autonomy. The central government always gives authority to regional governments to run the widest possible

wheels of regional government ([Simanjuntak, 2015, p. 116](#)).

Furthermore, regarding the formation of the three provinces on Papua Island is an opportunity for the government to accelerate economic development in Papua. Therefore, after the formation of the new province, various infrastructure, facilities, and infrastructure will soon be built, both government and policy infrastructure, as well as physical infrastructure such as road network infrastructure, energy, transportation, clean water, logistics, communications, education, industrial areas, and health facilities. The infrastructure development will support the development of all real sectors, such as agriculture, forestry, fisheries, manufacturing, mining, and other economic sectors. It is hoped that in the not-too-distant future, the economic progress and independence of the three provinces will be achieved.

Some of the main objectives that encourage the formation of a region include: (a) shortening the span of control of government services with the hope that the government will be more responsive and responsive to the problems and needs of the people in the context of efficiency and effectiveness in governance. This is to accelerate development and accelerate service to the public, especially in regency areas far from provincial government services; (b) stimulating equity and accelerating development as an effort to increase people's welfare, public services, infrastructure, and economic growth. This is to minimize disparities in the welfare of individual communities and disparities between regions or regional disparities; (c) improving the harmony of the development of integrated development areas between sectors by regions that work together according to conditions that are not significantly different from development planning as an indicator of development. So that the basis for development planning is more focused and the growth rate is between Regencies/Cities, between urban areas and rural areas, and opens up isolated areas; And (d) increasing the optimal utilization of regional potential through better management of the special autonomy fund is expected to stimulate development in Papua by optimizing regional potential, especially in the fields of education, health, and infrastructure.

Several previous studies examined the impact of regional expansion on a region's economy. An empirical study of the impact of the division of the Central Bengkulu region results of the study that there was an increase in economic performance in Central Bengkulu Regency as an autonomous region, a relatively rapid increase in public services, and regional revenues increased very rapidly ([Sutojo, 2015, p. 14](#)). The results of the same study show that regional expansion was carried out by the Meranti Islands Regency and succeeded in encouraging economic performance such as economic growth and per capita income growing better than the parent region and an increase in the quality of public services ([Hakim et al., 2017, p. 856](#)).

Another study related to the impact of regional expansion on economic performance and equity in North Lombok Regency with the results of the study that economic performance, public service performance, and economic equity after regional expansion have increased ([Santika et al., 2018, p. 15](#)). The results of this study were strengthened by a study of the impact of regional division on Hulu Sungai Utara Regency and becoming a new Regency, namely Balangan Regency. The results of the study indicate that the division of the region has an impact on changes in the economic structure of the two regencies, both the main regency and the regency resulting from the division, namely from the primary sector to the secondary sector, meaning that there is an increase in added value in the region ([Masan & Nuryadin, 2020, p. 609](#)).

Meanwhile, the results of various studies in various countries show that regional expansion will encourage economic growth, facilitate public goods supply flow, and increase the government's fiscal capacity. Reduce horizontal conflicts between tribes/ethnicities and create regional political stability. Studies of regional expansion on the African Continent ([Baskaran & Blesse, 2018, p. 17](#); [Grossman et al., 2017, p. 823](#)). Meanwhile, several studies on forming new states in India ([Asher & Novosad, 2015, p. 13](#); [Shenoy, 2018, p. 173](#)), then [Dalmazzo et al. \(2018, p. 284\)](#) examined the impact of forming the Molise region of the Abruzzo region of Italy. Moreover, [Lima \(2021, p. 417\)](#) examines the impact of new territorial divisions in Brazil.

Furthermore, to accelerate the new province's development, the central and parent provincial governments are expected to continue to provide full support and assistance in delivering public services, essential infrastructure development, and regional governance. Meanwhile, the new provincial government is expected to move quickly to make adjustments and preparations for various regulations, budgeting, and regional government institutional instruments so that the wheels of government can run well.

Based on the results of these previous studies and research, we see that regional expansion or the formation of new autonomous regions plays a vital role in encouraging regional economic performance, public service performance, and accelerating equitable development. Therefore, related to the formation of 3 new autonomous regions at the provincial level in Papua, it is necessary to conduct a study to analyze the impact of the formation of the new provinces on the economic performance of the Papua Island Region.

## II. Methods

The research method used is quantitative research using secondary data. The data was obtained from Central BPS and BPS Papua Province in the form of Input-Output Tables of Papua Province Domestic Transactions at Producer Prices (17 Business Fields) in 2016 and BPS Province of West Papua in the form of Input-Output Tables of West Papua Province Domestic Transactions at Producer Prices (17 business fields) in 2016. The 17 business fields consist of the following:

1. Agriculture, Forestry, and Fishery Sector
2. Mining and Quarrying Sector
3. Processing Industry Sector
4. Electricity and Gas Procurement Sector
5. Water Procurement, Waste Management, Waste, and Recycling Sector
6. Construction Sector
7. Wholesale and Retail Trade Sector; Car and Motorcycle Repair
8. Transportation and Warehousing Sector

9. Accommodation and Food and Drink Provision Sector
10. Information and Communication Sector
11. Financial Services and Insurance Sector
12. Real Estate Sector
13. Corporate Service Sector
14. Government Administration, Defense, and Compulsory Social Security Sector
15. Education Services Sector
16. Health Services and Social Activities Sector
17. Other Service Sector

The analytical model used to comprehensively assess the impact of the formation of a new province in Papua on the economic performance of the Papua Region is the Input-Output Model (Model I-O). Input-output analysis is a systematic method for measuring the interrelationships between sectors in a national and regional economic system (Daryanto & Hafizrianda, 2010, p. 3). Then another definition is that input-output analysis is a technique that is used quantitatively to analyze the level of dependence of the production sector in the economy over a certain period of time (Miller & Blair, 2009, p. 24).

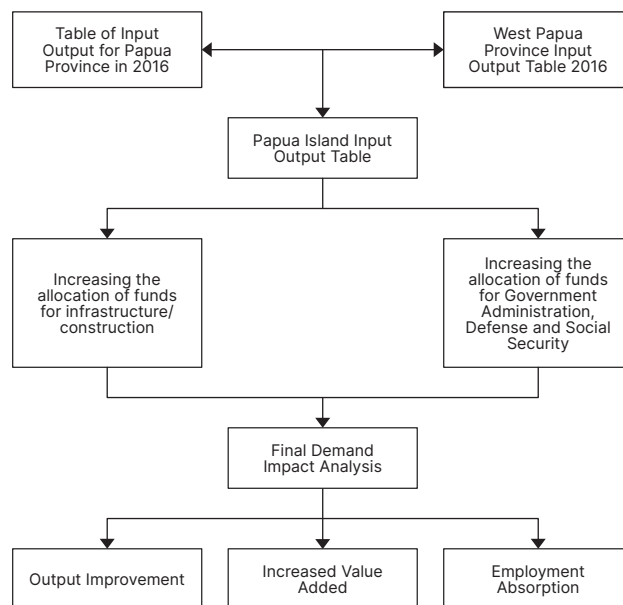
In the I-O model, it can be shown how large the flow of inter-sectoral linkages is in an economy. The production input from sector 1, for example, is the output of sector 2, and conversely, the input from sector 2 is the output of sector 1, which in the end, the linkages between sectors will lead to a balance between supply and demand in the economy. From this simple economic relationship, it is clear that there is a reciprocal effect between the two sectors; this relationship is called the I-O relationship. Currently, the I-O model is often used as a tool for development planning and economic analysis at the regional level. This is driven by the increasing need for data and analytical tools in implementing and evaluating regional autonomy policies. Therefore, currently, all provinces have prepared Regional I-O Tables.

Quantitatively, the I-O model is used to provide an overview of the impact of the expansion of the three new provinces through an increase in the central government and regional

government spending budgets in the form of allocations of transfer funds to the regions and village funds. The research analysis framework is described in Figure 2. The impact analysis method used is the Final Demand Impact analysis. The final demand component that is intervened is an increase in the allocation of funds for infrastructure development in the construction sector with an assumption of Rp. 1.8 trillion per year and a growth in the distribution of funds to the government administration, defense, and social security sectors with a premise of Rp. 3.45 trillion per year for five years. Then an analysis is carried out on the increase in output, added value, and employment in Papua Island.

As for what is meant by output in the I-O model as illustrated in Figure 2, the value of the production of goods and services produced by all economic activities operating in a region for a certain period. Production actors can be domestic companies or foreign companies or can also be individual production activities; as long as production activities are carried out within the territorial area of a region, the output produced by these production activities is counted as the output of the area concerned. Meanwhile, the added value in the I-O model is the remuneration given to production factors that play a role in the production process to produce an output. Remuneration includes wages, salaries, business surplus, depreciation, and net indirect taxes. Wages and salaries are remunerations given to the factors of labor production, namely workers/employees, in the form of money and goods. Labor wages and salaries include all housing, vehicle, medical and bonus benefits, and overtime pay that companies provide to workers. These workers' income is still in gross form or before income tax is deducted. Business surplus is the remuneration given to capital or capital product factors, which include property rental, net interest, and company profits. Company profits are calculated in gross form, namely before being distributed to shareholders in the form of dividends and before income tax is deducted (Sutomo, 2015, p. 181).

Furthermore, the final demand referred to in the I-O Model includes household consumption expenditure, government consumption expenditure, gross fixed capital formation (PMTB), inventory changes, exports, and imports.



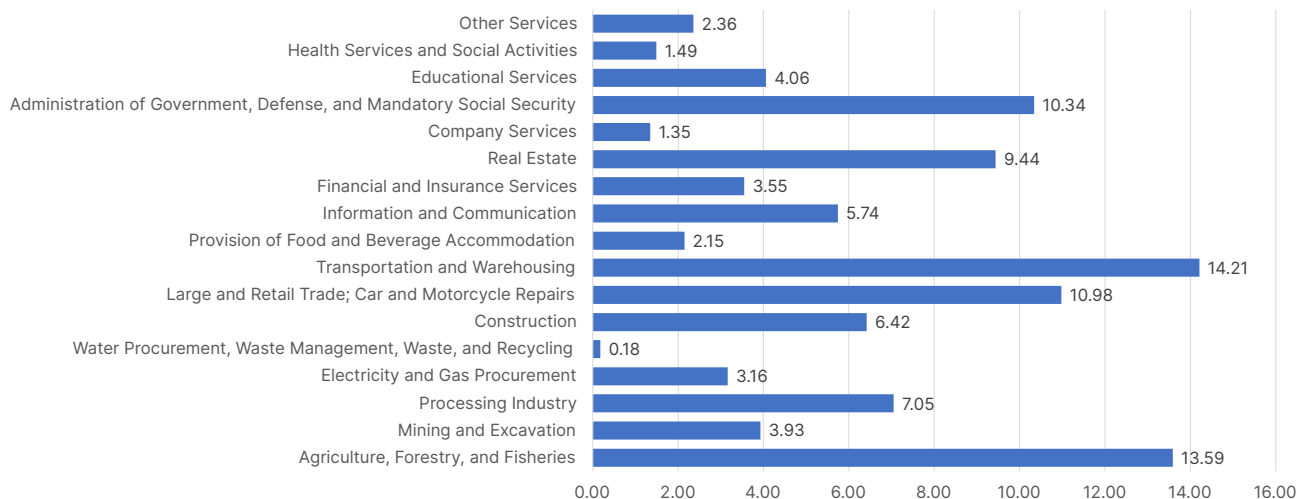
Source: Author

Figure 2. Analysis Framework

Household consumption expenditure includes all purchases of goods and services by households, both for food and non-food. Government consumption expenditure includes all purchases of goods and services by the government that are routine, including payment of salaries for employees, non-capital goods expenditures, and depreciation, after deducting receipts received from activities that cannot be separated from government activities. Development expenditure for the procurement of facilities and various capital goods, including in the formation of gross fixed capital (PMTB). Gross fixed capital formation, or PMTB includes all government and domestic private companies' expenditures for procuring capital goods. Exports and imports are goods and services transactions between a country's residents and residents of other countries. Exports and imports can be in the form of exports and imports of goods such as exports and imports of rice, coffee, goods from the food and beverage industry, mineral goods, ship transportation services, tourism services, insurance services, communication services, and its kind.

### III. Results and Discussion

The formation of three new provinces in Papua will create a minimum of three new economic growth centers that are expected to become



Source: The Results of the Author's Research

**Figure 3.** Impact of the Formation of New Provinces in Papua on Increasing the Economic Output of Papua Island (Percent)

prime movers in accelerating equitable economic development in the Papua region. In addition, it is expected to realize the redistribution of the more equitable development budget allocation.

Based on the academic manuscript of the Draft Law on the Second Amendment to Law Number 21 of 2001 concerning Special Autonomy for the Province of Papua that several objectives of regional expansion in Papua include: (1) shorten the range of government service control so that the government is closer to the public, (2) spur equal distribution and acceleration of development to reduce the economic inequality of the region, (3) increasing the harmony of regional development, and (4) increase the utilization of optimal regional potential.

In addition to the various positive benefits of the formation of the new province, of course there are consequences of increasing significant budget burdens that must be allocated by the state. The cost allocation components that can be allocated from the State Budget (APBN) include: (1) General Allocation Funds of each new province; (2) Special Allocation Funds for each new province for facilities and infrastructure; (3) Basic Infrastructure Financing, supporting infrastructure, general facilities, and infrastructure; (4) Regional Assistance Funds that the Provincial and Central Government must provide; and (5) Profit Sharing Funds of each new province.

Furthermore, in connection with the APBN budget allocation data for the three new provinces, it is not yet available, so in this study, the assumption of budget allocation is used based on the structure of the transfer of transfer funds to the regions and village funds for the 2022 Budget Year Papua and West Papua Provinces. The results of the analysis of the impact of increasing the allocation of infrastructure development funds in the construction sector assumed Rp1.8 trillion per year and increase the allocation of funds in the government administration, defense, and social security sector, assuming Rp3.45 trillion per year for five years. In the aggregate, this has an impact on increasing the economic output of Papua Island by 37.7 percent by 69.5 percent to increase added value and contribute to an increase in employment by 71.1 percent or as much as 1.5 million people.

Based on [Figure 3](#), the formation of three new provinces in Papua with an additional allocation of development transfer funds to each new province has a positive impact on increasing the economic output of the Papua Province, which is an additional output of Rp178.76 trillion.

The transportation and warehousing sector is a sector that has increased the most significant output of 14.21 percent or Rp25.4 trillion. Then the second largest sector is agriculture, forestry, and fisheries, which is 13.59 percent or Rp24.3 trillion. Large and retail trade sectors, car and motorcycle repairs experienced increased output

of Rp19.6 trillion or 10.98 percent. The real estate sector enjoyed the addition of output by 9.44 percent, the manufacturing industry sector by 7.05 percent, and the construction sector by 6.42 percent.

This condition shows that expanding the territory in Papua can encourage increased output in all economic sectors. Not only in the construction and administrative sectors of government but also in other economic sectors, especially in the transportation, agriculture, forestry, fisheries, real estate, and manufacturing sectors.

Increasing the output of the transportation sector indicates that the smooth flow of distribution of goods and people in the Papua region will be better and increase the effectiveness and efficiency of local governments in providing public services to the people. The increase in output is expected to reduce the gap in the public's welfare and the gaps between regions or regional inequality in Papua Island.

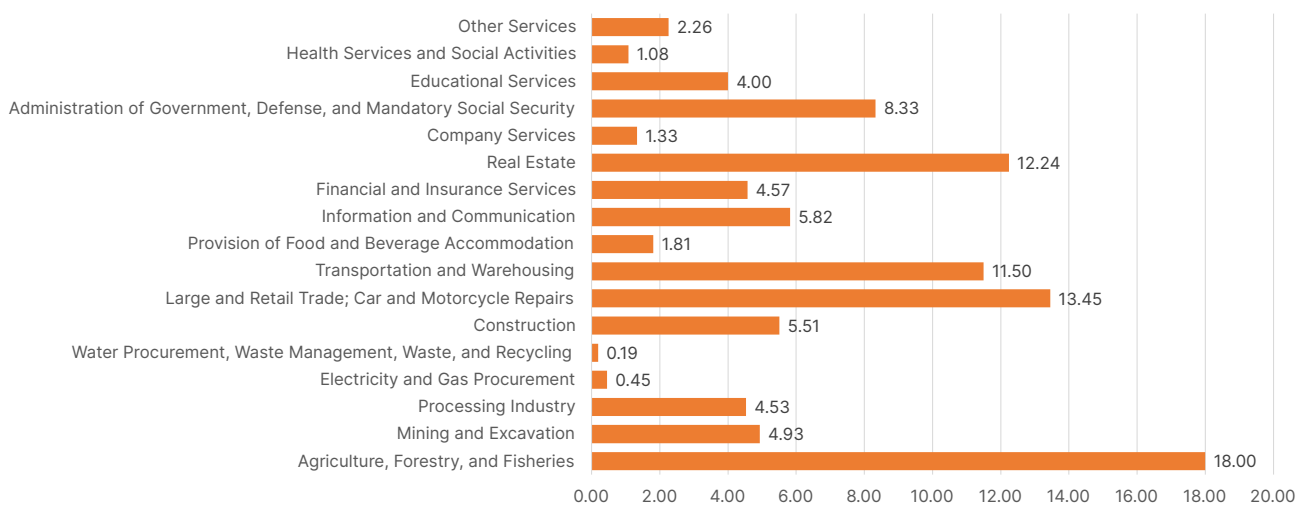
This aligns with [Bardhan's study \(2002, p. 202\)](#) study that decentralization policies positively impact public services to be more effective and efficient budget absorption, and local governments are more responsive to providing services. In addition, decentralization policies will encourage improvement in the investment climate and public services,

encouraging increased output of other economic sectors in the region ([Tiebout, 1956, p. 420](#)).

Furthermore, the results of this study also show that the purpose of decentralization of the Papua region can be achieved following the objectives of regional expansion based on Article 31 of Law 23 of 2014 concerning Regional Government, namely accelerating the improvement of the welfare of the people. The improvement of the public's welfare was driven by an increase in the outputs of various economic sectors due to increasing the allocation of transfer funds to each new province.

Increasing the output of the economic sector will also impact increasing the optimal utilization of regional potential. The 'regional potential' that is maximally processed is expected to accelerate the spread and equitable development of and encourage economic growth. This is to reduce the gap in individual people's welfare and gaps between regions or regional inequality (National Legal Development Agency, 2020, p. 77).

Furthermore, when viewing the impact of forming three new provinces in Papua with the additional allocation of development funds to each new province to increase the value added to the Papua Island, the sector that has increased the most massive added value is the agricultural, forestry, and fisheries sectors. In [Figure 4](#), it can be seen that the added value of the agricultural,



Source: The Results of the Author's Research

**Figure 4.** Impact of the Formation of New Provinces in Papua on Increasing the Added Value of the Economy of Papua Island (Percent)



forestry, and fisheries sectors increased by 18 percent or Rp19.1 trillion. Then followed by the large and retail trade; car and motorcycle repairs sector increased by 13.45 percent and the real estate sector by 12.24 percent.

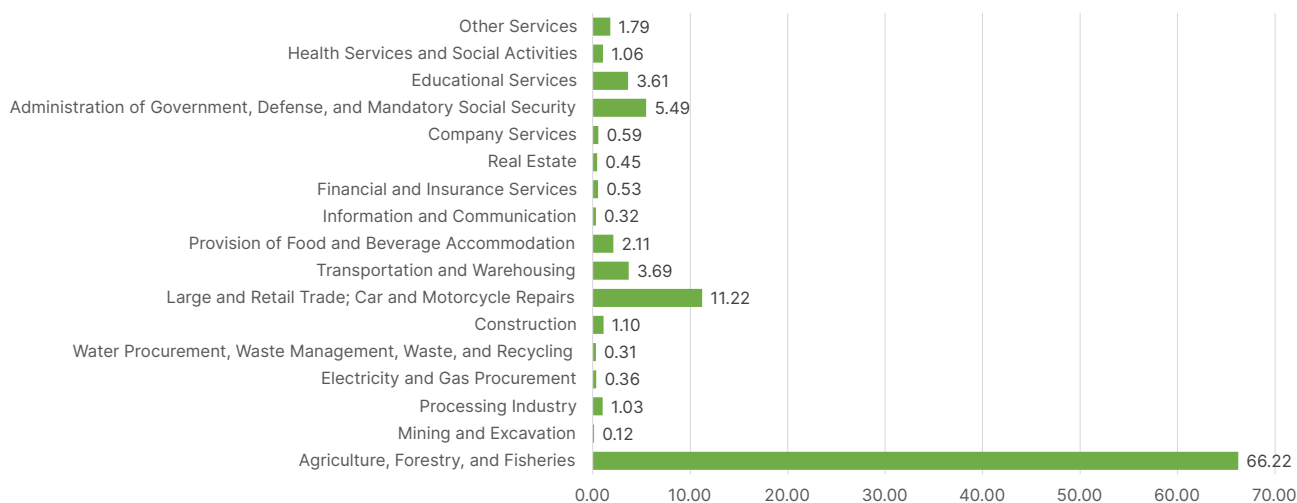
Increasing the added value of the agricultural, forestry, and fisheries sectors is a matter that indicates the increasing direct needs of the people for the products of the agricultural, forestry, and fisheries sectors. Some leading commodities in Papua's agricultural, forestry, and fisheries sectors are sago, nutmeg, pepper, cloves, cocoa, coffee, and capture fisheries. However, the downstream efforts of agricultural commodities, forestry, and fisheries need to be increased again because, based on the analysis of the I-O model, the increase in the added value of the manufacturing sector is still low at only 4.53 percent. Therefore, economic transferring efforts from the agricultural, forestry, and fisheries sectors to the secondary sector (the processing industry sector and the service sector) in Papua need to be a government priority program.

There are two economic transformation patterns in a region's industrialization efforts, namely: (1) The agricultural sector must be able to maintain stable production productivity and even increase to ensure the availability of raw materials for the industrial sector being developed, and (2) The industrial sector developed is strived to have a strong relationship with the agricultural sector

(Mulyadi, 2012, p. 117). Therefore, an increase in added value in Papua through industrialization must be balanced with the efforts to develop the agricultural, forestry, and fisheries sectors. The strategy to increase added value needs to be carried out in an integrated manner and synergy between the development of the agricultural sector in the broad sense and the development of the manufacturing industry sector. The industrialization process can be seen from the effort to transform the attitudes of agrarian communities to become industrial communities caused by agricultural sector products in general have a connection with the industrial sector, especially in the post-harvest process that requires technological processes to increase their added value (Hartarto, 2004, p. 75).

Downstreaming the agricultural, forestry, and fisheries sectors, as well as the mining sector as a leading local sector, must be able to create added value continuously, encourages the use of quality and competitive local human resources, preventing price fluctuations and primary commodity production, a large amount of local multiplier, reducing unemployment, and improve local income. Then it is also expected to have the potential to be competitive locally and enter the global supply chain network.

Furthermore, the increase in added value in the real estate sector by 12.2 percent because of the formation of a new province in Papua is a form of meeting the increasing needs of households



Source: The Results of the Author's Research

**Figure 5.** Impact of the Establishment of New Provinces in Papua on Increasing Employment of Papua Island (Percent)

for housing and labor as a result of the formation of a new economic growth center in the form of a new provincial capital. Namely in South Papua Province, with the capital city in Merauke, Central Papua Province, with the capital city in Nabire; and the Highlands Papua Province, with the capital city in Jayawijaya. The provincial capital will be an urban area, trade center, industrial center, and hub, while the regencies around the provincial capital are hinterland areas that support the development of regional centers of economic growth. Massive development in the provincial capital is expected to be polarized to provide optimal benefits for the growth of other districts in the province. Polarized development has a positive impact on the development of the hinterland region (Dawkins, 2003, p. 131).

The division of the Papua region has also significantly impacted increasing employment. It can be shown in Figure 5 that overall, the formation of the three provinces for the next five years is expected to be able to increase employment in Papua Island by 1.5 million people. The largest sectors that received the impact of increased employment were agriculture, forestry, and fisheries, namely 1.02 million people, or an increase of 66.2 percent. Meanwhile, the large and retail trade; car and motorcycle repair sector can absorb a workforce of 173 thousand people or 11.22 percent, followed by the Government Administration, Defense, and Mandatory Social Security sectors with 5.5 percent.

Meanwhile, employment in the secondary sector, such as the manufacturing sector, has not experienced a significant increase, which only increased by 1 percent. This is an important task for the new government of the three provinces downstream of the primary sector, so it is expected to increase added value and better employment. One of the instruments that need to be encouraged is the development of industrial estates or special economic areas in each of these new provinces. Developing industrial estates in an area will impact increasing employment (Zheng et al., 2016).

Regional expansion policy must significantly impact job creation and reduced poverty. Therefore, the government must be able to determine the priority sector that must be developed in the region that can absorb much

labor. For example, suppose the agro-based manufacturing industry sector is a priority in Papua. In that case, it must be directed to products where most inputs are domestic to empower local workers and regional/national competitiveness. After determining the priority sector, the local government must dare to provide adequate incentives to attract investors. Specifically, for the manufacturing sector, it is necessary to pay more attention to the ease of licensing and land acquisition and provide adequate basic infrastructure.

Employment opportunities created from the expansion of the territory in Papua, the government is expected to provide the widest possible opportunity to the people of Papua as a form of government partiality to indigenous Papuans. In addition, it is also to encourage improving the quality of local human resources and people economic empowerment for the sake of improving welfare. The government's partisanship to the people of Papua is the mandate of Law No. 2 of 2021 concerning the Second Amendment to Law Number 21 of 2001 concerning Special Autonomy for Papua Province.

Improving the quality of human resources, especially related to the industrial sector, can be carried out through the implementation of vocational education and training, 3in1 education and training, link and match programs, infrastructure development, and competency certification facilitation. These efforts are in the context of preparing competent industrial workers and the growth of new entrepreneurs based on potential local raw materials. The complete human resource development is regulated in Government Regulation No. 41 of 2015 concerning Industrial Empowerment.

The implementation of vocational education and training is carried out through the construction of a Vocational High School (SMK), Polytechnic/Community Academy, and Work Training Center (BLK), establishing cooperation with the industrial company in the preparation of curriculum, apprenticeship, and work placement. Meanwhile, 3in1 education and training can be done through competency-based training following the needs of the existing industry in Papua, the granting of competency certificates, and job placements for all 3in1 education and

training graduates. While the link and match program is carried out by adjusting the Vocational High School (SMK) study program with industrial needs, providing adequate practice equipment, and increasing the competence of Vocational High School (SMK) teachers through internships and direct training in the company.

Based on the results of the analysis illustrates that the increase in the allocation of transfer funds to Papua Island because of the formation of 3 new provinces has a positive effect on the economy of Papua Island both from the indicator of economic output, the creation of added value and the level of employment. Increasing the achievement of the Papua Island Economic Indicator is one of the objectives that must be achieved in the implementation of Law No. 2 of 2021 concerning the Second Amendment to Law Number 21 of 2001 concerning Special Autonomy for Papua Province.

The formation of new autonomous regions is expected to open new areas in various corners of the three new provinces that were previously isolated and lagging. In addition, it is also expected to be able to create new economic growth centers that can accelerate the spread and equitable development and redistribution of a better development budget. Another impact that the people of Papua can enjoy is the reduction of physical distance between the government and the people so that the services provided by the government are more optimal and follow the aspirations and needs of the Papuan people. In addition, the region's expansion is expected to optimize the processing and downstream of the potential of natural resources owned through better regional governance.

The formation of a new autonomous region will positively impact the economic development of the region. One of the impacts is the realization of effectiveness and efficiency in public services (Cheema & Rondinelli, 2007, p. 18). Effective and efficient services have an impact on increasing local government understanding of people's needs so that government programs are more targeted and provide greater multiplier effects (Bardhan, 2002, p. 185).

In this regard, the administration of governance in South Papua Province, Central

Papua Province, and Papua Mountains Province needs to be carried out as soon as possible with the inauguration of the region and the inauguration of governor officials. With the official governors of each province, the wheels of government and the economy can take place well so that the regional economy can grow and contribute to improving the economic performance of Papua Island as a whole.

#### IV. Conclusion

The formation of new provinces in Papua provides an opportunity for the formation of new economic growth centers and its hinterland regions. At present, at least three new economic growth centers will be realized, which is a transformation from the district capital to the provincial capital. This condition will encourage the performance of the Papua Island economy in increasing output, increasing added value, and increasing employment.

This follows the results of this study's analysis that the increase in the allocation of infrastructure development funds in the construction sector assumed Rp. 1.8 trillion per year and increase the allocation of funds in the government administration, defense, and social security sector, assuming Rp3.45 trillion per year for five years aggregate on Papua Island has a positive impact. Especially in the increase in the economic output of Papua Island by 37.7 percent, by 69.5 percent to increase added value and contribute to an increase in employment by 71.1 percent or 1.5 million people. Increasing the indicators of Papua's economic performance is also expected to be accompanied by government efforts in improving the quality and access to education, the quality and access to health, social security, and social welfare, and the availability of decent settlements, clean water, and sanitation. Then the realization of local economic development, the establishment of Trans Papua connectivity, transportation in the sea, rivers, and air, telecommunications and the internet, and the increasingly strong governance and institutional, regional government.

Based on the results of this study, a tangible justification was also obtained for the purpose of the formation of the South Papua Province, Central Papua Province, and Papua Mountains

Province as listed in Law No. 14 of 2022 concerning the Formation of South Papua Province, Law No. 15 of 2022 concerning the Formation of Papua Province Middle, and Law No. 16 of 2022 concerning the Establishment of Papua Mountains Province. The formation of the provinces was carried out to realize people's welfare and strengthen regional competitiveness. People's welfare and competitiveness can be achieved if the economic performance of Papua Island is increasing, both through the development of the primary, secondary, and service sectors.

The improvement of the performance of the Papua Island economy, in turn, will indirectly have a positive effect on increasing regional economic contributions outside Java Island to the national economy. The increasing contribution of industry outside of Java also reduces the level of inequality of economic development, which Java has dominated.

Furthermore, to accelerate the new provinces' development, the Central Government and the Provincial Government are expected to continue to provide full support and assistance in implementing public services, basic infrastructure development, and regional governance. At the same time, the new provincial government is expected to move quickly to make adjustments and preparation for various regulations, intervals, and institutional apparatus of the local government so that the wheels of government can run well.

This study only analyzes the impact of the formation of new provinces on the economic performance of Papua Island and does not see the impact on the performance of each province. Therefore, to complete this study, it is necessary to analyze economic linkages between provinces in Papua Island using the Inter-Regional Input Output (IRIO) model and analyze not only economic impacts but also conduct an in-depth analysis of the social and environmental dimensions.

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