Development in Papua after Special Autonomy
Papua and West Papua

2001: Special autonomy

2003: provincial split
Summary

• In general:
  – development in the island of Papua is progressing

• However:
  – (1) Papua’s economy after the provincial split has been stagnant, (2) poverty in rural areas is still high, (3) other welfare indicators also show that development challenges are still immense

• Possible explanations:
  Issue 1:
  – Heavy reliance on NR → other sectors grew slowly (Manning & Rumbiak, 1989)
  – When NR drops, the economy is affected
  Issues 2 & 3: besides the initial condition
  – High population growth in rural areas
  – Fundamental: low level of education and infrastructure and health facilities (Mollet, 2007)
  – Fiscal effectiveness (Resosudarmo et al., 2009)
  – Urban bias development (Manning & Rumbiak, 1989)
  – Effective targeting
Long-term look at the economy

GDP and GDP w/o mining and oil-gas industries grew at least by a similar amount to Indonesia.

GDP grew a bit slower after regional autonomy, but still at least equal to that of Indonesia.

→ The economy of the island seems to be growing relatively well.

GDP and GDP w/o mining and oil-gas industries are indexed at 100 in 1993.
Proportion of poor people declined both in Papua and West Papua.

It declined faster than the national level.

But still more than twice the national figure.
Regional government (planned/actual) expenditure per capita in both Papua and West Papua has been relatively high compared with other regions.

→ Size of government budget seems to be comparatively fine.

→ Need to be higher than other regions: could be due to difficult geographical conditions.
Issue 1: After the split

While West Papua’s GDP showed rapid growth, Papua’s GDP did not.

GDP per capita grew slower than GDP; in Papua, it grew negatively.

- Economic growth is dominated by the growth of West Papua.
- Population grew faster than the economy.

GDP and GDP per capita are indexed at 100 in 2003.
The poverty rate in urban areas has been much lower than the national average. Though declining, the poverty rate in rural areas is still much higher than the national average.

→ Reducing the poverty rate in rural areas is the main challenge of the poverty alleviation program in Papua and West Papua.
Issue 3: Health indicators

Rates of TB and Malaria in Papua and West Papua, though falling, are still the highest in the country.

Rate of cumulative AIDS increased.

But this is not the case regarding child mortality rates.*

- Other welfare indicators show that development challenges in Papua are still immense, but there is progress.
The economies of both Papua and West Papua are both dominated by natural resource extraction industries:

- Mining (Freeport) → 47% of Papua’s economy (2012)
- Natural gas (BP) → 54% of West Papua’s economy (2012)

Several issues with natural resource extractive industries:

- When revenue from these industries decline, the economy is heavily affected
- Limited leakage to general public
- Less incentive to develop other industries

In both provinces, agriculture (food crop) has been the second most important sector (+/- 12.5%)

Followed by construction and government services
Freeport sales are still relatively high but have declined in the last few years.

This is the main reason for the decline in Papua’s exports in the last few years.
Expenditure growth

Private and government consumption as well as capital formation grew positively. Decline in mineral exports is the main reason for economic stagnation in Papua province.

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<thead>
<tr>
<th></th>
<th>Papua</th>
<th>West Papua</th>
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<tbody>
<tr>
<td>Private Consumption</td>
<td>8.7</td>
<td>9.4</td>
</tr>
<tr>
<td>Government Consumption</td>
<td>11.6</td>
<td>14.5</td>
</tr>
<tr>
<td>Fixed Capital Formation</td>
<td>9.1</td>
<td>12.7</td>
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<tr>
<td>Change in Stocks</td>
<td>13.0</td>
<td>35.7</td>
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<tr>
<td>Exports</td>
<td>12.8</td>
<td>-9.7</td>
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<tr>
<td>Imports</td>
<td>12.1</td>
<td>5.9</td>
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Rural population

• Population grew by as much as 4.9% annually (Papua and West Papua: 2000-2010)
  – This is 3 times the national figure
• Migrant population grew more than non-migrant (6.7% vs 4.5%)
  – Migrant population is approx. 22% of the population (2010)
• Rural population grew by as much as 5%, while urban population by 4.6% → fast growing rural population
In general, non-migrants are less well educated than migrants.

Approximately 50% of non-migrants in Papua and West Papua either have not completed elementary school or only finished elementary school.

Note non-migrant is still the majority in Papua and West Papua.

→ Indicating low level of education facilities;
→ in particular in rural areas.
Infrastructure: Electricity

Electricity use per person in Papua and West Papua has been relatively low compared with other islands.

Its growth is lower than other islands.

→ Infrastructure for economic development is relatively limited in Papua and West Papua.
→ Particularly in rural areas.
Government expenditure

• Proportion of spending on general services is relatively higher than the national average (53% vs 33% in 2010)

• Education budget is relatively lower than the national average
  – 13% for Papua and 10% for West Papua vs 30% at the national average (2010)

• Health budget is quite comparable with the national average, but low
  – 5% for W Papua and 8% for Papua (2010)

• Though the social protection budget is already higher than that of the national average, it needs to be higher
  – Approx. 2% in both Papua and West Papua (2010)
In Papua, economic growth has mostly been in Jayapura and surrounding areas.

On a per capita basis, rural Papua grew negatively.

Welfare in Jayapura, Sorong, Manokwari and Merauke (all having a large urban area) is better than in other districts without rich natural resources.

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<tbody>
<tr>
<td><strong>West Papua</strong></td>
<td></td>
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</tr>
<tr>
<td>Sorong Greater Area*</td>
<td>4.6</td>
<td>2.0</td>
<td>36,209</td>
<td>8,450</td>
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<tr>
<td>Manokwari district</td>
<td>8.7</td>
<td>5.3</td>
<td>18,049</td>
<td>8,128</td>
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<tr>
<td>Teluk Bintuni district</td>
<td>39.5</td>
<td>33.6</td>
<td>298,731</td>
<td>11,555</td>
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<tr>
<td>Other districts</td>
<td>8.7</td>
<td>5.2</td>
<td>22,880</td>
<td>6,634</td>
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<tr>
<td><strong>Papua</strong></td>
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</tr>
<tr>
<td>Jayapura Greater Area*</td>
<td>12.0</td>
<td>8.3</td>
<td>31,050</td>
<td>9,960</td>
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<tr>
<td>Mimika district</td>
<td>-7.1</td>
<td>-12.0</td>
<td>239,083</td>
<td>10,354</td>
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<td>Merauke district</td>
<td>6.9</td>
<td>4.8</td>
<td>21,234</td>
<td>7,135</td>
</tr>
<tr>
<td>Other districts</td>
<td>5.8</td>
<td>-4.5</td>
<td>7,035</td>
<td>5,315</td>
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Greater area = kabupaten + kota
Average annual growth per capita household expenditure for each percentile from 2008 to 2012 shows that the richer the household the greater the increase in household expenditure.

- Worsening income distribution
- Indication of the need for better targeting
Born in Papua/West Papua

Average annual per capita household expenditure for each percentile from 2011 to 2012 shows that those not born in Papua/W Papua experience higher expenditure growth.

But very poor people not born in Papua/W Papua experience the lowest expenditure growth.

→ The need to target Papuans
→ and the very poor non-Papuan
Final remarks

Issue 1:
• Reducing reliance on NR by promoting development in other sectors, particularly the agricultural sector, should be considered

Issues 2 & 3:
• Population growth control is needed, particularly in rural areas
• Human quality needs to be vastly improved; in particular attention to improving education and health facilities for local Papuans in rural areas is important
• Continue to improve infrastructure including ensuring good connectivity within the province and with other provinces
• Fiscal effectiveness to target development in rural areas; might need greater budget spending in rural areas targeted to the poor
• Might need to ensure participation of local Papuans in economic activities; however, any affirmative action that might create a disincentive among Papuans to be more competitive should be avoided