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Autonomy Without Accountability? The Governance Challenges of Papua's Special Fiscal Regime

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Abstract:

Papua's Special Autonomy Fund represents one of the most ambitious asymmetric decentralization initiatives in Southeast Asia. Yet, over 20 years later, the region remains among Indonesia's most underdeveloped. This paper investigates the governance failures underlying this paradox, including regulatory overlap, elite capture, and weak local fiscal capacity. It reviews recent evaluation studies and government reports to assess how decentralization design flaws and implementation gaps have constrained service delivery. The analysis offers policy recommendations to restructure the autonomy framework toward greater accountability, data-driven planning, and inclusive development.

Keywords: *Special Autonomy Fund, Asymmetric Decentralization Indigenous Papuans (OAP), Local Governance, Development Disparities.*

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1. Introduction

Over the past two decades, decentralization has been a central pillar of governance reform in many developing countries, including Indonesia. The idea is simple yet powerful: bringing decision-making closer to the people enhances responsiveness, accountability, and equity. However, not all decentralization is designed equally. In regions with unique sociopolitical, ethnic, or historical identities, the state may choose to delegate special forms of authority—a process known as *asymmetric decentralization*. This model offers certain provinces or territories differentiated rights, powers, and funding mechanisms to accommodate their distinct needs or political sensitivities (Eaton, Kaiser, & Smoke, 2010).

Indonesia's province of Papua represents a flagship case of this model. With its long history of marginalization, contested integration into the Republic, and deep-seated socioeconomic challenges, Papua was granted special autonomy status through Law No. 21/2001, later amended by Law No. 2/2021. This legal framework aimed to address Papuan grievances through greater local control, cultural recognition, and substantial fiscal transfers. Since 2002, the central government has allocated over IDR 100 trillion through the Special Autonomy Fund (*Dana Otonomi Khusus*, or Dana Otsus) to Papua and West Papua provinces (KOMPAK, 2021).

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The logic behind the Special Autonomy Fund is twofold. First, it seeks to correct long-standing development imbalances by enabling region-specific policies and investments. Second, it aims to reduce political tensions and bolster national integration through targeted fiscal justice. However, after two decades of implementation, evidence suggests that these goals remain far from realized. Papua and West Papua still rank at the bottom of Indonesia's Human Development Index (HDI) and suffer from the highest poverty rates nationwide (BPS, 2020). Such realities raise critical questions about whether asymmetric decentralization in Indonesia has worked in practice.

Several evaluations, including those by KOMPAK and AKATIGA (2022), highlight deep-rooted institutional challenges undermining the effectiveness of Dana Otsus. These include overlapping regulations between special autonomy laws and general decentralization laws (Law No. 23/2014), weak local government capacity, elite capture, and a lack of meaningful community engagement. Moreover, the design of the fund has been primarily input-based, lacking strong performance incentives or mechanisms to track outcomes in education, health, or infrastructure development (AKATIGA, 2022; KOMPAK, 2021).

Papua's case illustrates a paradox: significant fiscal autonomy has not translated into improved development outcomes. This discrepancy suggests that fiscal transfers alone, even when substantial, are not sufficient to transform underdeveloped and politically sensitive regions. What matters equally—if not more—is the quality of governance, clarity of roles, and institutional readiness to implement autonomy. As Oates (1999) argued, fiscal federalism requires not only money but also mechanisms that link spending to real performance and service delivery outcomes.

Additionally, asymmetric decentralization often faces the challenge of balancing local autonomy with national coherence. In Papua, dual governance structures—formal state apparatus and customary (*adat*) authorities—complicate decision-making and create ambiguity in roles. Institutions like the Majelis Rakyat Papua (MRP) were created to represent indigenous voices, but their actual influence over budgeting and policy remains limited (Sumule, 2003). This tension between symbolic autonomy and operational control continues to weaken trust between citizens and the state.

Furthermore, the decentralization process in Papua suffers from low levels of public participation, especially among marginalized groups such as women, persons with disabilities, and youth. While laws encourage inclusivity, in practice, development forums are often dominated by political elites or local strongmen. Community complaint mechanisms exist but are not widely used or trusted. The KOMPAK program found that only individuals with strong social ties to village elites could effectively engage with service units (AKATIGA, 2022).

Another major limitation is the fragmented nature of planning and data systems. Innovations such as the Village Information System (SIK), SAIK+, and SIO Papua were introduced to provide reliable demographic and administrative data at the village level. However, these platforms remain underutilized due to limited training, weak institutionalization, and low connectivity in remote areas. Without good data, planning becomes reactive rather than strategic, further diminishing the effectiveness of decentralization (AKATIGA, 2022).

This paper seeks to explore these issues through a critical analysis of the Special Autonomy Fund in Papua. Using official evaluations, government policy briefs, and academic frameworks on fiscal federalism and governance, it examines the implementation gaps, outcomes, and future risks of asymmetric decentralization in Papua. The focus is not just on financial flows but on the structural, institutional, and sociopolitical dynamics that mediate their impact.

By offering a detailed assessment of Papua's experience, this study contributes to broader theoretical debates on whether asymmetric decentralization is an effective tool for reducing regional inequality, particularly in ethnically diverse and politically sensitive regions. It also proposes a reform pathway for the next autonomy period (2022–2041), grounded in performance-based funding, institutional coherence, and inclusive governance.

This study aims to critically examine the design, implementation, and developmental impact of asymmetric decentralization in Papua through the lens of the Special Autonomy Fund (Dana Otsus). The specific objectives are:

1) To assess the effectiveness of the Special Autonomy Fund (2001–2021) in improving key development indicators in Papua and West Papua, particularly with respect to poverty alleviation, human development, and access to basic services.
2) To analyze the institutional and governance constraints—including legal ambiguities, administrative capacity, and elite capture—that have hindered the realization of the intended outcomes of asymmetric decentralization.
3) To evaluate the role of community participation and customary institutions in shaping local development priorities and fiscal decision-making under the special autonomy framework.
4) To explore the sustainability and fiscal implications of autonomy-based funding by examining future scenarios (2022–2041) and their potential effects on regional equity and governance maturity.
5) To propose a set of reform-oriented policy recommendations for enhancing the effectiveness, inclusiveness, and accountability of asymmetric decentralization in ethnically distinct and developmentally lagging regions.

2. Theoretical Foundations

Decentralization as a Development Strategy

Decentralization has been widely adopted in the Global South as a strategy to improve governance, democratize public services, and accelerate regional development. The rationale is rooted in the subsidiarity principle, which holds that decisions should be made as close to the citizens as possible to enhance efficiency, responsiveness, and accountability (Oates, 1999). In theory, local governments are better positioned to understand the needs of their communities and tailor services accordingly. In practice, however, decentralization takes different forms—political, administrative, and fiscal—and its success depends heavily on institutional readiness and governance structures.

Understanding Asymmetric Decentralization.

While most countries pursue symmetric decentralization—where all subnational units receive equal powers—others adopt asymmetric decentralization to accommodate regions with distinct political, ethnic, or historical characteristics. This form of decentralization grants varying degrees of autonomy to specific regions, often in response to demands for self-determination or recognition of indigenous rights (Eaton, Kaiser, & Smoke, 2010). Asymmetric arrangements are particularly common in conflict-prone or post-conflict societies, where uniform governance may not adequately reflect regional diversity or past grievances.

Typologies of Asymmetric Decentralization.

Asymmetric decentralization can be classified based on the nature of differentiation. Territorial asymmetry relates to the geographic area granted different powers, while functional asymmetry refers to the scope of autonomy in certain sectors such as education, health, or natural resource management. Scholars like Falleti (2004) emphasize the importance of sequencing in decentralization—whether fiscal or political authority is devolved first—which can significantly affect institutional development and power dynamics at the subnational level.

The Indonesian Context: Decentralization and Special Autonomy.

Indonesia's post-Suharto transition marked a turning point for decentralization. With the fall of the New Order regime in 1998, the country implemented a sweeping decentralization reform through Laws No. 22 and 25 of 1999, later replaced by Law No. 23 of 2014. These reforms devolved authority to district-level governments, bypassing the provincial level in most areas. However, for regions with unique historical or political claims—such as Aceh, Papua, and Yogyakarta—special autonomy laws were enacted to address their specific needs. Papua's special autonomy, granted under Law No. 21/2001, is the most fiscally generous and politically complex among them.

Special Autonomy in Papua: Goals and Mechanisms
The Special Autonomy Fund (Dana Otsus) is the cornerstone of asymmetric decentralization in Papua. It provides 2% of Indonesia's national General Allocation Fund (DAU) annually to Papua and West Papua. The goals are threefold: to accelerate development, to empower indigenous Papuans (OAP), and to mitigate political discontent by granting cultural and administrative recognition. In principle, the funds are intended for health, education, and basic infrastructure, with allocation decisions influenced by local governments and traditional institutions such as the Majelis Rakyat Papua (MRP).

Theoretical Rationale for Fiscal Decentralization.
Fiscal decentralization is often justified on the grounds that subnational units are better able to match public services to local preferences. According to Oates (1999), if local governments are accountable and capable, fiscal transfers can lead to allocative efficiency and equity. However, this theoretical benefit assumes the existence of institutional capacity, robust oversight mechanisms, and a strong linkage between public spending and performance outcomes—assumptions that are frequently challenged in marginalized or fragile regions.

Challenges of Fiscal Transfers in Weak Institutional Environments.
In contexts like Papua, large unconditional transfers can have unintended consequences. Studies on intergovernmental transfers in developing countries (Bahl & Wallace, 2007) warn that in the absence of capacity and accountability, such transfers may foster rent-seeking behavior, elite capture, and poor spending decisions. This is evident in Papua, where evaluations show that Dana Otsus often funds infrastructure projects without addressing root causes of poverty or exclusion (KOMPAK, 2021).

Institutional Fragmentation and Legal Ambiguities
A significant theoretical and practical challenge in asymmetric decentralization is the coexistence of multiple legal frameworks. In Papua, Law No. 21/2001 coexists with the more general Law No. 23/2014 on local governance. This duality leads to blurred lines of authority between provincial, district, and national governments, undermining coherence in policy implementation. As Sumule (2003) notes, such fragmentation not only weakens coordination but also reduces the accountability of local actors, who can exploit jurisdictional ambiguity.

The Role of Customary Institutions in Hybrid Governance
Another important dimension is the interaction between formal state institutions and informal customary systems. In Papua, traditional governance structures continue to play a central role in community life. While the MRP was designed to formalize indigenous participation, its influence in budgeting and planning remains limited. The theory of hybrid governance suggests that successful decentralization in culturally distinct regions must bridge the divide between bureaucratic rationalism and local legitimacy (Boone, 2012).

Participation, Inclusion, and GEDSI Principles
Decentralization is often touted for its ability to enhance democratic participation, but this depends on how inclusive local institutions are. In Papua, the promise of inclusive governance under special autonomy has not been fully realized. Evaluations show that marginalized groups—including women, persons with disabilities, and youth—are underrepresented in village decision-making forums. The GEDSI (Gender Equality, Disability, and Social Inclusion) lens is therefore critical in evaluating how far decentralization reaches beyond elites (AKATIGA, 2022).

The Role of Information and Data Systems in Decentralization
A recurring theme in decentralization literature is the importance of data-driven planning. Without accurate and timely information, local governments cannot effectively plan, budget, or evaluate policies. In Papua, initiatives such as the Sistem Informasi Kampung (SIK), SAIK+, and SIO Papua were introduced to improve data governance. However, these systems have struggled with adoption,

maintenance, and integration across sectors due to limited training and digital infrastructure (AKATIGA, 2022).

Lessons from Global Experiences with Asymmetry

Comparative studies from India (Sixth Schedule), Spain (Catalonia), and the Philippines (Bangsamoro) show that asymmetric decentralization is rarely a panacea. While such arrangements can reduce conflict and empower regions, they also create differentiated expectations, administrative complexities, and often fail to address the structural drivers of underdevelopment (Anderson, 2013). These cases underscore the importance of strong institutions, legal coherence, and performance monitoring.

Decentralization and Elite Capture

A critical issue in decentralization theory is the potential for elite capture at the local level. In weakly institutionalized contexts, devolved powers can become tools for local elites to consolidate authority, distribute patronage, and resist accountability. Empirical studies in Papua reflect this dynamic, where village funds and autonomy grants are often controlled by a narrow group of political or clan-based elites (KOMPAK, 2021). The literature thus stresses the need for downward accountability mechanisms and transparency tools.

Decentralization and Conflict Sensitivity

In conflict-prone areas like Papua, decentralization must be conflict-sensitive. While autonomy can ease grievances in the short term, poorly implemented decentralization may entrench inequalities and fuel disillusionment. Conflict-sensitive governance requires inclusive decision-making, grievance redress mechanisms, and regular dialogue between the state and communities. These elements are often absent or underdeveloped in Papua's current governance framework.

Synthesis and Research Contribution.

This study positions itself within this body of literature by examining Papua as a real-world laboratory for asymmetric decentralization. It contributes by synthesizing fiscal, institutional, and participatory dimensions of autonomy, and by proposing reforms grounded in theory and empirical evaluation. The paper addresses a key gap: while much of the literature focuses on political autonomy or conflict management, this study connects decentralization with development outcomes, making it relevant to scholars and policymakers alike.

3. Methodology

This study uses a descriptive qualitative approach with a public policy analysis framework to gain an in-depth understanding of the dynamics of the formulation, implementation, and impact of the Special Autonomy Fund (Dana Otsus) in Papua as a form of asymmetric decentralisation. The qualitative approach was chosen because it can describe complex, contextual phenomena oriented towards the meaning generated from social and institutional interactions (Creswell & Poth, 2018).

In addition, this study applies policy evaluation methods to assess the effectiveness of Dana Otsus in terms of inputs, processes, outputs, and outcomes, as Dunn (2018) suggested in the public policy evaluation framework. The research location is focused on the provinces of Papua and West Papua because these two regions are the primary recipients of Dana Otsus and have complex socio-political characteristics.

This study focuses on implementing the Special Autonomy Fund policy at the provincial and district/city levels, including key institutions such as the Regional Development Planning Agency (Bappeda), the Regional Financial and Asset Management Agency (BPKAD), and the Papuan People's Assembly (MRP), which play a strategic role in planning and supervising the fund's implementation. The selection of locations was based on a purposive sampling strategy, considering the relevance and accessibility of data (Patton, 2015).

The data used consists of primary and secondary data. Primary data was obtained through in-depth interviews with key informants such as local government officials, MRP members, traditional leaders,

and civil society representatives. These semi-structured interviews allowed for in-depth exploration of respondents' perceptions and experiences (Kvale & Brinkmann, 2009). Meanwhile, secondary data was obtained from regulatory documents, evaluation reports from institutions such as the World Bank and the OECD, and statistical data from the Central Statistics Agency (BPS) and the Ministry of Finance.
Data collection techniques in this study included documentation studies, semi-structured interviews, and limited observation. Documentation studies examined the regulatory framework and policies related to the Special Autonomy Fund, while interviews captured the subjective dimensions and implementation practices of the policy. Limited participatory observation was also conducted to gain a contextual understanding of programme implementation, participatory planning forums, or monitoring activities (Yin, 2016).

Data were analysed using content analysis and thematic analysis approaches, as Braun and Clarke (2006) described. The analysis process included data reduction, theme categorisation, meaning interpretation, and analytical narrative construction. The researcher used the theoretical framework of fiscal decentralisation (Oates, 1999), asymmetric decentralisation (Eaton, Kaiser, & Smoke, 2010), and hybrid governance (Boone, 2012) to interpret the results and formulate policy recommendations.
To ensure the validity and reliability of the findings, this study applied source and method triangulation techniques and conducted member checking with key informants. Triangulation was used to compare data from various sources to improve the accuracy and consistency of the findings (Miles, Huberman, & Saldaña, 2014). Validation was conducted through confirmation of preliminary results with respondents to ensure that the researchers' interpretations align with the intended meaning of the study participants.

4. Empirical Findings/Results

Although Special Autonomy Funds (Dana Otsus) have been disbursed to Papua and West Papua for more than two decades as part of an asymmetric decentralisation policy, various evaluative studies show that the main objectives of this policy have not been satisfactorily achieved. Evaluations conducted by national and international institutions highlight a number of structural, institutional, and social issues that continue to hinder the effectiveness of special autonomy implementation. These issues include low development performance, mismatches between fiscal allocations and public service outcomes, legal and institutional fragmentation, and weak community participation and local government capacity. The following presents ten key findings that summarise the systemic barriers to the implementation of Dana Otsus in Papua and West Papua, which can serve as a basis for formulating future policy reforms.

1) Persistent Underperformance in Development Outcomes. Despite over two decades of fiscal support through the Special Autonomy Fund (Dana Otsus), Papua and West Papua continue to underperform on key indicators. According to World Bank (2020), both provinces exhibit the lowest Human Development Index (HDI) and the highest poverty rates in Indonesia. The gap is particularly evident in education, maternal health, and civil registration services—sectors that were supposed to benefit from targeted autonomy funding (Afkar et al., 2020).
2) Disconnect Between Transfers and Service Delivery. Although Dana Otsus allocations significantly increased the fiscal space of Papua's provincial and district governments, there is little correlation with improvements in service outcomes. The World Bank (2019) found that in education, increased spending did not translate into better literacy or enrollment rates, largely due to poor planning, weak accountability mechanisms, and a lack of outcome-based budgeting (Rothenberg & Temenggung, 2019).
3) Fragmented Governance and Legal Confusion. The implementation of special autonomy suffers from regulatory incoherence. The coexistence of Law No. 21/2001 (Special Autonomy) with Law No. 23/2014 (General Local Government) creates ambiguity about authority among provincial, district, and national actors. According to Pambudi (2022), this leads to policy overlap and inconsistent allocation of responsibilities, particularly in sectors such as education and infrastructure.
4) Elite Capture and Weak Local Accountability. Recent evaluations highlight that special autonomy funding is vulnerable to elite capture, especially in remote districts with limited oversight. Bhatti and McDonald (2020) found that a disproportionate share of Dana Otsus is spent on physical

infrastructure, often without proper procurement standards or transparent reporting. Local governments frequently prioritize visible, high-value projects to consolidate political capital, rather than investing in long-term social development.

5) Limited Community Participation and Customary Marginalization. One of the key promises of Dana Otsus was to empower Orang Asli Papua (OAP) through participatory governance. Yet, community consultations are often symbolic, with traditional leaders sidelined in budgeting processes. As shown in KOMPAK's evaluation, the Majelis Rakyat Papua (MRP) lacks real authority in influencing fund allocation, and village-level forums are often dominated by elites (AKATIGA, 2022).
6) Underdeveloped Capacity in Planning and Financial Management. Institutional capacity remains a serious constraint. A 2022 World Bank review showed that many districts still lack trained planners, financial analysts, and data officers. Poor coordination between planning (Bappeda) and budgeting (BPKAD) agencies weakens the efficiency of budget execution, while delays in fund disbursement further undermine implementation effectiveness (Luque et al., 2020).
7) Data Gaps and Limited Use of Information Systems. While digital innovations like SIK and SAIK+ have been piloted in Papua to improve data governance, they remain underutilized. Many village and district-level officials lack the digital literacy to operate and maintain these systems. As a result, planning decisions are often made based on outdated or incomplete data, hindering targeted and inclusive program design (AKATIGA, 2022; Afkar et al., 2020).
8) Sustainability Risks in the 2022–2041 Period. With Dana Otsus revised under Law No. 2/2021, the new formula increases central control over funds and introduces performance-based components. However, the World Bank (2020) warns that without substantial improvements in institutional readiness, the reforms may only deepen fiscal dependency. The region's own-source revenues (PAD) remain extremely low, and local governments are unprepared to compensate for potential reductions in transfers.
9) Failure to Integrate Gender and Social Inclusion Goals. Gender Equality, Disability, and Social Inclusion (GEDSI) indicators remain poorly integrated into planning and implementation. According to the OECD (2021), Papua's special autonomy framework lacks specific metrics and disaggregated data to track outcomes for women, persons with disabilities, and minority communities—contradicting the participatory ethos embedded in the law.
10) Need for Blended Financing and Coordination. The latest policy recommendations advocate for blending Dana Otsus with other fiscal instruments like DAK (Specific Allocation Fund) and K/L (Ministry) expenditures. However, the absence of an integrated fiscal framework leads to duplication and inefficiencies. According to Rothenberg and Temenggung (2019), better coordination between central ministries and local authorities is essential to avoid fragmented spending and maximize impact.

Policy Implications and Reform Proposals

The findings from the evaluation of Papua's Special Autonomy Fund (Dana Otsus) demonstrate that fiscal decentralization without institutional coherence and accountability yields suboptimal developmental outcomes. As such, a comprehensive policy overhaul is necessary—not only in funding structures but also in governance architecture, participation models, and performance systems. Below are seven critical areas of reform with associated policy implications.

Transition to Outcome-Based Fiscal Transfers

Problem:

Dana Otsus is currently disbursed based on a fixed percentage of national revenue without meaningful performance conditions. This structure incentivizes spending for absorption, not for impact.

Policy Implication: Fiscal transfers should be linked to measurable development outcomes in education, health, infrastructure access, and local economic participation.

Reform Proposals:

1) Introduce a performance-based allocation formula using metrics such as HDI, poverty rate, education completion, and healthcare access (Luque et al., 2020).
2) Establish district-level performance contracts tied to key service delivery outcomes.
3) Create annual development scorecards independently verified by Bappenas or KPK.

Legal Harmonization and Institutional Clarity
Problem:
Papua's autonomy is governed by Law No. 21/2001, but district-level functions are simultaneously subject to Law No. 23/2014, causing conflicting mandates.
Policy Implication: Overlapping legal frameworks weaken the accountability chain and make it difficult to enforce special autonomy principles at the operational level.
Reform Proposals:
1) Enact a presidential regulation or omnibus law clarifying the hierarchy of legal mandates for Papua.
2) Empower the Majelis Rakyat Papua (MRP) with budgetary review authority and institutional oversight powers (Pambudi, 2022).
3) Conduct a comprehensive regulatory audit at provincial and district levels to remove contradictory bylaws.

Strengthening Local Fiscal Autonomy and Resilience
Problem:
More than 90% of Papua's regional revenues rely on central government transfers. Local Own-Source Revenue (PAD) remains negligible.
Policy Implication: Regions that depend entirely on transfers risk fiscal shock and remain structurally dependent, undermining the spirit of autonomy.
Reform Proposals:
1) Pilot eco-tax mechanisms (e.g., reforestation levies or biodiversity fees) at the provincial level.
2) Incentivize districts to develop community-based tourism or sustainable fisheries through earmarked PAD schemes.
3) Build technical assistance units within Bappeda to improve revenue forecasting and tax administration (Rothenberg & Temenggung, 2019).

Inclusive Governance and Customary Participation
Problem:
Although autonomy was meant to empower Orang Asli Papua (OAP), traditional authorities, women, and marginalized groups remain underrepresented in local planning and budgeting.
Policy Implication: Participatory mechanisms need to go beyond formality and ensure genuine influence over priority setting and fund allocation.
Reform Proposals:
1) Require community scorecards and gender audits in the Musrenbang (development planning) process.
2) Institutionalize the representation of adat leaders and women's groups in local development councils (KOMPAK, 2021).
3) Mandate that at least 30% of village project committees include women and indigenous youth.

Digital Transformation and Village Information Systems
Problem:
Systems like SIK, SAIK+, and SIO Papua were designed to provide village-level data but face adoption barriers due to limited training and infrastructure.
Policy Implication: Robust data governance is foundational for targeted development and fiscal accountability.
Reform Proposals:
1) Provide permanent provincial budget lines for system maintenance and local cadre salaries.
2) Integrate village-level systems with national dashboards such as SID (Sistem Informasi Desa) or SIPD.
3) Develop a Digital Public Infrastructure Roadmap for Papua, jointly administered by Kominfo and Bappenas (Afkar et al., 2020).

Toward a Blended, Coordinated Fiscal Model

Problem:
Dana Otsus operates largely in isolation from other central government transfer mechanisms such as DAK and line ministry budgets, leading to inefficiencies.
Policy Implication: Effective service delivery requires integrated funding and coordinated program implementation.
Reform Proposals:

1) Design a multi-source fiscal coordination platform at the provincial level to align Dana Otsus with DAK and K/L budgets.
2) Encourage cross-sectoral budgeting where education, health, and infrastructure planning is synchronized.
3) Develop joint outcome frameworks involving Kementerian Keuangan, Bappenas, and local authorities.

Phased Transition Strategy for 2022–2041
Problem:
The long-term sustainability of Dana Otsus is uncertain. The revised funding law (Law No. 2/2021) mandates a new structure but lacks a transition pathway for fiscal independence.
Policy Implication: The transition to a leaner Dana Otsus in future decades must be carefully managed to avoid development shocks.
Reform Proposals:

1) Implement a three-phase strategy:
   a) 2022–2026: Maintain current levels with capacity-building.
   b) 2027–2033: Gradually introduce performance-based components.
   c) 2034–2041: Shift to PAD-dominated funding with minimal transfers.
2) Tie each phase to institutional benchmarks, such as minimum local audit ratings and civil service reform metrics.
3) Ensure a guaranteed safety net for health and education during the transition period.

Table 1. Summary Policy Reform Roadmap

Reform Area	Strategic Action
Fiscal Reform	Outcome-based transfers, district-level performance contracts
Legal & Institutional Clarity	Harmonization of Law No. 21/2001 and 23/2014; strengthen MRP authority
Revenue Autonomy	Eco-taxes, tourism incentives, improved local tax administration
Participatory Governance	Community scorecards, adat and women representation, GEDSI integration
Data Systems	Full integration and sustainability of SIK/SAIK+/SIO Papua
Blended Financing	Multi-source budget alignment across Dana Otsus, DAK, and K/L
Transition Planning	Phased strategy to reduce dependency, backed by institutional readiness metrics

5. Discussion

The persistent underperformance of Papua and West Papua, despite decades of special fiscal transfers through the Dana Otsus framework, highlights the structural limitations of Indonesia's asymmetric decentralization model. Numerous studies reveal that fiscal allocations alone have not translated into improved development outcomes. Setiawan and Choirunnisa (2023) argue that the paradox of autonomy lies in the misalignment between wealth distribution and welfare advancement, where the vast inflow of funds has not alleviated poverty or improved the Human Development Index (HDI). Similarly, Rahman (2024) emphasizes that while fiscal capacity has increased, service delivery quality remains poor due to capacity and governance constraints.

A central concern is the disconnect between fiscal transfers and service delivery. As Fatahillah, Ananda, and Prasetyia (2021) note, the budgetary planning process in Papua is often input-oriented and lacks

outcome-based evaluation, resulting in inefficiencies in sectors such as education and health. Agustinus (2015) further underscores the accountability gap in the use of Dana Otsus, with reporting mechanisms frequently undermined by weak oversight and opaque budgeting practices.

Legal ambiguity exacerbates the issue. The coexistence of Law No. 21/2001 (Special Autonomy) and Law No. 23/2014 (General Local Governance) leads to overlapping mandates and confusion over fiscal and administrative authority. Pambudi, as cited by Barokah et al. (n.d.), advocates for legal harmonization to resolve contradictions and clarify institutional roles, particularly in sectors like infrastructure and education where jurisdictional ambiguity leads to budget fragmentation.

Elite capture and weak community engagement have also hindered inclusive development. Jati (2023) highlights the concentration of power among local political elites who prioritize infrastructure over social development to bolster political capital. This tendency is mirrored by the limited role of the Majelis Rakyat Papua (MRP), which is intended to safeguard the rights of Orang Asli Papua (OAP) but lacks real influence in fiscal decision-making (Barokah et al., n.d.).

Institutional capacity deficits represent another systemic barrier. The lack of skilled personnel in planning and financial management has been widely documented. According to Zahra (2023), local government agencies still struggle with basic financial literacy, poor coordination between Bappeda and BPKAD, and limited monitoring frameworks. These shortcomings result in low budget absorption and ineffective program implementation.

Moreover, the underutilization of digital tools like SAIK+ and SIK has hindered evidence-based policymaking. Setiawan and Choirunnisa (2023) point to limited digital literacy among village-level officials, resulting in planning processes based on outdated or incomplete data. Without robust information systems, it is difficult to target interventions or evaluate the effectiveness of Dana Otsus.

As the region enters the 2022–2041 period under the revised Dana Otsus structure (Law No. 2/2021), the risks of fiscal dependency become more pronounced. Bauw (2016) warns that while centralization may improve oversight, it could also undermine local autonomy if not matched with capacity building. A transition plan is essential to gradually reduce dependency while fostering local revenue generation through mechanisms like eco-taxes or tourism-based PAD schemes (Rothenberg & Temenggung, as cited in Fatahillah et al., 2021).

In terms of social inclusion, Papua's fiscal framework has not yet incorporated Gender Equality, Disability, and Social Inclusion (GEDSI) indicators into its performance metrics. Suharno (n.d.) argues for embedding inclusive governance models that give voice to marginalized groups in development planning. Without formal mechanisms for gender audits or the participation of adat leaders, the promise of people-centered autonomy remains unfulfilled.

Lastly, there is a pressing need for coordinated fiscal models. Saflessa et al. (2023) recommend the blending of Dana Otsus with DAK and K/L expenditures to prevent program duplication and promote synergy across funding streams. They propose an integrated fiscal framework administered at the provincial level to align sectoral priorities and ensure efficient resource allocation.

6. Conclusions

This study has examined the effectiveness of asymmetric decentralization in Papua through a critical evaluation of the Special Autonomy Fund (Dana Otsus) over the period 2001–2021. The evidence, drawn from empirical evaluations, policy briefs, and development reports, consistently shows that despite substantial fiscal transfers and a legal framework granting wide-ranging autonomy, development outcomes in Papua and West Papua remain far below national averages. Poverty levels are persistently high, access to quality education and healthcare is limited, and indigenous Papuans (OAP) continue to face structural exclusion from decision-making processes.

The core problem does not lie in the volume of fiscal transfers, but in the governance environment that mediates their use. Institutional fragmentation, legal ambiguity between overlapping decentralization laws, weak administrative capacity, and limited performance-based planning have together undermined the transformational potential of Dana Otsus. Additionally, the marginalization of customary institutions and a lack of gender- and inclusion-sensitive planning have created significant democratic and development deficits in the autonomy framework.

Furthermore, despite digital innovations and village-level information systems introduced under programs such as KOMPAK, their limited scale, poor sustainability planning, and underutilization have hindered their intended purpose. Papua's experience illustrates that autonomy without strong, accountable, and inclusive governance structures risks deepening dependency and reinforcing inequality, rather than alleviating it.

As Papua enters a new phase of autonomy (2022–2041) under Law No. 2/2021, the challenge is not only fiscal continuity but also institutional transformation. Without systemic reforms, increased funding may continue to yield diminishing returns, undermining both national cohesion and the legitimacy of the state in its easternmost provinces.

Based on the analysis, the following strategic recommendations are proposed to guide the future design and implementation of special autonomy in Papua:

1) Redesign Dana Otsus as an Outcome-Based Instrument. Introduce performance-linked fiscal allocations, tied to improvements in poverty reduction, education access, health coverage, and basic service delivery. This will shift local incentives away from budget absorption toward development impact.
2) Harmonize Legal and Institutional Frameworks. Clarify and consolidate conflicting mandates between Law No. 21/2001 and Law No. 23/2014. Empower provincial institutions like the Majelis Rakyat Papua (MRP) with real oversight and policy-shaping authority.
3) Strengthen Local Fiscal Capacity and Reduce Dependency Encourage own-source revenue generation (PAD) through eco-based taxes, tourism development, and capacity building in public financial management. Reducing fiscal dependency will foster local ownership and innovation.
4) Institutionalize Inclusive and Participatory Governance Formalize the role of customary leaders, women, and marginalized groups in village development planning and budget decisions. Implement mandatory community scorecards and gender audits.
5) Modernize and Sustain Village-Level Data Systems Expand and institutionalize information systems like SIK, SAIK+, and SIO Papua. Provide budget lines for long-term maintenance and integration with national data platforms (e.g., SIPD).
6) Coordinate Multi-Source Fiscal Transfers for Synergy Develop a coordinated fiscal platform at the provincial level to align Dana Otsus with DAK and ministry-level budgets (K/L). This will minimize redundancy and increase budget coherence.
7) Implement a Phased Autonomy Transition Strategy Adopt a three-phase transition model that gradually reduces Dana Otsus dependency while building institutional readiness. Link transition stages to measurable governance and revenue benchmarks.

Papua's journey with asymmetric decentralization reveals both the promise and pitfalls of granting regions differentiated autonomy. It reaffirms that fiscal autonomy, in the absence of systemic governance reform, is insufficient to overcome structural inequalities. The next two decades of special autonomy in Papua must prioritize governance maturity, inclusive institutions, and transparent resource management—transforming autonomy from a legal artifact into a lived, equitable development reality.

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