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Uncovering the Challenges of Sustainable Development in North Aceh: A Policy Analysis of Special Transfer Funds

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Abstract: This study evaluates the management of two special funds in North Aceh, Indonesia, to promote sustainable development goals (SDGs) after a protracted conflict that brought the region to the brink of poverty and suffering. The special autonomy fund and the revenue-sharing funds for oil and gas are forms of fiscal decentralization provided by the central government to help Aceh recover from the conflict's effects and natural disasters. Despite receiving these funds for over 13 years, Aceh remains among the poorest regions in Indonesia. This study used policy analyzing process theory to evaluate the management of these funds at the district level, specifically in North Aceh. A qualitative descriptive method that combines semi-structured interviews, field observations, and government documents, were used in this research. We revealed that the policy of managing these special funds has yet to achieve SDGs, particularly in North Aceh. The underutilization of revenue-sharing funds, the limited allocation of districts' special autonomy funds, and the emphasis on infrastructure development as a priority have hindered progress and well-being, resulting in persistent poverty, unemployment, and continued dependence on transfer funds.

Keywords: special transfer funds; sustainable development; fiscal decentralization; policy analysis model; poverty alleviation



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1. Introduction

A protracted conflict in Aceh between 1976–2004 brought the region to the brink of poverty and suffering due to war violence [1]. The Helsinki MoU symbolized peace and a means to overcoming the problems caused by the conflict [2]. The agreement provided special autonomy in the new legal system [3]. The Indonesian government was required to issue a new law, Law Number 11 of 2006, concerning the Aceh government (LoGA), to facilitate the support of the Special Autonomy Fund for Aceh for 20 years, aimed at accelerating post-conflict regional development [4,5]. Special autonomy is a form of asymmetric decentralization policy the central government grants to maintain peace [6,7].

In compensation for its special autonomy, the central government provides special autonomy funds to help Aceh recover from the effect of conflict and natural disasters [8,9]. Over the past 13 years, Aceh has received 5.7 million dollars as special autonomy funds [10]. As an oil and gas-producing region, Aceh receives additional revenue-sharing funds for Oil and Gas (ARSFOG) [11]. These two funds are a form of fiscal decentralization, providing additional balancing funds from the center to support regional development [12]. Despite this support, Aceh has remained among the poorest regions in Indonesia over the past five years, indicating that these funds have yet to solve the existing problems [13].

Based on LoGA, both special funds provided by the government to Aceh are managed to support sustainable development in the region, not only at the provincial but also at the district level. This development achievement aligns with the 2030 Sustainable Development Goals (SDGs) agenda, which comprises 17 goals and targets [14]. The development

priorities financed by these funds support the goals and targets to end poverty, hunger, and unemployment, ensure quality education and healthcare, and build resilient societal infrastructure. The role of local governments becomes crucial in achieving the SDGs in a country [15]. This role requires the ability of local governments to manage regional development well and create a sustainable environment [16]. Indonesia has also prioritized achieving the SDGs at the regional level in the National Medium-Term Development Plan [17], including allocating the Special Transfer Funds in the State Budget for the SDGs in North Aceh.

The phenomenon of the two funds has prompted numerous scholars to analyze related issues. Ali [18] found that the current model for managing the special autonomy funds needs to be revised in order to achieve the objectives of the asymmetric decentralization policy for Aceh. Jalil et al. [19] also identified areas for improvement in managing the special autonomy funds, including the misuse of these funds due to high political interests, mistargeting, and the province's dominant management role. These weaknesses are exacerbated by the failure of the political patronage of the new political elite to manage the special autonomy funds for the equitable distribution of development in Aceh [20]. Rani et al. [9] even found that the unclear distribution of authority over the management of the Special Autonomy Fund was an obstacle to its utilization for the welfare of Aceh. Given these conditions, it is unsurprising that the two special funds have been unable to reduce poverty in the region significantly [21].

The previous study should have explained its connection to achieving sustainable development for Aceh, requiring further investigation. This study aims to examine the relationship between the management of the two funds at the district level and the achievement of SDGs, specifically in North Aceh. North Aceh was chosen as the study site as it is an oil and gas-producing district that has received significant revenue from the two funds [22]. However, the anomaly is that North Aceh remains the poorest district in Aceh, with 109,490 poor people [23]. We analyze the management of the special autonomy fund by examining the related laws and policies, as these two elements are interrelated [24,25]. As it is widely known, the policy for managing the Special Fund is regulated by LogA [26]. Therefore, this study seeks to establish a connection between the Law, policy for managing the special funds and achieving SDGs in North Aceh.

2. Literature Review

2.1. Previous Studies on Special Transfer Fund Management

As previously explained, this phenomenon has prompted research by several experts. However, most analyses only focus on the management of the funds and do not consider policy analysis of its management. Ali [18] responded to his findings related to the management of the allocation of special autonomy funds that did not run optimally. There are two models of fund allocation management; the first is centralized in the province, where the province becomes the direct operator of the fund management in development. After the development, there is a long and ineffective grant process because it needs to meet the needs of districts/cities. The second is decentralization to districts/cities through the transfer system. However, this model creates problems related to the low synchronization of regional development between districts/cities and the province. These findings reinforce previous studies by Amir et al. [27], which found prolonged management disputes.

Jalil [19] also analyzed the management of special autonomy funds from a legal perspective. This study was triggered by the finding of increasing unused or unutilized funds for districts/cities from 2015 to 2017, which could not solve poverty problems in Aceh. This problem occurred due to the high dominance of the province, which was given the authority to prepare the implementation rules of the special autonomy funds (Qanun) based on LoGA. This dominance led to changes in the implementation rules of the special autonomy fund management with a long, inconsistent, and unjust bureaucracy. This problem was exacerbated by the lack of connection between the Master Management

Plan of the province and districts, which made it reasonable that the absorption of funds at the district/city level was not well implemented.

Sustikarini [20] analyzed the management of the special autonomy fund as part of the peace dividend and the budget transition from military to non-military expenditure in resolving the Aceh conflict. After the conflict, the priority use of the fund was for infrastructure, educational facilities, and healthcare as inclusive social expenditures that were destroyed due to the prolonged conflict [28,29]. However, the development process of these three sectors has not been optimal and has yet to be able to solve the problem of poverty. The main cause of this is the low ability of the new political elite (former combatants) to formulate the right and concrete strategies for managing the region's development.

Rani et al. [9] conducted a research study to identify the implementation of authority in managing special autonomy funds. The analysis needed clarity in understanding LoGA as the legal basis for its management, whether the Special Autonomy Fund is a source of revenue for the province or the Regencies/Cities, and whether the province has full authority in its management. This ambiguity in authority has led the province to issue regional regulations (Qanun) that tend to be pro-province development interests, as seen from the larger allocation for the province compared to the Regencies/Cities. As a result, the programs implemented do not directly touch on the welfare of the community in the Regencies/Cities; thus, the problem of poverty becomes difficult to solve.

Based on several previous studies, the analysis focuses on managing the special autonomy fund as an ambiguous interpretation of the LoGA. This problem has led to a significant dominance of the province, making it unable to create proper implementation rules for the district/city level. The weakness of the new political elites in Aceh in synchronizing the master plan for managing the special autonomy fund has also worsened the proper utilization of the autonomy fund. Therefore, it is reasonable that within the given time frame, the issue of poverty in Aceh still needs to be resolved.

2.2. Legal System and Policy Analysis Process

Indonesia, which adopts constitutional continentalism, establishes policies through legal regulations [30]. This continentalism makes policy and Law inseparable [25]. The Law is a policy product, and public policies are always legalized through legal rules [31,32]. The formation of Law and policy follows a similar cycle through the stages of input, throughout, and output [33,34]. This encourages policies and laws to be analyzed using dependent and independent variables [35,36]. The dependent variable examines the impact of politics and the environment on policymaking (input and throughout), while the independent variable analyzes the impact of policy (output). These theories enable policies to be analyzed and mapped into policy mechanisms and stages: agenda setting, policy adoption, policy formulation, policy implementation, and policy evaluation [37] (Figure 1).

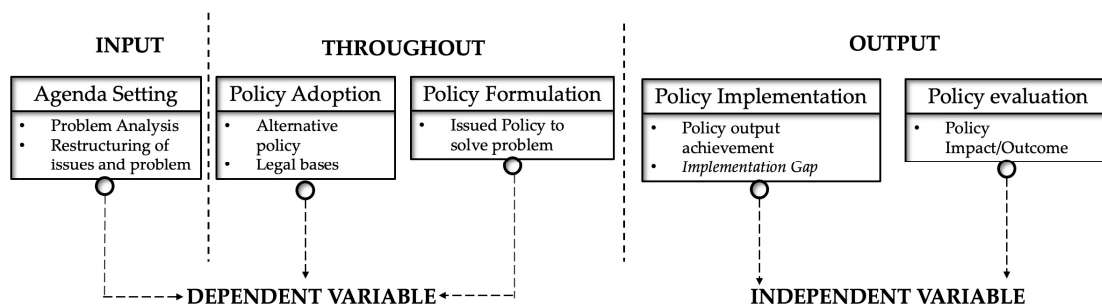


Figure 1. Policy and Regulation Analysis Mechanism [31,33–35], modified by author.

This study aims to determine the effectiveness of regional income management policies, specifically in managing special transfer funds to support sustainable development in Aceh, which distinguishes it from other regions. In general, the analysis focuses on the impact

of the management policy on achieving SDG goals. Policy impact analysis will use a retrospective or policy evaluation model [38]. Specifically, the following research questions will be addressed: (1) What are the main issues in special transfer fund management? (Agenda setting), (2) How does the Aceh government regulate the management policy? (Policy Adoption), (3) What policies have been implemented to address the problem? (Policy formulation), (4) What have been the outcomes of the management policy? (Policy implementation), and (5) What is the impact of SDG's Goals to alleviate the problems faced by the people of North Aceh? (Policy evaluation).

2.3. Special Funds Management Policy for SDG's Goals

Post-Aceh peace agreement, the province of Aceh was granted special autonomy rights in the form of funds to finance the region's development [20]. The province of Aceh was given full authority to manage these funds based on Law No. 11 of 2006 concerning the Aceh Government (LoGA). LoGA regulates the Special Autonomy Fund as an additional source of revenue for Aceh from the general allocation fund for 20 years from 2008 (Article 179). The Aceh Government must manage these funds based on six priority areas for regional development by issuing Aceh Qanun laws to ensure substantive peace and prosperity in Aceh (Article 183 Paragraph 5). The province has a significant degree of authority in regulating the Special Autonomy Fund, with an allocation of 40% to be transferred to districts through three stages of transfers. Districts are required to manage these funds through development programs within their authority.

In addition to the Special Autonomy Fund, another special fund allocated for Aceh is the Additional Oil and Gas Revenue Sharing Fund (ARSFOG), as Aceh is a gas-producing region [39]. The management of ARSFOG is also regulated under LoGA, which comes from 55% of oil and 40% of gas revenue. The management of these funds is the province's responsibility down to the implementation level of programs, with an allocation of 30% for education programs and 70% for programs agreed upon between the province and districts (Article 182 Paragraph 4). The province of Aceh further regulates the technical aspects of ARSFOG through Aceh Qanun laws, providing guidelines for districts in carrying out their authority to propose development programs funded by ARSFOG.

Based on LoGA, regional development, which includes prioritizing the utilization of special transfers, aligns with the SDG agendas. This priority can be seen in the following comparison Table 1.

Table 1. Comparison of SDG agendas to Special Transfer Funds.

Goal	SDG Agendas	ARSFOG Priorities	Special Autonomy Fund Priorities
1	No Poverty	-	Poverty Alleviation <ul style="list-style-type: none"> • Workforce training • Training Center Facilities
2	Zero Hunger	70% others sector <ul style="list-style-type: none"> • Irrigation Construction 	Infrastructure <ul style="list-style-type: none"> • Irrigation Construction
3	Health and Well Being	-	Health <ul style="list-style-type: none"> • Medical Facilities • Public Health Building/Rehabilitation

Table 1. Cont.

Goal	SDG Agendas	ARSFOG Priorities	Special Autonomy Fund Priorities
4	Inclusive Quality Education	30% for Education Sector <ul style="list-style-type: none"> Classrooms Building Classroom Rehabilitation Islamic School Facilities 	Education <ul style="list-style-type: none"> Classroom Building/Rehabilitation Teacher rooms Building School Facilities Teacher Competency Training
5	Gender equality	-	Social <ul style="list-style-type: none"> Empowerment of the Poor
6	Clean Water and Sanitation	70% others sector <ul style="list-style-type: none"> Clean Water Construction 	Infrastructure <ul style="list-style-type: none"> Clean water Constructions Sanitation Constructions
7	Sustainable and Clean Energy	-	-
8	Sustainable economic growth and decent work	-	Economic Empowerment <ul style="list-style-type: none"> Small and medium enterprises Development
9	Resilient Infrastructure	70% others sector <ul style="list-style-type: none"> Bridge Construction 	Infrastructure <ul style="list-style-type: none"> Road Construction Bridge Construction
10	Reduce Inequality	-	-
11	Sustainable Cities and Communities	-	-
12	Sustainable Production	-	-
13	Climate Change	-	-
14	Live below water	-	-
15	Live on land	-	-
16	Inclusive Institutions for Sustainable Peace	-	Aceh Privileges <ul style="list-style-type: none"> Capacity building of the Islamic Shariah Department
17	Global Partnership	-	-

Source: [14,26,40–45], modified by author.

3. Analysis Method

This study conducted in North Aceh, utilized a qualitative descriptive method. The method combined semi-structured interviews as primary data, field observation, and government documents as secondary data. The research process was assisted by using NVivo 12 plus in all stages, including data collection, coding, data reduction, data display, and conclusion (Figure 2) [46,47]. Tools such as code nodes tool for data grouping, word frequency for data reduction, and project maps for data display were utilized. The data display was then analyzed qualitatively and validated through secondary data, field observations, and theories to arrive at conclusions. The descriptive qualitative method was considered the most appropriate method for observing social phenomena related to the connection between the management of special transfer funds and the achievement of SDG Goals. The use of NVivo 12 plus various tools will facilitate the analysis process and

strengthen the validity of the data due to the metadata analysis process of the primary and secondary data that have been collected.

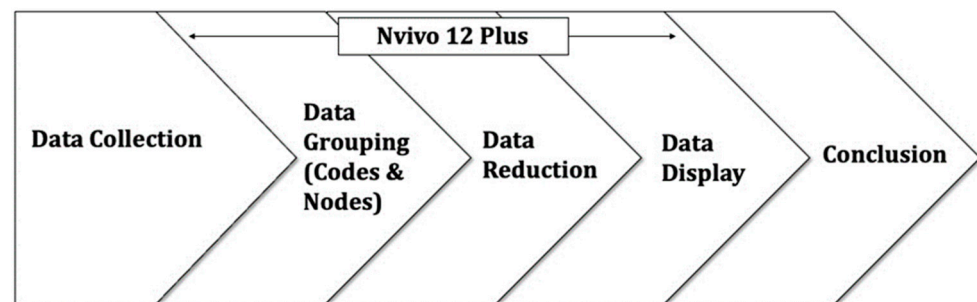


Figure 2. Qualitative Method Process Framework modified from [47].

The researcher primarily collected data through semi-structured interviews using purposive and snowball sampling methods. These methods aimed to obtain information from a knowledgeable informant and identify the primary issues of this study. The interview questions focused on the management policy of ARSFOG and the Special Autonomy Fund in North Aceh. The informants comprised three groups: executive, legislative, and external. The executive group consisted of an official from the North Aceh Regency Government. The legislative group included the Chairman of North Aceh Regency House Representative, members of local political parties, and members of national political parties. The external group consisted of the leader from the Communication forum, academics, and non-government organizations.

The secondary data consisted of documentation obtained during the research process, including laws, government regulations, presidential regulations, ministry regulations, regional regulations, and development planning documents. In addition to secondary data, the research also involved field observation. The validity of the data was then assessed through the triangulation method [48].

4. Result and Discussion

Revenue is considered a right for the region to increase its wealth annually. Effective management and utilization of regional revenue can enhance regional development and bolster economic growth [49]. The researchers analyzed the collected data. They identified prominent issues in the discussion, which were indicated by high word frequencies, including “funds” (144/2.36%), “Special Autonomy” (123/2.02%), “Special Autonomy Funds (Doka)” (89/1.46%), “budget” (57/0.93%), “autonomy” (57/0.93%), and “revenue” (40/0.66%).

The data was then analyzed, and three prominent issues related to local revenue, budget, and special autonomy funds emerged. The following quotes from the informants highlight these challenges:

“North Aceh only has limited sources of revenue resource management and small industry taxes, unlike Medan, which has a thriving industry sector. The pandemic has also led to the closure of several large industries, such as Kertas Kraft Aceh Ltd., Pupuk Iskandar Muda Ltd., and Arun Special Economic Zone (SEZ), which has impacted tax revenue. The development of hotels and restaurants is also limited in North Aceh, leading to fewer fees and taxes” (Risawan, personal communication, 13 June 2022).

“Concerning special autonomy funds, as per regulation, the allocation for the first 15 years was 2%, and for the next five years, it has been reduced to 1%. In 2023, we started receiving 1%, which poses a challenge for the urban district dependent on transfer funds from the central government” (Nasir, personal communication, 7 June 2022).

4.1. Dependent Variable

The policy analysis considered the dependent variable, aimed to explore the influence of other political factors on the formation and implementation of revenue management [35,50]. The analysis comprised three stages: agenda setting, policy adoption, and policy formulation [51].

4.1.1. Agenda Setting Stage

As previously mentioned, this analysis stage was conducted to address the research questions regarding the issues encountered in regional revenue management. This stage is also called the reformation stage of identified issues [52]. The analysis showed that the main problems in managing the two central transfer funds were low local revenue (LR) and high dependence on transfer funds. Based on these findings, we analyzed the regional revenue for the last four years (2019–2022) from the Secretary of North Aceh Regency, as shown in the Figure 3.

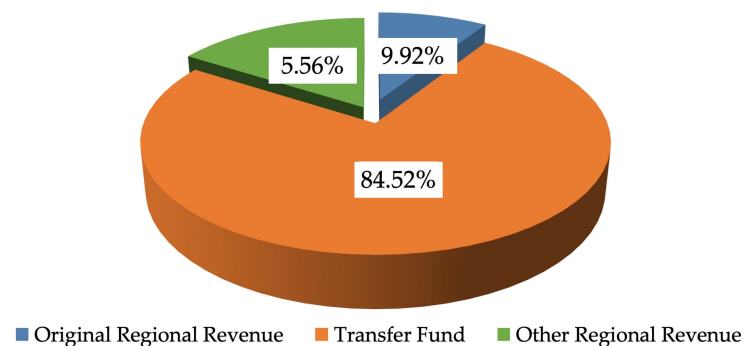


Figure 3. North Aceh Regional Revenue [53–56].

The Figure 3 shows that the original regional revenue amount is significantly lower than the transfer fund (82.22%). The average original regional revenue is 10.03%, which includes taxes (11.29%), retribution (1.43%), regional wealth management results (7.57%), and other sources such as zakat, rent, and others (79.71%). Conversely, the average transfer fund is 82.22%, consisting of central transfers (89.94%) and regional transfers (10.16%).

Central transfers consist of Revenue Sharing Funds, General Allocation Funds, Special Allocation Funds, Regional Incentive Funds, Village Funds, and central grants. Most of these funds are earmarked for use by the central and provincial governments in the form of programs, making it difficult for local governments to be innovative in their utilization [57]. On the other hand, national transfer from the province consists of financial assistance and special autonomy funds. The mechanism for financial assistance funds is through a grant program [58], while special autonomy funds are granted more flexibility for districts to utilize them by the Aceh Qanun [26].

North Aceh's regional revenues are supported by several funds, of which the special autonomy funds provide district with flexibility in their management. As an oil and gas-producing region, North Aceh also receives additional revenue-sharing funds for oil and gas (ARSFOG). These two funds impact and differentiate between districts in Aceh and other regions [13]. The two sources of transfer revenue result from an asymmetric decentralization policy and are managed by the Government of Aceh [59]. This is due to the fact that the two funds are central funds given to Aceh and the province has been granted the broadest possible authority to regulate them as a reflection of Aceh's specificity.

As previously discussed, the ARSFOG is an additional source of regional revenues that result the joint management of oil and gas resources between the central government and the producing province. Data analysis reveals that Aceh's ARSFOG has increased over the past three years. However, as a producing district, the fund in North Aceh has decreased due to the cessation of operations by the oil and gas companies in the region [60].

Despite the decrease in the allocation, the total allocation of ARSFOG for North Aceh is still greater than that of the two regencies/cities due to regional expansion (Table 2).

Table 2. Allocation Additional Revenue-sharing Funds for Oil and Gas for the Government of Aceh, North Aceh Regency, Bireuen Regency, and Lhokseumawe City 2020–2022 (in USD and percent).

ARSFOG Allocation	2020		2021		2022	
	Nominal	%	Nominal	%	Nominal	%
Total	7,090,044		13,739,310		13,976,009	
Aceh (Province)	1,752,218	24.71	5,495,862	40	5,590,404	40
Regency/City	5,337,826	75.29	8,243,448	60	8,385,605	60
North Aceh	1,453,858	20.51	1,826,897	13.30	580,568	4.15
Bireuen	159,292	2.25	264,828	1.93	265,520	1.90
Lhokseumawe	159,292	2.25	264,828	1.65	233,151	1.67

Source: [45,61,62], modified by author.

In contrast to ARSFOG, the allocation rules for the special Autonomy Fund differ. The Aceh Province, which has the authority to manage the special autonomy fund, divides the allocation into 60% for the province and 40% for the district after deducting the joint program. This composition results in the province receiving a larger portion of the Special Autonomy Fund compared to the district. When compared to district/cities resulting from the division, North Aceh receives a larger allocation. The human development index and poverty conditions influence the differences in allocation between districts. Over the last three years, North Aceh received 1.6% of the total allocation (Table 3).

Table 3. Allocation of Special Autonomy Fund for the Government of Aceh, North Aceh Regency, Bireuen Regency, and Lhokseumawe City 2020–2022 (in USD and percent).

Special Autonomy Fund Allocation	2019		2020		2021		2022	
	Nominal	%	Nominal	%	Nominal	%	Nominal	%
Total	576,377,355		521,053,679		521,091,573		538,332,952	
Aceh	396,946,624	68.87	380,408,052	73.01	381,142,930	71.38	380,173,699	70.62
Regency/City	179,430,731	31.13	140,645,627	26.99	139,948,643	26.86	158,159,253	29.38
North Aceh	8,523,968	1.48	8,619,352	1.65	8,427,243	1.62	8,967,816	1.67
Bireuen	7,214,245	1.25	7,049,091	1.35	6,579,058	1.26	7,752,365	1.44
Lhokseumawe	5,476,005	0.95	5,012,280	0.96	4,944,357	0.95	5,659,660	1.05

Source: [63–69], modified by author.

However, despite receiving a larger allocation of ARSFOG and Special Autonomy funds, the economic conditions and financial independence of North Aceh have yet to be significantly improved.

4.1.2. Policy Adoption

ARSFOG and Special Autonomy serve as affirmative action for a specified period as part of the central government's commitment to resolving the conflict in Aceh [70]. These funds are meant to balance the funds from the central government and support Aceh's economic development [71]. Policy adoption analysis examines the legal basis that guides the development of the fund management policy. The LoGA serves as the legal foundation for regulating the management of these funds. However, operational regulations authorized by the province are still necessary to implement the law effectively.

First, based on LoGA, ARSFOG is one of the balancing funds for processing oil mining by 55% and natural gas by 45% (as stated in Article 181, paragraph 3). As the authority holder, the Aceh province manages these funds, with 30% allocated toward education.

The rest is used to finance development needs through mutual agreement (as stated in article 182, paragraphs 1, 3, and 4). A Qanun issued by the province further regulates the management of these funds.

Second, the Special Autonomy Fund is a source of revenue for Aceh that is prioritized in six areas: infrastructure development and maintenance, economic empowerment, poverty alleviation, education, and social and health (as stated in article 183, paragraph 1). The Central Government provides this fund for 20 years, with 2% of the National General Allocation Fund allocated during the first 15 years and 1% during the second five years (as stated in article 183, paragraph 2). These funds are fully under the administrative responsibility of the Aceh government and are regulated by the Aceh Qanun.

During nearly 15 years of special autonomy, the management pattern of the fund has undergone some changes. Four Qanuns have been developed to regulate its management, including a basic Qanun (Aceh Qanun No.2 of 2008) and three amendment Qanuns (Aceh Qanun No.2 of 2013, Aceh Qanun No.10 of 2016, Aceh Qanun No.1 of 2018). These Qanuns are further explained in the Special Autonomy Master Plan, technical instructions, and the indicative ceiling allocation set by the Province of Aceh.

The first change in the management of ARSFOG is the submission of program proposals from district/cities. In Qanun Aceh No 2/2008, proposals could be submitted immediately. However, this changed in Qanun Amendment I and II, which required a deliberation mechanism for development planning at both the Regency/City and Province levels. The second change is related to the authority level of the proposed proposal. Previously, proposals from district authority could be submitted, but the last amendment requires proposals to be submitted at the provincial level of authority. This change follows the Decree of the Minister of Home Affairs No. 050-5589, which influenced the formulation of the ARSFOG utilization policy for North Aceh.

The second analysis is related to the management of the Special Autonomy Fund, which has undergone four significant changes in the distribution of allocations, management authority, and allocation mechanisms.

The first change concerns allocating special autonomy funds between Provinces and Regencies/Cities. This allocation has undergone three patterns of change; (1) Initially, the allocation pattern was regulated as 40% for the Province and 60% for Regency/City, as stated in the original Qanun; (2) This was then changed to an allocation pattern of 60% for the Province and 40% for the Regency/City in amendments I and II; (3) Finally, in the last amendment, the allocation pattern became 60% for the Province and 40% for the Regency/City after deducting joint activity programs for health insurance, education scholarships for orphans and the poor, livable housing, and other developments determined by the province.

The second change relates to the management authority of the Special Autonomy Fund. This change also underwent two patterns: (1) Initially, the management authority was centralized and gave full authority to the province, even for district/city allocations; (2) In the last amendment, the management authority became decentralized and gave authority to manage the Special Autonomy funds to districts/cities according to their authorities.

The third change related to the mechanism for determining allocations underwent three patterns of change; (1) Regency/City program proposals were initially determined within the framework of the municipal finance for Aceh. (2) Regency/City program proposals were stipulated in the budget implementation document (Provincial service). (3) In the last amendment, Regency/City program proposals were determined in the indicative ceiling and through three stages of special transfers.

The Aceh government, as the administrator, has made changes to the Qanun on the management of the Special Autonomy Fund to find the most effective pattern. Changes also influenced the changes in national regulations due to the issuance of Regional Government Information System regulations (e-budgeting) and Minister of Home Affairs Decree number 050-5589 of 2021 concerning the nomenclature of the regional development program.

4.1.3. Policy Formulation

Based on the regulation described earlier, the researcher analyzed the policy formulations adopted by North Aceh. The researcher found that formulating local revenue management policy was dynamic and focused on ARSFOG and the Special Autonomy Fund.

The first analysis was on the management policies for ARSFOG, which was found to be greatly influenced by changes in regulations. As stated previously, the change was regarding the requirement for district/city proposals to be in the form of programs under provincial authority. This regulation resulted in the North Aceh Regency Government proposals not being fulfilled by the Aceh Province in the last two years, as supported by Informant data:

“The distribution of ARSFOG to regencies/cities is divided between cities and regencies, but the management is under the province’s authority. City/districts only monitor the numbers, but the program’s implementation is the province’s responsibility. However, in the past two years, the province has not completed the proposal submitted by the Regency because the program proposed by the district/city government must be under the province’s authority” (Nasir, Personal Communication, 7 June 2022).

Researchers found evidence of submissions for development programs funded by ARSFOG in the past two years, which the province needed help properly executing (Table 4).

If we analyze the data on submissions for development programs funded by the ARSFOG source, it becomes apparent that these programs are under the jurisdiction of the North Aceh district. As per the final regulation, the province, as a regional development operator, can only implement program activities within its jurisdiction [72]. Additionally, regional development planning is currently conducted through the e-budgeting system [73]. As a result, the system will automatically reject all of these programs due to the absence of appropriate jurisdiction.

The second aspect analyzed was the management of the Special Autonomy Fund in North Aceh, which was influenced by the four changes made to the rules outlined in the Qanun. One issue arising from these changes is the allocation or percentage of the Special Autonomy Fund assigned to North Aceh. The issue has been discussed among informants, who expressed concerns about the current allocation conditions.

“North Aceh is the second largest region in Aceh after East Aceh, and the special autonomy fund of only 8.4 to 8.9 million USD, cannot meet the real needs of North Aceh” (Hamdani, Personal Communication, 22 June 2022).

“Problems are expected to arise in 2023, as the Special Autonomy Fund received in the last five years has only been 1% of the General Allocation Fund (DAU). The revenue received in the previous year was 8.5 million USD, and it is estimated to receive 4.25 million USD in 2023. This allocation is insufficient for North Aceh, which has 27 sub-districts and 852 villages” (Arafat, Personal Communication, 7 June 2022).

The information presented suggests that the informants believe that the allocation of special autonomy funds for North Aceh needs to be revised in light of its extensive territory. Consequently, the utilization of these funds for development and poverty reduction in North Aceh has yet to be optimized. The researchers analyzed this by examining the actual utilization of the Special Autonomy Fund over the past three years which explore in the Figure 4.

The Figure 4 revealed that the highest utilization of the Special Autonomy Fund in North Aceh was focused on infrastructure development, accounting for 50.45% of the funds. This infrastructure development was used to support the construction of roads, bridges, and irrigation facilities. The allocation of the Special Autonomy Funds was also prioritized for education (13.80%) and health (10.06%) initiatives, primarily focused on constructing school buildings and health infrastructure, respectively. North Aceh should prioritize allocating the Special Autonomy Funds directly toward economic empowerment and poverty alleviation. The allocation for economic empowerment was only 7.19%, while the allocation for direct poverty alleviation was only 7.49%. Economic empowerment would

enhance the development of Small and Medium Enterprises’ capacity. Poverty alleviation initiatives aim to enhance the capacity building of the workforce and the availability of jobs in North Aceh.

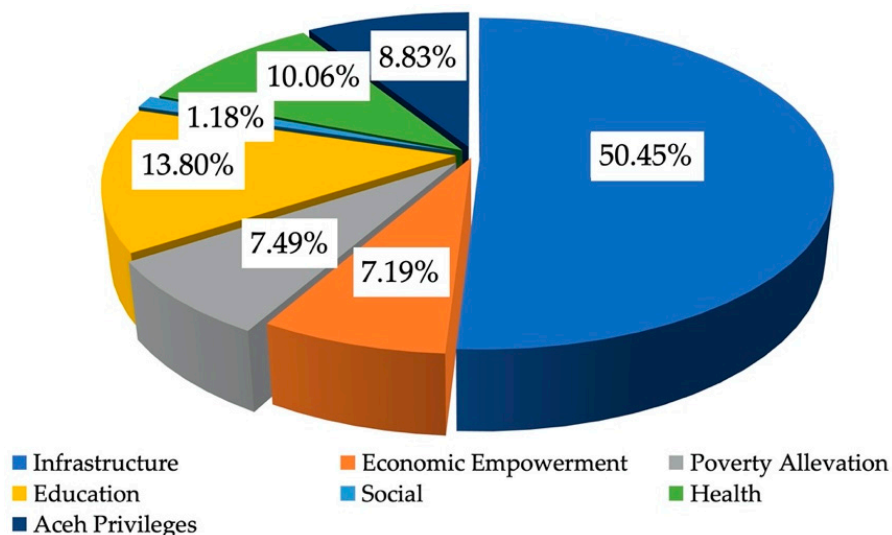


Figure 4. Priority Utilization of the North Aceh Special Autonomy Fund [41–43].

Table 4. Proposed Activities Program from ARSFOG funding 2021–2022 (USD).

Activity Program	Allocation
Fiscal Year 2021	
Continuation of Hasan Kreueng Kreh Bridge Construction	799,687
Improvement of irrigation networks at Cot Laba, West Baktiya District	519,524
Completion of the Construction of New Classrooms for Elementary School 3 Dewantara	10,345
Reconstruction of PPI Bangka Jaya	435,123
Development of Dayah infrastructure facilities	62,550
Total	1,827,229
Fiscal Year 2022	
Rehabilitation of Dewantara 1 Elementary School classrooms	73,059
Installation of Clean Water Pipes at Alue Abee—Buket Mee—Alue Itam Baroh, Lhoksukon District	112,234
Construction of Clean Water Intake Capacity of 150 l/s at Meunasah Asan	186,495
Activity program	Allocation
Construction of clean water distribution pipe network at Teupin Bayu, Tanah Jambo Aye District	54,645
Continuation of Rayeuk Pange Bridge Construction	68,966
Continuation of the Construction of the Steps Bridge	85,168
Total	580,568

Source: [44,45].

Compared to the high allocation for infrastructure, the North Aceh Regency Government prioritizes programs and activities with a small and short-term impact or unsustainable development. The development approach differs from human-centered development, emphasizing empowering people as both the subject and object of development. Adopting a human-centered development model can enhance the community’s ability to engage in regional economic activities and address poverty [74,75].

4.2. Independent Variable

The next stage of policy analysis is as an independent variable. In contrast to the dependent variable, this analysis is conducted on the impact of policy on the political system and the environment [36]. The influence on the political system affects the selection of policies in the future, while the influence on the environment is related to achieving the welfare of the people. Policy analysis as an independent variable is carried out in two stages: policy implementation and evaluation.

4.2.1. Policy Implementation

The analysis of policy implementation is a step to determine the outcomes of issued policies. Policy implementation analysis focuses on development policies funded by the ARSFOG and special autonomy funds. As previously mentioned, the ARSFOG program was not implemented; thus, its policy output could not be analyzed. On the other hand, the Special autonomy fund program was executed according to plan, and thus it will be the subject of analysis in this section.

Based on the LoGA, the special autonomy funds are allocated for six priority areas and a specific function. As previously analyzed, the North Aceh Special Autonomy Fund was mostly used for infrastructure development, hoping to support the realization of SDG Goals and bring prosperity to North Aceh. However, the opposite has occurred, and the development of the Aceh Utara region has been unsustainable, with poverty still prevalent. The impact of policy implementation on achieving SDG Goals is evident from the high priority given to infrastructure development.

1. Zero Hunger

Infrastructure development was prioritized to improve regional connectivity and support economic activities by constructing roads and irrigation facilities. Following the conclusion of the oil and gas era in North Aceh, there has been a shift towards prioritizing the development of agricultural potential as a means of addressing economic challenges, particularly poverty [76]. Special autonomy funds support agricultural development policies, specifically irrigation development, to maximize this potential. The Table 5 provides data related to irrigation development in North Aceh.

Table 5. North Aceh District Irrigation Development and Condition Ratio (2019–2021).

Description	Years		
	2019	2020	2021
Channel Length (m)	567,188	567,188	567,188
Agricultural Cultivation Land Area (ha)	52,481	52,481	52,481
Ratio	1:11	1:11	1:11
Good Condition (%)	35.91%	36.23%	40.00%
Bad Condition (%)	64.09%	63.77%	60.00%

Source: [77,78].

Data in Table 5 indicated that during the past three years, the agricultural development policies focused on irrigation have not resulted in the construction of new irrigation canals. Instead, we observed improvements in irrigation conditions, suggesting that the focus of development in North Aceh has shifted towards rehabilitating existing irrigation canals. Nevertheless, despite these improvements, the overall state of irrigation in North Aceh still needs improvement, contributing to the decline in agricultural productivity [79]. This decline in yields negatively impacts rice production, a staple food in North Aceh, as illustrated in the following Figure 5.

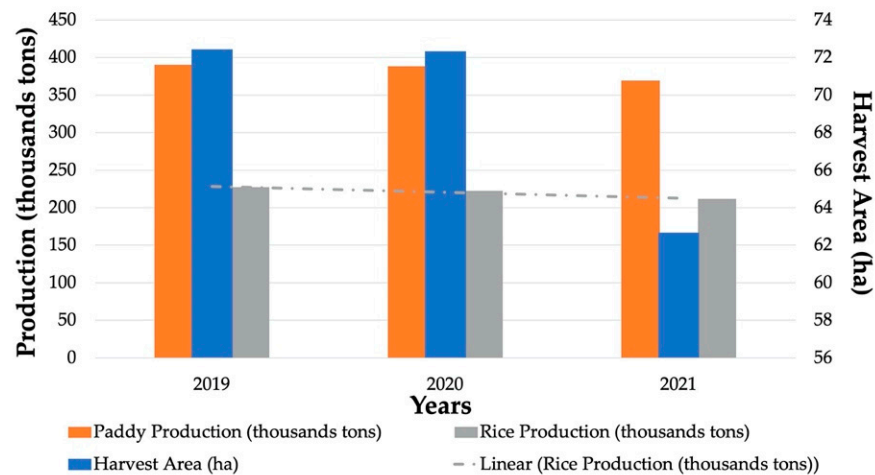


Figure 5. North Aceh food commodity (Rice) productivity 2019–2021 [80,81].

The low availability of food and the ability of communities to access it will lead to food insecurity. Rural areas are the most affected by this food insecurity. Data from the Agriculture and Food Agency of North Aceh has mapped the condition of food-insecure villages on the Food Security and Vulnerability Atlas (FSVA). Based on the map, North Aceh has ± 200 food-insecure villages; from that number, ± 15 villages are the priority related to food insecurity [77]. Food insecurity is also reflected in the high prevalence of stunting in North Aceh [82]. North Aceh currently has the highest prevalence of stunting in Aceh, with a value of 38.8, contributing to the high stunting rate in Aceh at 33.2 [83].

2. Resilient infrastructure

Another priority in infrastructure development is the construction of roads, a component of the transportation sector infrastructure that supports economic infrastructure [84]. North Aceh, with an area of 3298 km², requires road infrastructure to improve regional connectivity [85]. Currently, North Aceh has 16.32 km of national roads (designated as primary arterial roads), 75.83 km of provincial roads (classified as secondary collector roads), and 2032.80 km of district roads (termed tertiary collector roads) [78,86,87]. This data suggests that North Aceh manages a substantial portion of district roads.

However, despite the extensive network of district roads in North Aceh, there is a need for support in maintaining the condition of these roads [88]. The allocation of special autonomy funds could have significantly impacted the road condition in North Aceh [89]. In the past three years, the condition of most district roads was reported to be unstable and damaged, as depicted in Figure 6. This situation has led to disruptions in economic activities, as evidenced by the findings of Asgarpour et al. [90].

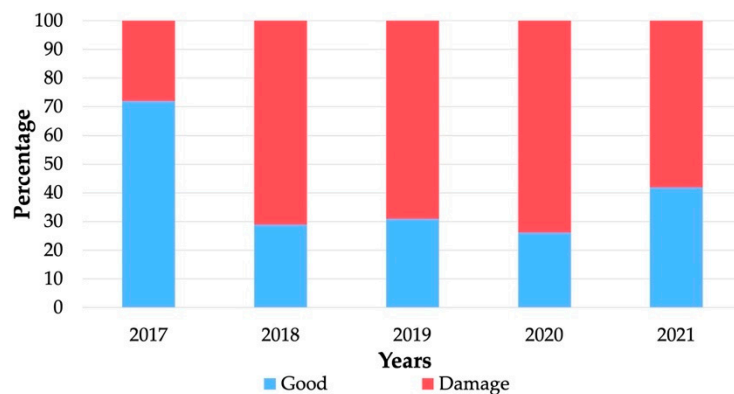


Figure 6. Development of North Aceh Road Conditions 2017–2021 [78].

3. Clean water and sanitation

The subsequent infrastructure development is public utility development, which includes electricity availability, telecommunications, piped water, sanitation, housing wastewater systems, and gas pipelines [91]. These special transfer funds are directed towards infrastructure development, especially in meeting the needs of clean water, sanitation, and livable housing. The results of the development of clean water facilities and sanitation facilities have increased significantly which elaborate in the Figure 7 below.

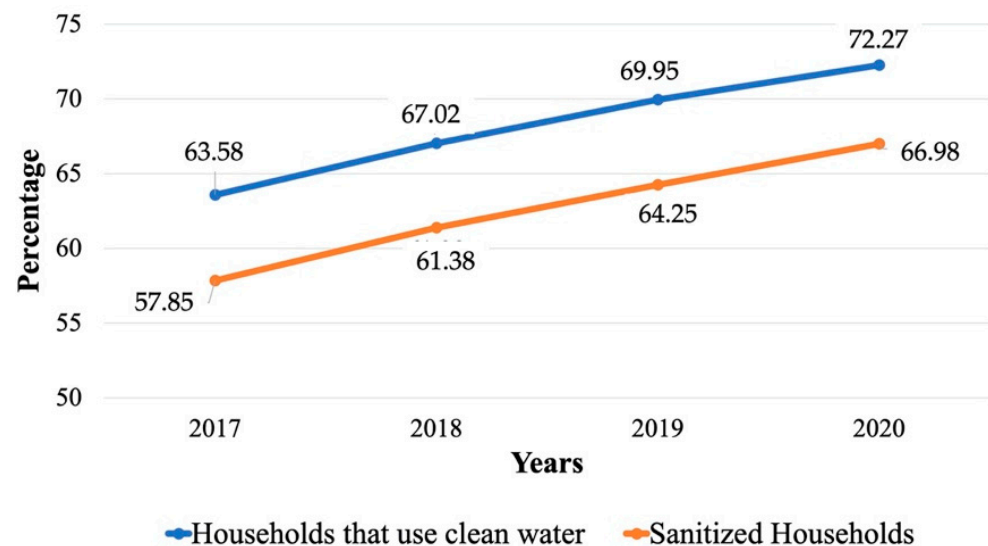


Figure 7. Development of Households Using Clean Water and Sanitation in North Aceh 2017–2020 (percentage) [77].

The Figure 7 shows a positive percentage increase in the policy of managing the special autonomy funds for infrastructure development in providing household access to sanitation and clean water. However, when quantitatively assessed, there are still over 40,000 households without access to clean water and over 45,000 households with poor sanitation. These numbers are still significant and impact the standard of living for the people of North Aceh.

Several other housing infrastructure developments further compound the issue: (1) the loss of the target for developing livable houses in 2021 due to the COVID-19 pandemic. As a result, there were no more livable housing developments that year, whereas the year before, 1345 livable houses were built [77]. (2) the loss of the target for developing drainage channels resulted in poor drainage in North Aceh. Poor drainage conditions indicate that 87.77% of roads in North Aceh need drainage channels [77]. Drainage is essential for smooth water flow in residential areas, markets, and other public facilities. This condition contributes to the low quality of the living environment for the local community.

4. Inclusive quality education

As previously analyzed, a substantial portion of special autonomy funds was devoted to infrastructure development followed by development in education and health. These two areas also prioritized physical development to guarantee access to educational and healthcare facilities for the population. This emphasis was selected because access to this service is crucial in multidimensional poverty [92].

In the education sector, physical development endeavors to enhance the availability of formal educational institutions in compliance with the jurisdiction of the North Aceh district [93]. According to regulations, North Aceh is accountable for guaranteeing the accessibility of schools providing basic education (elementary and junior high school) [94]. The Table 6 showcases data on the development of the availability of these schools.

Table 6. Ratio of School Availability and School Age Population in North Aceh 2017–2021.

Education Level	2019	2020	2021
Elementary School			
Number of School Buildings	412	366	366
Total Population School age 7–12 y.o.	76,297	77,034	77,779
Ratio/10.000	54.00	47.51	47.06
Junior High School			
Number of School Buildings	188	141	145
Total Population School age 13–15 y.o.	37,485	37,848	38,213
Ratio/10.000	50.15	37.25	37.94

Source: [78].

From these data in Table 6, we found a decrease in the number of elementary and junior high schools in North Aceh, while the school-age population has continued to increase. This has decreased the ratio of school availability to the school-age population in North Aceh. Despite the support from the special autonomy fund, the negative impact on school-availability is apparent. It has led to a decline in the net enrolment rate (NET) for both levels of education [78].

The net enrollment rate for elementary schools in North Aceh decreased by 6.94 points, while the rate for junior high schools decreased by 6.09 [78]. This decrease indicated that a smaller proportion of school-age children attend school according to their age [95]. Furthermore, the gross enrollment rates for both levels of education also decreased by an average of 2.67 points, reflecting a reduction in the participation of school-age children in North Aceh [78]. The low enrollment rates are indicative of the failure of the local government in its efforts to alleviate poverty [96].

5. Health and well being

In the field of health, the development policy of North Aceh prioritizes physical development to ensure the availability of healthcare facilities. Researchers analyzed the ratio of the availability of these facilities, including public healthcare facilities and integrated healthcare centers for children under the age of five (Table 7).

Table 7. North Aceh Health Facilities and Integrated Healthcare Center Availability Ratio 2019–2021.

Description	2019	2020	2021
Public Health Facility			
Number of health facilities	118	215	224
Population Total	615,378	602,793	629,735
Health facility availability ratio	0.19	0.35	0.35
Integrated Healthcare Center			
Number of Integrated Healthcare Center	962	969	969
Number of toddlers	53,563	54,494	51,909
Integrated Healthcare Center availability ratio	18.09	17.78	18.66

Source: [78].

According to Regulation 34 of 2016 from the Ministry of Law and Human Rights, the ideal ratio for the availability of health facilities is 1:16,000. This ratio aligns with the international standard the World Health Organization set at 1:10,000 [97]. However, the ratio of health facilities availability in North Aceh still needs to be improved at 1:35,000. Conversely, the ratio of availability of integrated healthcare centers for toddlers is better at 1:45–71, exceeding the standard of 1:100 set by the ministry [98]. Furthermore, the quality of these health facilities is only supported by the quality of medical devices in 63.42% [78,99].

The low quality of medical devices has contributed to the failure to access public health. As a result, high infant and pregnant mother mortality rates cannot be avoided which describe in the Figure 8.

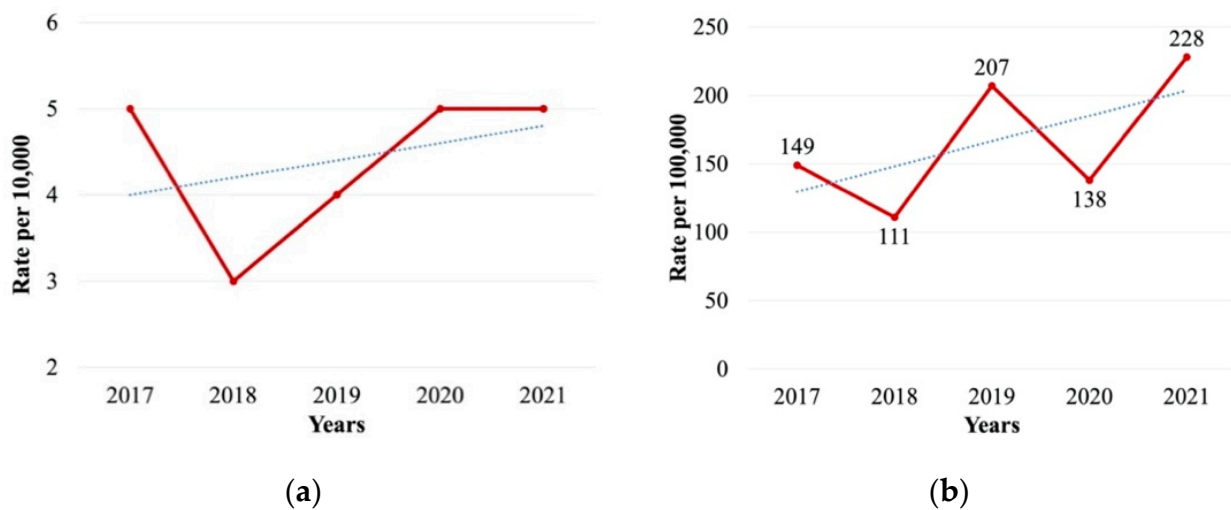


Figure 8. The Impact of Medical Quality; (a) Infant Mortality; (b) Maternal Mortality Rate of North Aceh (2017–2021) [78].

The three abovementioned matters are prioritized for utilizing special autonomy funds in North Aceh. These matters are implemented through physical, or infrastructure development as mandated by regional regulations, which require 50% of the special autonomy funds to be allocated for infrastructure development [62]. On other hand, non-infrastructure-related initiatives for economic empowerment and poverty reduction only account for a mere 6–7% of the special autonomy funds.

6. Sustainable economic growth and decent work

In order to achieve sustainable economic growth, a small portion of the special autonomy funds are utilized for economic empowerment programs within the community. These programs aim to increase employment opportunities and labor productivity by developing small and medium enterprises (SMEs), cooperatives and providing workforce training programs [41–43]. It is expected that the growth of SMEs and cooperatives will lead to an increase in the overall economic growth rate. However, despite the allocation of special autonomy funds, these initiatives have yet to be able to meet their targets.

In terms of employee development through the growth of SMEs and cooperatives, there has been an increase in quantity, as evident by the Figure 9, which displays the relevant data.

Figure 9a indicated that the average number of SMEs has increased by 1178.4 per year, with the micro-businesses sector experiencing the highest average growth at 57.43%. The trade/services sector was the largest SME sector at 86.62%. However, it was noted that there are challenges related to data accuracy in the national database. Currently, North Aceh's SMEs are only recorded at 3600 business units, resulting in low level of equity capital financing, and causing many SMEs to become non-operational. This, in turn, impacts employment opportunities [100].

Figure 9b showed that the number of cooperatives has increased by an average of five per year over the past three years. However, only 30% of these cooperatives operate actively, while the rest being inactive. Despite the increased cooperative numbers, the limited number of active cooperatives significantly impacts labor availability in the region [101].

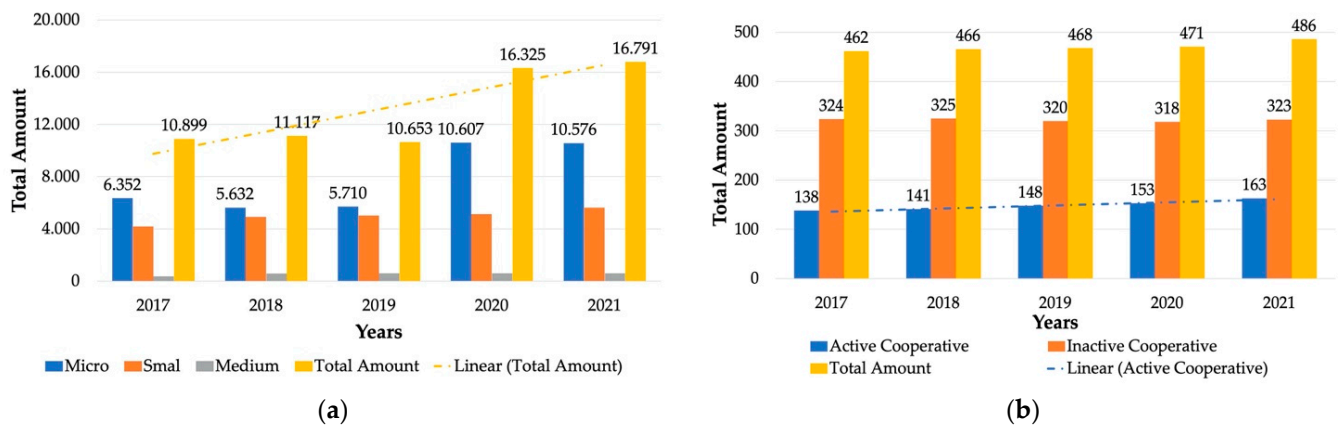


Figure 9. The development of (a) SMEs and (b) Cooperatives in North Aceh (2019–2021) [78].

The weakness in developing SMEs and cooperatives has resulted in a decline in economic growth in Aceh Utara, as evidenced by the decline in Gross Regional Domestic Product by sector (2017–2021) which explained in the Figure 10. Although this decline is primarily due to the impact of the COVID-19 pandemic, if SMEs and cooperatives were strong economic forces, economic growth could be easily overcome.

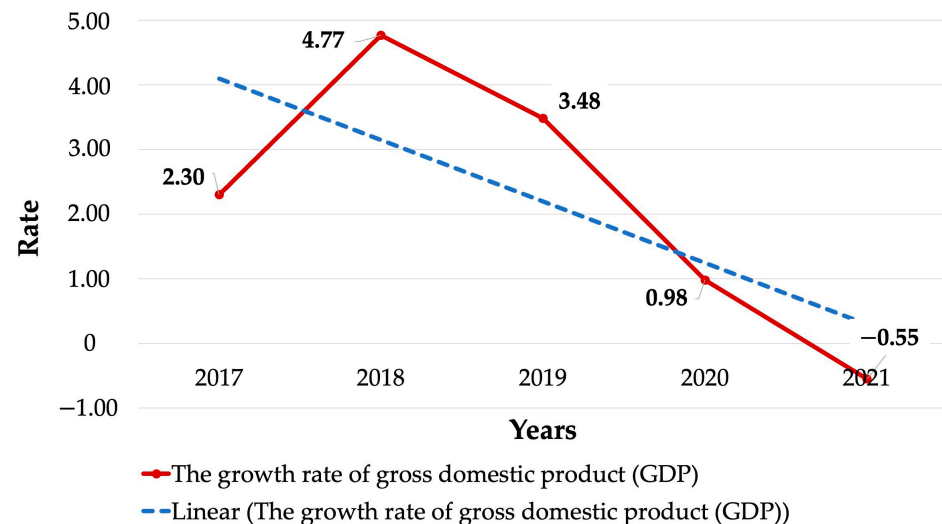


Figure 10. The Gross Domestic Product Growth Rate [102].

7. Poverty alleviation

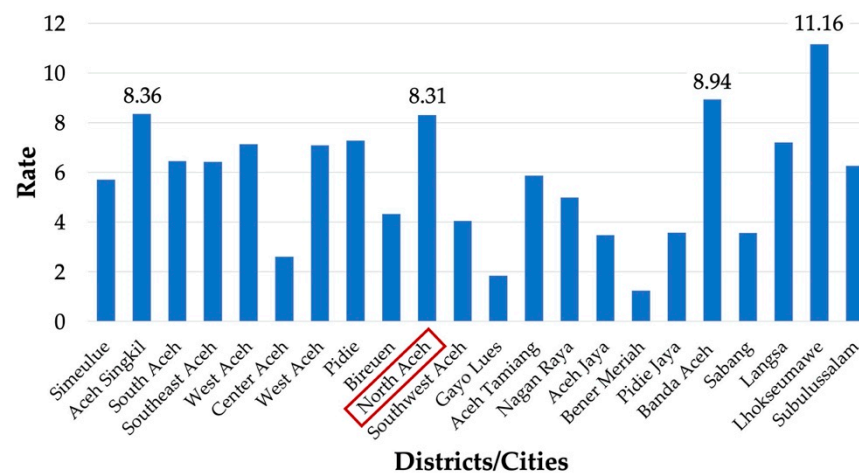
Poverty can be seen from, among others, an increase in people's income [103]. People's income is greatly influenced by the quality of the jobs they have in order to increase their earnings. A directed workforce preparation process is needed for people to obtain quality jobs. Another initiative to enhance the workforce through the Special Autonomy Fund is the implementation of job training for job seekers in North Aceh. This job training aims to enhance the job seekers' hard and soft skills, thus improving their cognitive competence and providing job opportunities that match their skills and abilities [104–106]. Preparing the workforce through training and education is considered a responsibility of the local government [107]. The special autonomy fund supports the local government's efforts in this regard. However, the limitations in funding allocation have yet to result in optimal outcomes in North Aceh's job training programs (Table 8).

Table 8. Development of Job Training at the North Aceh Indonesian Vocational Training Agency (2019–2021).

Vocational Field	2019	2020	2021
Electrical engineering	32	26	-
Processing	-	-	-
Welding technique	32	16	-
Refrigerator	16	-	20
Informatics	96	48	64
Garment	80	64	32
Automotive			
Engineering	64	42	16
Electrical Engineering	48	16	16
Building	68	56	48
Culinary art	16	10	20
Total	452	278	216

Source: [108].

Based on these data, the researchers found that the lack of special autonomy funds for training was the cause of the decline in the number of job training participants. The decline in the participation rate for job training has resulted in a low-quality workforce, making it difficult for prospective North Aceh workers to find work. The impact of the policies taken by the North Aceh Regency Government led to a high unemployment rate in North Aceh, which is ranked fourth in the District/City Open Unemployment Rate in Aceh, as presented in the Figure 11.

**Figure 11.** Regency/City Open Unemployment Rate in Aceh 2021 [78].

4.2.2. Policy Evaluation

Based on the previous stage of policy analysis, this research has identified that the management policies for ARSFOG and the Special Autonomy Fund have yet to achieve the objectives of promoting development and alleviating poverty in North Aceh. This analysis encountered several issues regarding the management policies, including.

First, the Management of ARSFOG by the provincial authority presents challenges for districts to benefit from the funding sources for development. A regulation from the Ministry of Home Affairs restricting the province's authority has impeded the implementation of district-proposed programs for the past two years. Thus, analyzing effective solutions for realizing the ARSFOG program proposals and benefiting North Aceh is imperative.

Secondly, according to the Law on Special Autonomy (LoGA), the Aceh Province has the authority to regulate the management of the Special Autonomy Fund through regional regulations at the Qanun level and technical instructions in governor regulations.

This study found that (1) there is a need to revise the regional regulation to allocate funds more appropriately between provinces and districts. The current allocation of 60% of the special autonomy funds for the province and 40% for the districts after deducting the joint program is considered insufficient for the districts, particularly North Aceh, the second largest district in Aceh, which faces challenges in meeting the needs of its constituents. This finding strengthens the views of Ali [18,27] regarding the dispute over the authority of management and the strong domination of the Aceh Province.

(2) The current management policy for the Special Autonomy Fund primarily focuses on building and maintaining infrastructure, as required by technical regulations that mandate districts to allocate 50% of their special autonomy funds for infrastructure development [62]. The 50% allocation for infrastructure development is an interpretation made by the Aceh Province as the holder of full authority for its management, according to the LoGA. Infrastructure development can only drive short-term regional economic growth [109], whereas a human-centered development model that prioritizes community economic empowerment has a more enduring impact [74]. This condition indicates that the provincial authority's domination has yet to be able to create an appropriate policy for managing the Special Autonomy Fund. The inability of Aceh's new political elite to implement fair policies is evident, which reinforces the findings of Rani et al. [9], Sustikarini [20], dan Jalil [19].

The inadequate policies described above have resulted in delays in achieving acceleration towards the SDGs, including poverty alleviation, which is the main target. According to Todaro [103], perfect economic development should increase per capita income and reduce unemployment, inequality, and poverty by providing access to resources for all members of society. Therefore, it is understandable that North Aceh is still struggling with significant poverty due to the inadequate management policies of the special transfer funds in achieving SDG goals.

Additionally, North Aceh has also been unable to attain financial independent. These indications can be observed from the regional independence index and fiscal space. The Regional Independence (*RI*) Index is utilized to evaluate the extent to which an area does not rely on external assistance from the central government and other regional governments [110]. On other hand, the Fiscal Space (*FS*) index is used to gauge the region's flexibility in managing its finances for prioritized regional programs [111]. The formula used:

$$\begin{aligned} RI &= \left\{ \frac{LgR}{RIn \& EB} \right\} \times 100\% \\ FS &= \left(\frac{GAR - MSpend}{TotSpend} \right) \times 100\% \end{aligned} \quad (1)$$

RI is the regional independence obtained from the ratio of Locally generated Revenue to Regional Income and Expenditure budget (*Rin & EB*). *FS* is the fiscal Space obtained by calculating the ratio between the General Area Reception (*GAR*) minus Mandatory Spending (*MSpend*) to the total spending (*Tot Spend*) of a region.

Researchers analyzed the regional independence and fiscal space of North Aceh in the face of the Government of Aceh which explained in Table 9.

The calculation in Table 9 demonstrated that the regional independence value of North Aceh is 10.79%, and Aceh is 16.93%. The values fall below 25%, classified as very low, according to the Indonesian Central Statistics Organization [110]. Both regions heavily rely on central transfer funds, particularly the Special Autonomy Fund, for their administration. This is reflected in the limited regional fiscal space without the special autonomy fund, which would provide greater flexibility for local governments to manage regional income and expenditure budgets and prioritize regional development. However, the allocation of the Special Autonomy Fund from 2% of the National General allocation fund will decrease to 1% over the next five years, ending in 2028, and pose a challenge to the fiscal independence of the North Aceh region. Therefore, supplementary policies are necessary to address this issue.

Table 9. Calculation of Regional Financial Independence and Fiscal Space of North Aceh and Aceh Province (2021) (USD and Percent).

Description	North Aceh	Aceh
Locally generated revenue	19,138,702	165,633,273
Regional income and expenditure budget	174,522,461	978,165,118
General area reception	88,887,737	314,864,617
General area reception + Special Autonomy Fund	97,465,268	853,197,569
Mandatory Spending	62,719,467	256,961,458
Total Spending	175,551,358	1,156,101,377
Regional Financial Independence	10.79%	16.93%
Fiscal Space	14.91%	5.01%
Fiscal Space (Special Autonomy Fund)	19.79%	51.57%

Source: [55,112].

5. Conclusions and Policy Recommendation

In conclusion, this study reveals that the LoGA provides a legal basis for the Aceh Province to manage the ARSFOG and Special Autonomy Fund. The province has established regional regulatory policies by issuing the Aceh Qanun and government regulations, which have been amended over time to align with changes in national regulations. Despite these efforts, the management of these two funds in North Aceh could have been more optimal, as evidenced by: (1) the underutilization of ARSFOG; (2) the limited allocation of district special autonomy funds, and (3) the emphasis on infrastructure development as a priority for using special autonomy funds, which have hindered progress and well-being of the people in North Aceh. These challenges have resulted in unfulfilled infrastructure goals, persistent poverty and unemployment, and continued dependence on transfer funds. These problems indicate that the policy of managing these special funds has yet to be able to achieve Sustainable Development Goals, particularly in North Aceh.

Based on the findings of this study, the research offers policy interventions in the form of (1) revising the Special Autonomy Fund management through a revision of the LoGA. The dominance of the province in managing the special autonomy funds needs to be revised by implementing a policy that ensures equal allocation between the province and the district/city. Revision is also necessary to extend the provision of the special autonomy funds to assist in the development of Aceh, with the consequence of technical changes in its provision and management that need to be regulated by the central government. (2) concerning the management of the ASFROG program, intensive communication between the province and the district/city is necessary to ensure that the program is implemented according to the needs of each district/city in achieving SDG Goals.

This research has several limitations that should be considered. This study focused on qualitative analysis, but it is clear that up-to-date quantitative analysis is still needed to identify the influence of the special transfer fund management variables on achieving SDG Goals in North Aceh. The limitation of this research only applies to the policy of managing special transfer funds based on LoGA. However, the findings highlight the need for an effective LoGA through a revision of the Law in the future. Thus, academia needs to analyze the effectiveness of LoGA as a basis for policy development to achieve SDG Goals for the welfare and peace of the people of Aceh.

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