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# Analysis of Regulatory Quality Worldwide Governance Indicators in Asia Pacific Case Study: Indonesia- Papua New Guinea 2019-2021

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**ABSTRAK**

***Abstract*** This study aims to analyze the direction of economic development policies through Regulatory Quality Worldwide Governance Indicators, especially between Indonesia and Papua New Guinea. The selection of the two countries as research subjects is based on the very rapid growth of development between the two countries. As well as, Indonesia and Papua New Guinea have abundant natural resources to be managed in achieving national development so that they become the main investment destination in the Asia and Pacific region. The method used in this research is a qualitative research method by investigating, finding, describing, and explaining the quality or specialty of social influence. The approach used in this research is a case study approach which is a search for data or research information through scientific journals, reference books and available publication materials. Through annual survey data from the Worldbank, namely 2019-2021. It was found that the governments of Indonesia and Papua New Guinea have aggressively developed the rate of economic growth through economic policies in each country. Regulatory Quality is an important instrument for researchers in providing empirical support and validating research findings.

**Abstrak** Penelitian ini bertujuan untuk menganalisis arah kebijakan pembangunan ekonomi melalui Indikator Regulatory Quality Worldwide Governance, terutama antara negara Indonesia dan Papua Nugini. Pemilihan kedua negara menjadi subjek penelitian didasarkan pada pertumbuhan pembangunan yang sangat pesat antar kedua negara tersebut. Serta, Indonesia dan Papua Nugini memiliki sumber daya alam yang melimpah untuk dikelola dalam mencapai pembangunan nasional sehingga menjadi tujuan utama investasi di kawasan Asia dan Pasifik. Metode yang digunakan dalam penelitian ini yaitu metode penelitian kualitatif dengan menyelidiki, menemukan, menggambarkan, dan menjelaskan kualitas atau keistimewaan dari pengaruh sosial. Pendekatan yang digunakan dalam penelitian ini adalah pendekatan studi kasus merupakan pencarian data atau informasi riset melalui jurnal ilmiah, buku-buku referensi dan bahan-bahan publikasi yang tersedia. Melalui data survey tahunan dari Worldbank yakni tahun 2019-2021. Ditemukan bahwa pemerintah Indonesia dan Papua Nugini telah gencar mengembangkan laju pertumbuhan ekonomi melalui kebijakan-kebijakan ekonomi dimasing negaranya. Regulatory Quality menjadi instrumen penting bagi peneliti dalam memberikan dukungan empiris dan memvalidasi temuan penelitian

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## INTRODUCTION

The Asia-Pacific region has experienced rapid growth in recent years, especially Indonesia and Papua New Guinea. Asia and Pacific economic growth experienced growth in 2019 and decreased in 2020 (IMF, 2023). Until the end of 2020, the Indonesian economy was able to grow by -2.1 percent, while in 2019 the Indonesian economy experienced growth of 5 percent. The decline in 2020 was caused by the covid-19 outbreak which caused the economy to be paralyzed, leading to an economic decline. Based on the calculation of Gross Domestic Product (GDP) in 2021, the Indonesian economy reached IDR 16,513.6 trillion and GDP per capita reached IDR 67 million or equivalent to US $ 4,334.0 (Badan Statistik Nasional, 2023). Papua New Guinea's economic growth in 2020 was around -3.2 percent, while in 2019 Papua New Guinea grew by 4.5 percent. Papua New Guinea PNG's Gross Domestic Product in 2021 amounted to 368,017.3 Billion with a GDP per capita of IDR 40 million or equivalent to US$2,624 (Department of Trade and Moresby, 2017).

Indonesia is the largest archipelago in the world. Geographically, Indonesia is located in the very strategic Southeast Asia region, namely the crossing area between two continents, namely the Asian continent and the Australian continent and between the crossing of two oceans, namely the Pacific ocean and the Indian ocean(Wijaya 2021). Meanwhile, Papua New Guinea is a country that is part of the British Commonwealth. Geographically Papua New Guinea is located in the Pacific region which in the west is bordered by the Indonesian province of Papua, the north and east of this country are bordered by the Pacific ocean and the south is bordered by the Coral sea, the Torres sea and the Australian state (Paine, 2015).

With the position of countries and regions located in strategic areas, it is not surprising that economic growth in the Asia-Pacific region has experienced positive growth in recent years. Currently, natural resource commodities at the international level are experiencing an increase, such as coal, oil and nickel prices. Given that the Asia-Pacific region has very abundant natural resources (Astuti et al., 2018). This certainly has a huge impact on the rate of economic growth in the two countries.

The economies of the Asia and Pacific region, especially Indonesia and Papua New Guinea, experienced a decline when Covid-19 hit the world (Wang, 2022). However, the decline did not last long. Entering 2021, there was an economic growth again, which had previously decreased. However, this economic increase has not been accompanied by the formation of adequate regulations. The regulation in question is how the country is able to manage the country's economic growth so that it remains in a healthy condition and is able to minimize the occurrence of an economic slowdown within a certain period of time (Almaqtari et al., 2023).

The literature that discusses economic growth between Indonesia and Papua New Guinea comprehensively has not been conducted by many researchers (Paine, 2015). This can be an opportunity for other researchers to examine economic growth in both countries comprehensively. Indonesia itself in its economic development has been organized in such a way through the "Acceleration and Expansion of Indonesia's Economic Development 2011-2025" (Digdowiseiso, Sugiyanto, and Setiawan, 2020). This planning was made with the aim of harmonizing sustainable economic growth. To support sustainable economic growth, the Indonesian government applies the principle of Governing sustainable finance (Abubakar, 2021). This principle is implemented to make it easier for entrepreneurs to easily obtain capital in building businesses, as well as opening up jobs. The ease of capitalization for business people in Indonesia is also supported by the presence of the Undang-undang Cipta Kerja (Hadi, Hamdani, and Roziqin, 2023).

The literature that discusses the economy of Papua New Guinea examines the intensive commitment made by the Papua New Guinea government to attract both foreign and domestic investment to develop the country's economy (Blazey and Perkiss, 2016). Broadly speaking, in 2021 the economy of Papua New Guinea experienced significant growth. However, this growth

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is done with hard work. The presence of foreign investors in Papua New Guinea is influenced by the country's own people. Papua New Guinea is still dominated by traditional tribal societies (Blazey and Perkiss, 2016). Where these traditional communities do not understand the importance of the existence of foreign investors when domestic investors have not been able to influence widely. The issue of resource conflict is also an obstacle in Papua New Guinea's economic growth (Banks, 2008). This conflict can occur between the community, the government, and even the private sector. In addition to resource conflicts, Papua New Guinea's economic problems are also hampered by irresponsible actions, namely the risk of fraudulent investments that are also rampant in this country (Cox, 2014).

The Undang-undang Cipta Kerja not only provides opportunities in capital, but also provides guarantees in terms of employment and legal certainty for workers (Sinha et al., 2023). In addition, providing broad opportunities for access to capital for domestic investors. The Indonesian government also provides extensive investment opportunities for foreign investors, because the government realizes that the existence of foreign investors also spurs the country's economic progress. The existence of foreign investors is carried out strictly and according to procedures(Budiartha 2018). The application of strict policies towards foreign investors aims to prevent domestic investors from being degraded by unhealthy competition(Simionescu et al. 2021). Therefore, to create healthy economic growth and protect domestic entrepreneurs, the government applies fair economic principles (Israhadi, 2020).

The literature on Papua New Guinea examines the intensive commitment made by the Papua New Guinea government to invite foreign and domestic investment to develop the country's economy (Blazey and Perkiss, 2016). This commitment was proven in 2021 where Papua New Guinea's economy experienced growth. This growth is supported by the presence of foreign investors in Papua New Guinea who help economic development in the country. However, the presence of foreign investment in Papua New Guinea has led to social conflicts, namely land conflicts between investors and indigenous Papuan New Guinean who are still dominated by traditional tribal communities(Blazey and Perkiss 2016). Where traditional communities want to maintain the existence of customary land while investment needs land to carry out development.

The issue of resource conflict is also an obstacle to Papua New Guinea's economic growth (Banks, 2008). Resource conflicts often occur between communities, the government, and even the private sector (investors). In addition, land conflicts and resource conflicts, Papua New Guinea's economic problems are also hampered by unlawful actions, namely the existence of fraudulent investments that are also rampant in this country (Cox, 2014). This risk is very detrimental to the state in building trust among investors, especially to maintain economic growth requires investment security from the relevant government.

The Papua New Guinea government also built telecommunications to facilitate the country's communication channels (Howell, Potgieter, and Sofe, 2019). The region or area in Papua New Guinea is still dominated by forests and mountains. So that the government intensively builds communication networks by cooperating with investors both outside and inside. Implementing this development, the government adopted the concept of collaboration with the private sector (Leal, 2021). This collaboration aims to provide equitable development to all parties in terms of clear economic justice.

Economic growth conditions in the Asia-Pacific region, especially Indonesia and Papua New Guinea, are dynamic (O'Callaghan and Vivoda, 2015). The economies of both countries move up and down (dynamic), but the government is trying to prevent the economy from experiencing a setback. The government has the authority and obligation to continue to maintain economic stability by implementing policies that can encourage economic growth. In designing policies, each country has a different way (Cahyono et al., 2020). However, in general, in designing economic policies, countries in the world apply Good Governance, which involves 3 main actors, namely the government, civil society, and the private sector (Simionescu et al., 2021). Rapid economic growth makes Asia-Pacific a worthy object for research related to the regulatory quality indicator issued by Worldwide Governance.

The regulatory quality indicator is an assessment based on how regulations made by a country support economic growth through capital investment by foreign and domestic investors (Stryzhak, Tupa, and Rodzik, 2022). Economic growth does not only depend on the use of natural resources, but economic growth must be accompanied by the optimal use of human resources in creating sustainable economic growth (Yamen and Can, 2023). The existence of regulations formed by the state with the aim of providing benefits to legal certainty to economic activists, namely investors. In this case, investors really need clear legal certainty so that their investment funds placed are guaranteed from actions that can be detrimental (Almaqtari et al., 2023).

The economic conditions of the two countries running dynamically are certainly an impetus for researchers to conduct an assessment of the direction of economic development policies through the assessment of regulatory quality indicators from the Worldwide Indicator Governance. Based on the background explanation above, this study aims to analyze the effect of government Regulatory Quality on the direction of economic growth policies in Indonesia and Papua New Guinea in 2019-2021.

## LITERATURE REVIEW

A. Regulation

The discourse on regulation or better known as regulatory reform began intensely in Indonesia and even the world as a whole. Regulations are formed with the aim of spurring economic growth in each country by encouraging ease of doing business. The classic regulatory paradigm originates in the theory of the welfare state where there is an integration of the functions of policy formation and operation in a country and the provision of public benefits and services directly by the state (Wijaya, 2021). This paradigm positions the state as the main actor in creating welfare. By definition, regulation is a tool owned by the state to realize welfare.

B. Investment

Investment is a form of postponement of current consumption to obtain consumption in the future, where in investment there is an element of uncertainty risk so that compensation for the delay is needed (Andalas et al., 2019). Investment is divided into two types, namely domestic investment and foreign investment. Risk is the possibility of experiencing losses in investing (investment risk) and return is the profit from investment. In general, the relationship between return and risk is linear.

Regulatory arrangements between countries do have differences. However, in general, regulatory arrangements carry the concept of regulatory state or known as the state that makes regulations. This concept cannot be separated from the theory of responsive regulation described by John Braithwaite (Wijaya, 2021) where the state is encouraged to take a responsiveness approach which is expected to encourage changes from control by the state in a command-and-control style towards regulation by private parties (private and self-regulatory capacity). Intrinsically, this concept encourages regulation to be formed by those who have regal. Accompanied by control mechanisms that can be carried out by the community that can form a regulatory network, where laws, regulations, are only part of the regulatory network.

In terms of regulatory arrangements, the Indonesian state has formed a regulation that regulates investment and labor, namely the Undang-undang Cipta Kerja (Wijaya, 2021). Where this regulation is expected to be able to answer all investment and labor issues to create economic growth. The Papua New Guinea government also implements regulations regarding investment (Blazey and Perkiss, 2016). This has been regulated in their constitution, namely

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the Constitution of the independent State of Papua New Guinea 1975 which regulates the rules for investing, especially for foreign investors.

## METHODS

This research uses qualitative research, with a literature study approach. Qualitative research is research that is used to investigate, find, describe, and explain the quality or features of social influences that cannot be explained, measured or described through quantitative approaches (Nasution, 2023). According to J. Supratno in his book Public Relations and Communication Research Methods, literature study is a search for data or research information through reading scientific journals, reference books and available publication materials.

A.Research type

The type of research applied by researchers in this study is qualitative research. Qualitative research is a research process to understand phenomena that interprets how subjects derive meaning from the surrounding environment, and how meaning influences behavior (Adlini et al., 2022). According to Denzin & Lincoln, qualitative research is research that uses a scientific background with the intention of interpreting a phenomenon that occurs and is carried out by involving various existing methods.

The use of qualitative research is also based on researchers trying to find and describe narratively the activities carried out and what impact comes from the actions taken on existing data findings. Thus, qualitative research is carried out to gain a deep understanding of human and social problems.

B. Data Soure

The data source is a subject from which the data is obtained. The data used is descriptive qualitative data, which is raw data from the empirical world. Qualitative data can be in the form of detailed descriptions, direct quotes, and case documentation collected as an open story (Agusta, 2003).

Researchers used data sourced from Scopus, Publish or Perish, and online media as the main data sources in examining the problems in this study. In collecting data sources, researchers used Scopus with the keywords "regulation" and "investment" and "indonesia" and "papua new guinea".

Scopus is a research website that contains internationally indexed journals that are used as a place to be published (Jayantha, 2020). The use of scopus in research is because the data sources derived from scopus have been recognized by various world research institutions. This makes scopus get an advantage over other research websites in providing reliable research data sources.

Data originating from scopus always undergoes updating so that this helps researchers in conducting research, especially to obtain renewable data sources, besides that the updating of the data provides researcher with more varied nuances and can help for single data sources citation-based researcher.

C. Data collection techniques

Data collection techniques are a strategic step in a study (Abubakar, 2021). The data collection method used in this study aims to collect and provide facts that are factual and can be accounted for. In this case, researchers used data collection techniques, namely documentation.

Data collection techniques through documentation techniques are a method of collecting data obtained through documents in the form of books, records, archives, letters, magazines, newspapers, journals, research reports and others both online. Documentation is used as the main data by research. In order to clarify the validity of the data, researchers took sources from scopus, publish or perish, and trusted online media.

This study presents the regulatory quality index of Asian and Pacific countries. However, the number of countries in Asia is around 48 countries and in the Pacific itself there are 18 countries that are bound in the Pacific Islands forum. So, researchers took a case study in the world of countries that are experiencing economic growth to represent each region, namely Indonesia and Papua New Guinea.

D. Data Analysis Technique

This research uses data analysis techniques, with a literature study approach. Qualitative research is research that is used to investigate, discover, describe, and explain the quality or features of social influences that cannot be explained, measured or described through quantitative approaches (Nasution, 2023). According to J. Supratno in his book Public Relations and Communication Research Methods, literature study is a search for data or research information through reading scientific journals, reference books and available publication materials (Ardianto, 1999).

## FINDINGS

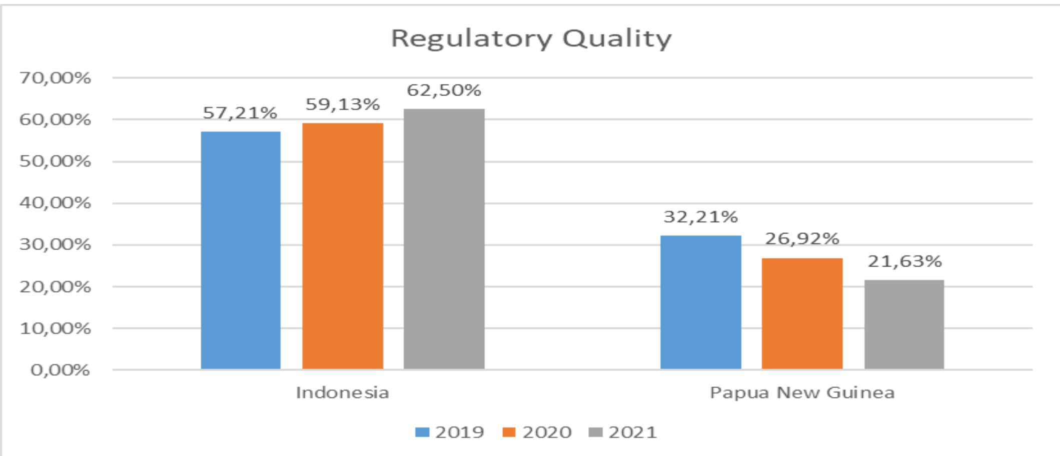
The comparison of economic growth between Asian and Pacific countries is very interesting to study. In this study, researchers conducted a comparison between Indonesia, which represents the Asian region, and Papua New Guinea, which represents the Pacific region.

The two countries have differences between each other in terms of determining economic policy. However, it cannot be denied that the purpose of the policy is to provide welfare for the people and the country. Between Indonesia and Papua New Guinea, they both apply a concept of regulation known as the regulatory state where the state has a central role in making a policy.

Regulatory quality is the perception of the government's ability to formulate and implement friendly policies in the economic development sector. It should be noted that measuring the fulfillment of RQ indicators can be done by measuring the government's ability to formulate and implement policies and regulations and the government's ability to promote and develop economic sectors and the respect of citizens and the state for the institutions that govern economic and social interactions among them (Kaufmann, 2010).

In this case, the comparison used to see the economic growth of each country. Namely through Regulatory Quality indicators or ease of regulation in doing business in each country. Both countries have their own policies in opening up ease of investment for foreign and domestic investors.

**Figure 1 Regulatory Quality Indonesia and Papua New Guinea**




Source : https://www.worldbank.org/en/publication/worldwide-governance-indicators

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Based on figure 1, there is a significant difference in Regulatory quality between Indonesia and Papua New Guinea in forming regulations on ease of investment for entrepreneurs. It can be seen that the percentage of ease of investing in Indonesia in the past three years. In 2019 the percentage ranking of the ease of investment regulation in Indonesia was ranked at 57.21%, in 2020 the percentage ranking of the ease of Indonesia's investment regulation increased by 1.92% by reaching 59.13%, and finally in 2021 the percentage ranking again increased by 3.37%, this increase was quite significant to 62.50%. During these three years, the percentage ranking of the ease of investment regulation in Indonesia has consistently experienced a significant increase.

The condition of Papua New Guinea is inversely proportional to Indonesia. In 2019, the percentage ranking for ease of regulation in Papua New Guinea was only able to occupy a position of 32.21%, in 2020 the percentage ranking of this country decreased by 5.25% to 26.92%, then in 2021 again the percentage ranking of Papua New Guinea experienced an even deeper decline with a score reduction of 5.33% to 21.63%. This decline is very worrying because in just three years the ease of regulation in this country has experienced a very sharp decline in the quality of regulation.

The Indonesian government has consistently taken various policy steps to simplify business license regulations. Such as the ratification of the Omnibus Law and the Work Creation Law which aims to simplify business licensing for both international and local investors. This goal is in line with the government's vision to accelerate economic equality throughout Indonesia

Based on the data above, it can be seen that the ease of investment regulation in Indonesia has increased significantly where within three years it has shown consistent growth, which is also supported by proactive government policies in supporting Indonesia's national economic growth.

Meanwhile, the decline in the quality of Papua New Guinea government policies has experienced various obstacles in reforming the ease of doing business policy in the country. This is due to the lack of infrastructure, both physical and human resources, which directly impacts investment interest by outside investors. Meanwhile, the strategic position of this country has very promising potential as a place to invest.

Based on the findings above, it can be seen that the country of Papua New Guinea has experienced a very significant decline in the last three years in the regulatory policy of ease of investing in the country. This is due to the lack of infrastructure, both physical and human resources, and the government's lack of proactivity in forming policies related to ease of investment.

## DISCUSSION

The ease of investing / doing business in Indonesia is ranked top among countries in the Asian and Pacific regions. In the past three years, the percentage of Indonesia's regulatory ease ranking has increased cumulatively. While the country of Papua New Guinea is ranked at the bottom with a percentage ranking in the past three years has decreased cumulatively and even tends to be alarming.

Indonesia's economic growth must be recognized as experiencing rapid growth not only compared to Papua New Guinea, but when compared to countries in other Asian regions, Indonesia's economic growth is above average. Based on Worldbank data in 2019 alone, Indonesia is ranked 73 out of 190 countries (Sutrisno, 2021). In fact, in 2021 the government targets the ease of doing business in Indonesia to be ranked 40th in the world. This ambition cannot be underestimated, the Indonesian government is really serious in achieving this ranking.

The ease of doing business in Indonesia and Papua New Guinea is influenced by surveys conducted by international institutions. One survey that is often used as a reference in doing business is a survey conducted by the Worldbank or Worldwide Governance Indicator Regulatory Quality. Where before investing investors will conduct an assessment process to decide whether to invest their capital in the destination country. Therefore, the presence of the Regulatory Quality Indicator helps investors in deciding their decisions, and also helps the government, especially Indonesia and Papua New Guinea, to continue to improve the ease of investment in the country through fair policies.

Various policies to support the ease of investing in Indonesia were formed by the government such as the Omnibus law and the Undang-undang Cipta Kerja (Suriadinata, 2019). Indeed, the implementation of this policy has received opposition from the community, especially among students and workers. However, the implementation of this regulation will make it easier for the government to carry out equitable development. And actually the policy still protects the rights of workers who work.

The Indonesian government has also implemented a clear roadmap for investors who want to invest in Indonesia. The policy is taken while still paying attention to issues of labor rights, the environment, and society in general. The government also prioritizes environmentally friendly investments or known as low-carbon investments, making Indonesia a selective country to receive foreign investment funds. To support this, the government established a special institution to accommodate foreign investment, PT Indonesia Infrastructure Finance (IIF), which aims to manage investment funds in Indonesia (Ramdhan and Agency, 2021). In addition, the government also cooperates with the Asian Development Bank (ADB) and the International Finance Corporation (IFC) so that the flow of investment funds into Indonesia has a clear origin. This action is taken so that investments entering Indonesia do not come from criminal acts of corruption or money laundering(Camenia and Hayati 2020).

**Tabel 1 Foreign Investment in Indonesia**

| Negara Investasi | Realisasi Penanaman Modal Luar Negeri Menurut Negara(Juta US$) | | |
|---|---|---|---|
| | Investasi | | |
| | 2019 | 2020 | 2021 |
| Amerika | 2 139.14 | 1 566.10 | 3 880.10 |
| Eropa | 3 655.49 | 2 232.50 | 3 453.00 |
| Asia | 21 567.35 | 24 297.40 | 23 358.70 |
| Afrika | 326.86 | 180.20 | 165.00 |
| Jumlah | 28 208.76 | 28 666.30 | 31 093.10 |

Source: https://www.bps.go.id/id

Based on figure 2, it can be seen that the growth of foreign investment realization in Indonesia in the past three years has experienced very significant growth. In 2019 the realization of foreign investment entering Indonesia was around 28,208.76 million USD, in 2020 it increased by 28,666.30 million USD, and in 2021 there was a very rapid increase, foreign investment funds entering Indonesia jumped to 31,093.10 million USD. By looking at this growth, it can be seen that the Indonesian government is really serious in implementing easy and selective regulations in accepting foreign investment. The creation of policies such as the laws mentioned has increased confidence among foreign investors in the Indonesian economy.

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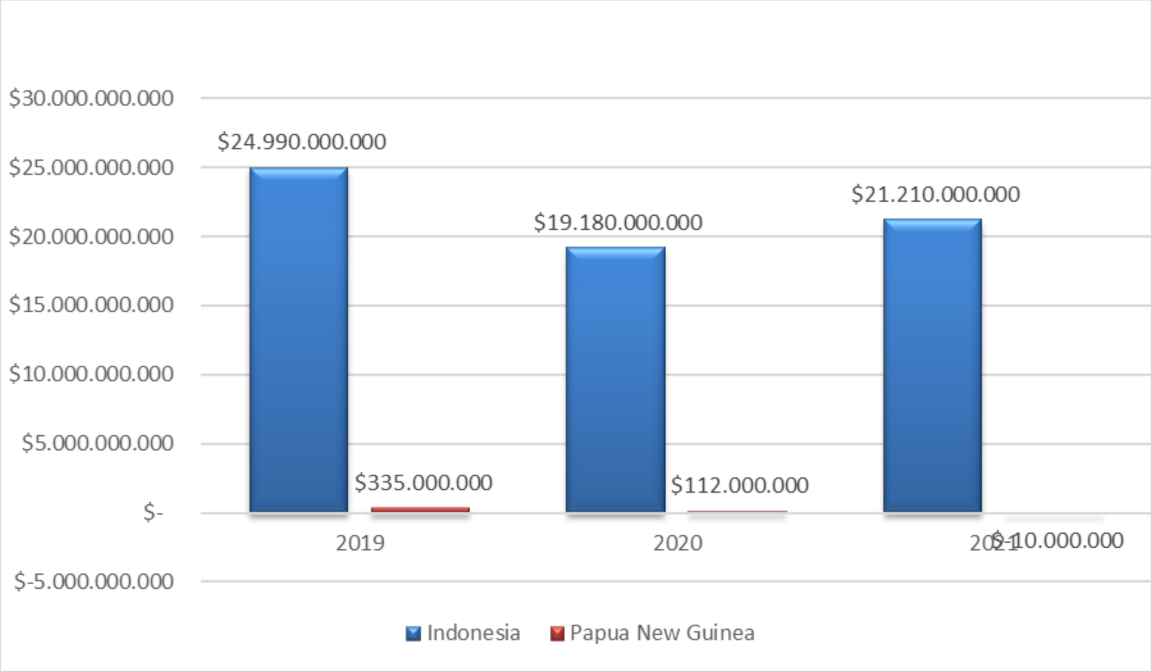
**Figure 2 Foreign Direct Investment Inflow Indonesia-Papua New Guinea**




Source: https://data.worldbank.org/

Figure 2 above, which depicts the net inflow of foreign capital funds into Indonesia and Papua New Guinea. This inflow of funds is accompanied by the better or worse a country is in establishing Regulatory Quality. The better the quality of RQ, the more investment will come in, but the worse the RQ, the smaller the inflow. Indonesia during the enactment of the ease of investing policy through the Omnibus Law. In the period of 3 (three) years, namely 2019-2021, it shows a progressive upward trend (Bank, 2023). Where this increase is in accordance with the objectives of the formation of the Omnibus Law, namely increasing the inflow of foreign funds in Indonesia in economic development. As of 2019, the inflow of funds is 24.990$ billion USD, in 2020 it is 19.180$ billion USD, and in 2021 it is 21.210$ billion USD.

Meanwhile, the net inflow of foreign investment (FDI) in Papua New Guinea has fluctuated, but shows a trend of strengthening futures. This can be seen in 2019 that investment into the country amounted to 335$ million USD, continued in 2020 there was a decline due to the Covid-19 outbreak and the new government revitalizing the country's economy. In 2020 there was a decrease in net inflow of 112$ million USD. And finally in 2021 there was a very significant increase. In that year, investment into Papua New Guinea amounted to -10$ million USD(Bank 2023). This decline is something that Papua New Guinea needs to anticipate as the decline in investment shows that the Papua New Guinea government has lost the trust of investors.

The Indonesian government in implementing regulations such as the Omnibus Law and the Undang-undang Cipta Kerja does have less positive effects such as the lack of input or aspirations from workers, environmental activists, and academics. However, behind it all, Indonesia is a successful country in implementing such policies, as evidenced by the booming Indonesian economy over the past few years. However, it should be further reminded that in pursuing the economy by making regulations, we must pay attention to a more thorough process to integrate more sustainable development that utilizes technology and environmental sustainability. Do not let the economy accelerate but have a negative impact on Indonesia itself.

The economic growth of Papua New Guinea is inversely proportional to the economy of Indonesia. The country of Papua New Guinea is one of the countries rich in natural resources, of course this is utilized by the government to promote these resources to outside investors.

Foreign investment in Papua New Guinea has been facilitated, regulated and monitored by the Investment Promotion Act (IPA, 2014). In section 37, the state guarantees that foreign investment property shall not be nationalized or expropriated except in accordance with law, for public purposes specified by other laws and in payment of compensation as specified by law. It also stipulates that foreigners are not allowed to own land in Papua New Guinea. So, to address this issue the Papua New Guinea government recently amended its citizenship law to allow dual citizenship. Previously, foreign investors to acquire land used a long-term lease system instead of buying outright. However, now the existence of dual citizenship provides a breath of fresh air to foreign investors.

This promotion certainly has a positive impact on technological development and development in the country of Papua New Guinea itself. However, in reality, many foreign investors are not willing to invest in the country. This is due to frequent disagreements between businessmen and community groups. In this case, indigenous groups consider that the government is too giving special status to foreign companies over them.

Based on the United Nations Convention on the Rights of Indigenous Peoples, indigenous peoples are communities that have land, territories, and resources used for development, needs, and interests in sustaining their culture. However, in some cases there has been land grabbing by investors with the approval of the government and there are even around 5.1 million hectare of existing land and around 75 percent is controlled by foreign-owned companies.

Regulations issued by the Papua New Guinea government have also failed to attract investors, instead marginalizing indigenous peoples. Such as the Environment Act in 2000 and amended in 2010, where the secretary of the conservation department was given the power to approve mining and petroleum applications without consulting traditional landowners (Jayasuriya, 2012). Naturally, this had a devastating impact on the sustainability of the community. In addition, foreign investors began not to look at fossil energy mining. However, foreign investors are now looking to invest in renewable energy resources.

In addition, there are also many losses caused by fraud committed by irresponsible people in the country of Papua New Guinea. This fraud is carried out by people who promote investment potential in Papua New Guinea, to outside investors. Many investors are ensnared by the lure of large investment returns. However, the investment business managed by the person is a fictitious business. Of course, this action greatly affects the confidence of investors to assign their funds to the country.

The role of government is needed to protect the interests of each party. Both the investors and the indigenous people. Here the role of the regulatory state plays a central role in regulating existing rules to ensure that every action must comply with applicable laws.

Regulatory making in a country does get intervention from the state. The intervention in question is to illustrate that the state has more power in persuading and sanctioning that every violation committed can receive sanctions. In this intervention concept involves a spectrum consisting of interaction and negotiation of independent external authorities such as professional and legal bodies while independent institutions have the responsibility and

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authority to maintain the integration of the regulatory framework between regulatory and external institutions.

The process of making a regulation is quite complex and has a dynamic aggregate of law, economics, public management, engineering, and political sociology. Therefore, the making of regulations involves various parties in order to accommodate all existing interests. Regulatory making in many countries is carried out by regulatory agencies, central bank authorities, state departments, national and transnational private institutions, ministries and cabinets which are the main regulators. There are various parties that can become regulatory collaboration, namely collective and trade associations, trade unions, technical committees, professional councils, companies, industry groups, entrepreneurs, non-governmental organizations (NGOs) and citizens (Howell et al., 2019).

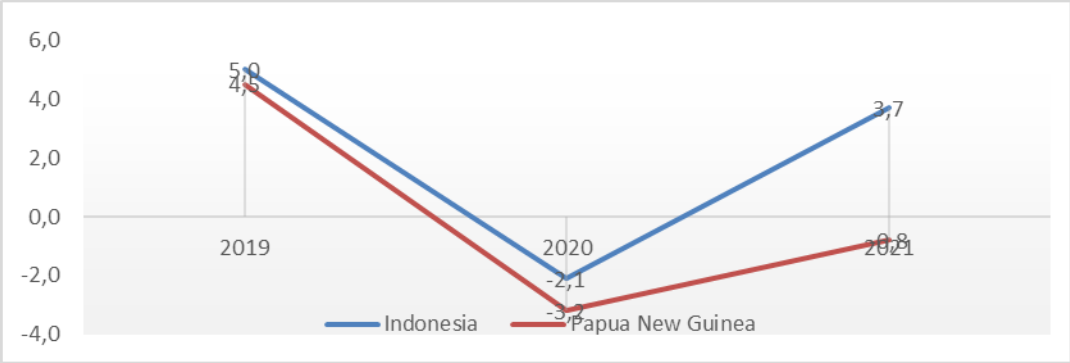
Regulation-making in Papua New Guinea has been criticized by various parties. One of them is the regulation of the telecommunications sector. In 2002 the government of Papua New Guinea passed the Independent Consumer and Competition Commission Act to establish a Separate Competition Authority (ICCC) along the lines of the Australian Consumer and Competition Commission (Cahyono et al., 2020). This authority has general powers to investigate competition issues, certify services and regulate prices where necessary. However, in reality monopolistic practices on these services still occur.

Based on the findings of the U.S. DEPARTMENT of STATE, Papua New Guinea is ranked 120th out of 190 countries for ease of doing business. In fact, the country has made various efforts such as the prime minister of Papua New Guinea bringing the slogan "Take-Back Papua New Guinea" to support a fair, open, and collective approach in the decision-making process regarding the management of existing resources in the country and the right investment returns.

Under James Marape, the country began to reopen to trade and investment opportunities. This openness was supported by efforts to reform to recover from high debt, and stimulate the economy by attracting more foreign direct investment (FDI) (Department of Trade and Moresby, 2017). Previously the Papua New Guinea government under Prime Minister O'Neill was blamed for the country's poor fiscal regulation, slow infrastructure, high logistics costs, law and order violations, chaotic public sector, and poorly performing state-owned enterprises. So, given these conditions, the new Papua New Guinea under Marape leadership seeks to attract foreign investment to stimulate the economy.

Papua New Guinea does not actually have any specific regulations or laws that promote discrimination against foreign investors. However, a bill governing the FIRA 2018 (Foreign Investment Regulatory Authority)(USA 2022) has raised serious concerns from investors in the country. This is because the bill stipulates restrictions on foreign investment, mainly by reserving investments below 10 million Kina for Papua New Guinea and also stipulating extensive reserve activities. However, with many pros and cons against this bill, the Papua New Guinea government suspended the bill for further review and wider consultation.

**Figure 3 Comparison of Economic Growth.**




Sourch:https://data.worldbank.org/

Bases on figure 3, The comparison of economic growth between Indonesia and Papua New Guinea is quite far apart. However, everything returns from each country's policies in regulating their respective economic regulations. Judging from economic development within a period of 3 (three) years, namely 2019, 2020 and 2021, Indonesia outperforms Papua New Guinea. Indonesia in 2019 received an economic score of 5,0 while Papua New Guinea was in the position of 4,5, for 2020 the growth of both countries has decreased with Indonesia still leading with a score of -2,1 while Papua New Guinea followed by a decline in its economic growth score of -3,2, finally in 2021 which is the year when the economic growth of the two countries has increased quite rapidly. However, Indonesia still leads with a score of 3,7 while Papua New Guinea gets a score of -0,8.

The economic achievements of both countries are indeed strongly influenced by the fiscal regulations of each country. Where Indonesia with its omnibus law and creation regulations and Papua New Guinea with the slogan "Take-Back Papua New Guinea" by its prime minister. Become an attraction for each foreign investor in seeing opportunities from both countries. Given the importance of Regulatory quality in attracting investors to invest in destination countries to help develop the economy of Indonesia and Papua New Guinea in particular. Here the existence of foreign investors is very important to stimulate economic growth in both countries and even the world economy in general.

## CONCLUSION

Economic growth is something that is always prioritized by sovereign countries. This is because economic growth has a major impact on the development of a country. Such is the case with economic growth Indonesia Papua New Guinea economic growth in the Asia and Pacific region. Countries in this region are competing to improve the economy of their respective countries to create prosperity for their people.

Spurring economic growth requires a regulation, so therefore the countries of Indonesia and Papua New Guinea carry out various forms of policy reforms such as Indonesia with the Omnibus Law and Undang-undang Cipta Kerja while Papua New Guinea with the slogan "Take-Back Papua New Guinea" and the FIRA Bill is a reform that is really seriously implemented by both countries.

Based on the findings of the data presented, it can be concluded that economic growth between Indonesia and Papua New Guinea is led by Indonesia. Where Indonesia managed to outperform Regulatory Quality issued by the World Bank. Indonesia excelled decisively for three consecutive years from 2019-2021. This makes Indonesia the country with the highest economy when compared to Papua New Guinea.

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