

ISRG Journal of Arts, Humanities and Social Sciences (ISRGJAHSS)



ISRG PUBLISHERS

Abbreviated Key Title: ISRG J Arts Humanit Soc Sci

ISSN: 2583-7672 (Online)

Journal homepage: <https://isrgpublishers.com/isrgjahss>

Volume – IV Issue - IV (July – August) 2026

Frequency: Bimonthly



Water, Wealth, and the Weight of Regulation: Evaluating PERUMDA Air Minum Jereukom's Contribution to Local Revenue and Public Service in Merauke Regency, Indonesia

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| **Received:** 20.08.2026 | **Accepted:** 25.08.2026 | **Published:** 29.08.2026

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Abstract

Regionally owned enterprises are expected to support local revenue while delivering essential public services, yet many peripheral-region water utilities struggle to balance financial performance with service obligations. This study examines the implementation of Merauke Regency Regulation No. 5 of 2018 concerning PERUMDA Air Minum Jereukom, focusing on how implementation shapes the company's contribution to local own-source revenue (PAD) and public water services. Using a qualitative case-study design grounded in George C. Edward III's policy implementation model, this research draws on interviews with eight informants, regulatory documents, business plans, financial reports, and customer perspectives. The findings show that the regulation has been implemented through formal communication, organizational structure, and local-government support, yet implementation remains constrained by fragmented data, aging pipes, high water losses, insufficient treatment capacity, and bureaucratic delay. PERUMDA's contribution to local revenue remains potential rather than realized, as accumulated losses preclude dividend distribution despite recorded net profit. Its public-service contribution is evident but uneven, particularly in coverage, water quality, continuity, and complaint responsiveness. The study contributes to policy-implementation literature by showing that, in local water enterprises, revenue contribution is inseparable from service quality, both depending on sustained investment in infrastructure, institutional coordination, and public trust.

Keywords: policy implementation; local own-source revenue; PERUMDA; public water service; Merauke Regency; George C. Edward III.

1. Introduction

Within Indonesia's framework of regional autonomy, regionally owned enterprises (Badan Usaha Milik Daerah, BUMD) hold a strategic position as instruments of public economy, contributing to regional fiscal independence, strengthening public-service capacity, and supporting local economic growth. Since the enactment of Law No. 23 of 2014 on Regional Government and Government Regulation No. 54 of 2017 on BUMD, regional governments have held broad authority to establish and manage BUMD consistent with local potential and need. BUMD are positioned not merely as profit-oriented business entities but as agents of regional development carrying a socio-economic service function (Anwar et al., 2025; Yurianto, 2021). Normatively, BUMD establishment pursues three principal objectives: generating economic benefit for the region, delivering quality public goods and services, and generating profit to strengthen Locally Generated Revenue (Pendapatan Asli Daerah, PAD) (Sekretariat Kabinet Republik Indonesia, 2022).

Empirically, however, Indonesian BUMD exhibit complex dynamics. Prior research indicates that most BUMD have not achieved optimal contribution to either PAD or regional public service (Pratama et al., 2025; Putra et al., 2021), with BUMD contribution to national PAD generally remaining below 10 percent

of total regional revenue (Firdaus & Saiman, 2024). This condition reflects a persistent gap between policy objective and implementation reality, with weak governance, limited managerial capacity, capital constraint, and insufficient regional-government mentoring and oversight identified as principal determinants of underperformance (Andhini & Ibad, 2025; Hidayatullah & Noer, 2019).

BUMD function, in practice, as a bridge between regional economic interest and community welfare. Their success in fulfilling this dual mandate depends on regional-government capacity to implement policy grounded in good corporate governance, efficiency, transparency, and accountability (Alika et al., 2025). Studying BUMD-management policy implementation is accordingly important for understanding the extent to which regional policy can bridge the economic and social dimensions of regional development, particularly in areas with distinctive geographic and socioeconomic characteristics, such as Merauke Regency. Following Papua Province's division into several new provinces, including South Papua Province in 2022, BUMD institutional structures across the region have begun adapting to a new distribution of authority between provincial and regency government (Sinen, 2025). Table 1 summarizes several BUMD identified as operating within Papua and South Papua Provinces.

Table 1. Business Fields of Regionally Owned Enterprises (BUMD) Operating in Papua and South Papua Provinces

No.	BUMD / PERUMDA Name	Location / Ownership	Business Field / Activity Focus
1	PT Bank Pembangunan Daerah Papua (Bank Papua)	Papua Province	Banking and regional financial services
2	PT Irian Bhakti Papua (Perseroda)	Papua Province	General trade, distribution services, and goods/services procurement
3	PT Papua Divestasi Mandiri (PDM)	Papua Province	Management of regional shares in PT Freeport Indonesia
4	PERUMDA Malind Kanamin	Merauke Regency (South Papua Province)	Local economic development based on agriculture, fisheries, and forestry potential
5	PERUMDA Air Minum Jereukom	Merauke Regency (South Papua Province)	Clean water provision and public utility service

Source: Compiled by the author from <https://portal.merauke.go.id/>, 2025.

BUMD operating across Papua and South Papua Provinces exhibit functional differentiation consistent with local socioeconomic characteristics and community need. Provincial-level BUMD, such as Bank Papua, Irian Bhakti Perseroda, and Papua Divestasi Mandiri, play a strategic role in supporting macroeconomic development, regional investment, and strategic-asset management, while regency-level BUMD, such as PERUMDA Air Minum Jereukom and Malind Kanamin in Merauke Regency, orient more directly toward local economic empowerment, basic-service improvement, and Indigenous Papuan community capacity strengthening (Reumi, 2023). Although BUMD financial contribution in South Papua remains comparatively modest relative to other parts of Indonesia, their existence carries strategic meaning for inclusive development, regional economic self-reliance, and the implementation of Papua's special autonomy, a decentralization dynamic still taking shape institutionally across the region's new provinces (Kambuam, 2024).

Clean water constitutes a vital basic human need. The availability of adequate, sustainable drinking water is a key indicator of community welfare and regional-development success. In Merauke Regency, clean-water provision presents a distinctive challenge given geographic condition, infrastructure limitation, and dependence on natural water sources such as Rawa Biru (Blue Swamp). To meet this need, the Merauke Regency Government established the Regional Public Water Company (Perusahaan Umum Daerah, Perumda) Air Minum Jereukom as the regionally owned enterprise tasked with delivering water service to the community, an institution oriented not merely toward profit but centrally toward its social-service function of guaranteeing decent clean-water access for the entire population.

PERUMDA Air Minum Jereukom holds a strategic role in improving community quality of life through the provision of clean water meeting health standards, pursued through periodic water-quality testing, installation maintenance, and distribution to customers through both piped networks and other service channels. The company's existence further contributes to regional revenue through profit remittance to regional government, indicating that

PERUMDA functions both socially and economically. In practice, however, PERUMDA Air Minum Jereukom continues to face several obstacles, including limited water-treatment facilities, source-water quality shaped by natural conditions, and uneven distribution, particularly during the dry season, conditions demanding improved performance, infrastructure investment, and regional-government support for clean-water service to reach the entire community optimally.

Prior research on BUMD-policy implementation across Indonesia reveals a persistent gap between normative objective and empirical outcome. Anwar et al. (2025) find that although BUMD establishment is widely regarded as a strategy for improving PAD, many BUMD fail to demonstrate healthy financial performance owing to weak policy planning and oversight. A comparable pattern is documented in Tuban Regency, where regional-government mentoring of BUMD remains suboptimal, yielding relatively small PAD contribution and widespread operating loss (Pratama et al., 2025). These findings collectively affirm that BUMD-policy-implementation success depends substantially on regional-government institutional capacity to execute mentoring, oversight, and empowerment functions (Salman et al., 2022). Consistently, well-performing BUMD are associated with stronger regional gross domestic product and greater effectiveness of fiscal decentralization, underscoring why implementation quality, not merely BUMD establishment itself, carries broader regional-development significance (Lestari, 2023).

Building on this rationale, this study's analytical focus is directed at regional-government policy implementation in managing PERUMDA Air Minum Jereukom, assessing the extent to which that policy is executed consistent with the principles of effectiveness, efficiency, and public accountability. A clear research gap emerges from this literature: while considerable research examines BUMD performance in more developed regions or economic centers such as Jakarta and Surabaya, comparatively little research examines BUMD-management-policy implementation in Indonesia's border and eastern regions, areas carrying distinctive socioeconomic complexity. Research on PERUMDA Air Minum Jereukom in Merauke Regency is accordingly expected to contribute both empirically and conceptually to understanding how regional-government policy is implemented within a border-region context characterized by asymmetric decentralization.

This study accordingly aims to analyze regional-government policy implementation in managing BUMD through a case study of PERUMDA Air Minum Jereukom in Merauke Regency, directing analysis toward assessing the policy-implementation process based on communication, resources, disposition, and bureaucratic structure, following Edwards III (1980), and assessing the extent to which that implementation contributes to improved company performance and regional economic development. Specifically, this study aims to describe and analyze the process of regional-government policy implementation in improving PAD through PERUMDA Air Minum Jereukom's contribution, and to identify and analyze the factors supporting and hindering that implementation.

Merauke Regency's specific geographic and hydrological context further compounds these implementation challenges. Situated in Indonesia's southeasternmost region and bordering Papua New Guinea, the regency's water sector depends heavily on Rawa Biru, a natural wetland reservoir whose seasonal fluctuation directly

constrains raw-water availability during the dry season, a dependency that renders PERUMDA's technical performance, water production, treatment capacity, and distribution reliability, more vulnerable to environmental variability than utilities drawing on more stable riverine or groundwater sources elsewhere in Indonesia. This hydrological vulnerability interacts with the regency's dispersed settlement pattern, in which population growth in outlying districts such as Tanah Miring and Semangga has outpaced the reach of PERUMDA's existing piped network, generating a structural mismatch between demonstrated demand and physical service capacity that this study's findings document in detail.

2. Literature Review

2.1 Public Policy and Policy Implementation

Public policy constitutes a series of decisions, choices, and governmental authority formulated to respond to public problems and social dynamics, functioning as a strategic government instrument for managing and resolving public issues through planned, purposeful, politically and legally valid decisions responsive to social change, and arising from complex political, social, and institutional interaction rather than functioning as a purely legal product (Sager & Gofen, 2022). Such policy is typically translated by government institutions into formal decisions through a deliberative process in which competing interests are reconciled (Afsahi, 2022) and, because it reflects the prevailing distribution of power and interest within society, is never entirely neutral (Subarsono, 2012). The policy process is conventionally organized into three interlocking stages, formulation, implementation, and evaluation, each feeding back into the next to form a dynamic policy cycle (Ben Brik, 2025). Policy implementation, correspondingly, is the stage translating formulated political decisions into concrete administrative programs and action carried out by multiple actors (Dye, 2002), generating tangible community benefit and forming the connective link between planning and outcome; even a well-formulated policy generates no benefit absent effective implementation (Kasmas, 2018; Tachjan, 2006).

2.2 The George C. Edwards III Implementation Model

George C. Edwards III's (1980) model, widely applied across public-policy-implementation research, holds that implementation success is shaped by four interacting variables. Communication is essential because it ensures information reaches policy stakeholders and clarifies policy objectives and benefit. Resources are critical because their absence can obstruct implementation regardless of implementer willingness. Disposition, encompassing implementer attitude and behavioral tendency, shapes how faithfully a policy is executed. Bureaucratic structure, the organizational arrangement supporting implementation, determines whether implementation proceeds coherently or fragmentarily. These four variables interact dynamically rather than operating independently, and understanding this model enables researchers and policymakers to identify implementation challenges and develop effective strategies for improving implementation understanding and achieving organizational objectives.

Applied to PERUMDA Air Minum Jereukom, unclear communication could leave employees without a clear understanding of data or operational standards; resource limitation could constrain otherwise committed staff; weak disposition could leave standard operating procedures inconsistently enforced; and

unclear bureaucratic structure could leave coordination between the company and regional government fragmented. The Edward III model accordingly helps this study understand that BUMD-policy-implementation success is determined not by regulatory existence alone but by the interaction among people, organization, procedure, and institutional support, positioning PERUMDA's management as a public-policy-implementation process rather than merely a corporate operational matter. A complementary perspective is offered by Van Meter and Van Horn's implementation model, which similarly emphasizes policy standards and objectives, inter-organizational communication, implementing-agency characteristics, and economic, social, and political conditions as shaping implementation outcomes, reinforcing the multidimensional character of policy-implementation analysis this study pursues.

2.3 BUMD Policy in Indonesia

BUMD policy in Indonesia is governed principally through Law No. 23 of 2014 on Regional Government and Government Regulation No. 54 of 2017 on Regionally Owned Enterprises, which affirm that BUMD establishment must pursue regional economic benefit, quality public-goods and service provision, and profit generation to strengthen PAD. Good corporate governance, encompassing transparency, accountability, responsibility, independence, and fairness, constitutes a normative expectation for BUMD management, positioning these enterprises simultaneously as commercial entities and instruments of public policy (Alika et al., 2025). Within the water-utility sector specifically, this dual mandate generates a structural tension: water tariffs must remain affordable and socially equitable, yet the enterprise is simultaneously expected to generate surplus contributing to regional revenue, a tension this study's findings document concretely within Merauke Regency's context.

2.4 Financial Sustainability and the Public-Service Mandate in Local Water Utilities

Local water utilities occupy a distinctive position within the broader BUMD landscape because their core commodity, potable water, is simultaneously a basic human right and a billable commercial product, a duality that shapes their financial trajectory in ways not fully captured by generic BUMD-performance literature. International development literature on water-utility governance similarly emphasizes that financial sustainability in this sector cannot be pursued through tariff policy alone; it depends jointly on non-revenue-water reduction, billing-collection efficiency, and asset-maintenance investment, since a utility losing a large share of its treated water to leakage or unbilled consumption effectively subsidizes that loss through revenue foregone rather than through any transparent budget line (AbuEltayef et al., 2023). Evidence from Indonesia's own capital-city utility corroborates this pattern: even where a formal non-revenue-water reduction mandate and an expanding toolkit of digital monitoring tools exist, persistently high non-revenue water tends to reflect governance and financing gaps, not merely a

shortage of technical devices, underscoring that institutional coordination is as decisive as engineering capacity in determining whether loss-reduction investment translates into improved financial performance (Wirahadikusumah et al., 2026). This framing is directly relevant to PERUMDA Air Minum Jereukom's case, in which, as this study's findings document, technical loss and collection inefficiency, rather than tariff level alone, constitute the more proximate drivers of the company's financial position.

A further relevant strand of literature concerns the accounting treatment of accumulated deficit in state-owned and regionally owned enterprises. Where an enterprise carries forward a substantial negative retained-earnings balance, prevailing accounting practice, and frequently the enterprise's own founding regulation, requires that balance be offset before profit distribution to shareholders, in this case, the regional government, can occur. This structural feature means that an enterprise's current-year profitability and its capacity to contribute to public revenue are analytically distinct questions, a distinction this study's financial-statement analysis addresses directly and one with particular relevance for evaluating young or recently restructured BUMD, such as PERUMDA Air Minum Jereukom, whose transformation from PDAM status in 2018 inherited a legacy financial position still being worked through in the years examined by this study.

2.5 Corporate Governance in Regionally Owned Water Enterprises

Good corporate governance in the BUMD context encompasses five interrelated principles widely referenced in Indonesian regulatory and academic discourse: transparency, requiring that material financial and operational information be disclosed accurately and accessibly to stakeholders including the regional government as capital owner; accountability, requiring clear delineation of responsibility among the Supervisory Board, Board of Directors, and operational management; responsibility, requiring compliance with prevailing law and sound corporate-citizenship practice; independence, requiring that management decisions be made professionally, free from inappropriate external pressure; and fairness, requiring equitable treatment of stakeholder interests, including both the regional government's fiscal expectations and customers' service entitlements (Alika et al., 2025). Applied to a water utility specifically, these principles translate into concrete expectations regarding tariff-setting transparency, asset-condition disclosure, customer-complaint accountability, and balanced pursuit of commercial and social objectives, expectations directly relevant to interpreting this study's findings on PERUMDA's governance structure and its documented tension between social mandate and profitability demand.

2.6 Prior Research

Table 2 summarizes prior studies most directly relevant to this study's focus on BUMD-policy implementation and its contribution to regional revenue and public service.

Table 2. Summary of Prior Studies on BUMD-Policy Implementation and Regional Contribution

Study	Focus / Location	Key Finding
Anwar et al. (2025)	BUMD establishment policy, mining-concession region	BUMD establishment is regarded as a PAD-improvement strategy, though many BUMD lack healthy financial performance owing to weak policy planning and oversight.

Pratama et al. (2025)	BUMD mentoring, Tuban Regency	Regional-government mentoring of BUMD remains suboptimal, yielding relatively small PAD contribution and widespread operating loss.
Firdaus & Saiman (2024)	BUMD contribution to regional development acceleration, Yogyakarta Special Region	BUMD contribution to national PAD generally remains below 10 percent of total regional revenue.
Putra et al. (2021)	BUMD establishment-policy evaluation, West Sumatra Province (PT Balairung Citrajaya Sumbar)	Policy evaluation reveals gaps between BUMD establishment objectives and realized regional economic contribution.
Hidayatullah & Noer (2019)	BUMD recruitment-policy implementation, DKI Jakarta	Policy implementation within BUMD faces bureaucratic and institutional-capacity obstacles affecting policy-objective achievement.

Source: Synthesized by the author from the reviewed literature.

These studies collectively affirm that BUMD-policy-implementation success depends substantially on regional-government institutional capacity, governance quality, and sustained mentoring, while remaining largely concentrated on more economically developed regions. This study extends that literature specifically to a border-region water utility in eastern Indonesia, a locus combination not previously examined in the reviewed comparator studies, while jointly assessing both the fiscal (PAD) and service dimensions of BUMD contribution rather than treating them as separate research questions.

3. Research Methods

3.1 Research Approach

This study employed a qualitative case-study design (Creswell, 2018), selected because the research objective is to obtain an in-depth, contextual understanding of policy implementation within a single, bounded institutional setting, drawing on multiple data sources and stakeholder perspectives, rather than to test statistical relationships among variables.

3.2 Research Focus and Site

The research focus was directed at PERUMDA Air Minum Jereukom's policy implementation under Merauke Regency Regulation No. 5 of 2018, examined across Edward III's four implementation variables, alongside the company's contribution to PAD and public water service and the factors supporting and hindering that implementation. The study was conducted in Merauke Regency, South Papua Province, with its primary institutional locus at PERUMDA Air Minum Jereukom and relevant regional government agencies engaged in the company's oversight and capitalization.

3.3 Informants

Informants were selected through purposive sampling, drawing on stakeholders directly involved in, or affected by, PERUMDA's policy implementation. Table 3 presents the resulting informant composition, spanning regional-government, corporate, and consumer perspectives to ensure a comprehensive, triangulated account of implementation.

Table 3. Profile of Research Informants

No.	Informant Category	Position / Role
1	Regional Government	Head of the Economic Affairs Division, Regional Secretariat, Merauke Regency
2	Regional Government	Head of the Regional Finance and Asset Agency (BKAD)
3	Regional Government	Head of the Regional Development Planning Agency (Bappeda)
4	Regional Government	Member, Merauke Regency DPRD (Economic and Finance Commission)
5	BUMD	President Director, PERUMDA Air Minum Jereukom
6	BUMD	Supervisory Board Member, PERUMDA Air Minum Jereukom
7	BUMD	Operations Manager / Administrative Staff
8	Community / Consumer	Customer

Source: Compiled by the researcher, 2025.

3.4 Data Collection Technique

Data were collected through in-depth interviews with the eight informants listed in Table 3; review of regulatory documents, including Merauke Regency Regulation No. 5 of 2018, capital-participation regulation, and Regent Regulation on capital-disbursement procedure; review of PERUMDA's 2025-2029 Business Plan, financial statements, and internal operating

procedures; and direct observation of company operation and customer-service interaction.

3.5 Data Analysis Technique

Data were analyzed using the interactive qualitative model of Miles, Huberman, and Saldaña (2014), comprising data condensation, data display, and conclusion drawing and verification, organized around Edward III's four implementation dimensions, complemented by document-based financial and

operational-performance analysis to triangulate interview findings against the company's own quantitative records.

4. Results

4.1 Institutional Context

PERUMDA Air Minum Jereukom was established under Merauke Regency Regulation No. 5 of 2018, transforming the prior regional water utility (PDAM) into a Perusahaan Umum Daerah structure intended to grant the enterprise greater managerial independence and clearer orientation toward both service delivery and business performance. The company's governance structure comprises the Regent as capital-ownership authority (Kuas a Pemilik Modal, KPM), a Supervisory Board, a Board of Directors, and internal operational units, formalizing a bureaucratic structure consistent with Edward III's structural variable.

4.2 Communication

Field data indicate that policy communication has proceeded through coordination among the Regional Government, Supervisory Board, Board of Directors, PERUMDA employees, and customers, encompassing regulatory socialization,

coordination meetings, and administrative correspondence regarding capital participation, tariff policy, and business planning. Communication has accordingly established a functioning transmission channel consistent with Edward III's communication variable, though this communication remains predominantly administrative in character and has not yet been fully reinforced by an integrated data system encompassing customer records, network infrastructure, and asset condition, a gap with direct implications for planning accuracy and inter-agency coordination discussed further below.

4.3 Resources

PERUMDA's resource base encompasses personnel, organizational structure, service network, administrative procedure, and regional-government support, yet field data indicate that these resources remain insufficient relative to operational need. Table 4 summarizes selected technical and financial performance indicators drawn from the company's 2025-2029 Business Plan and financial statements, illustrating the resource and capacity constraints shaping implementation.

Table 4. Selected Technical and Financial Performance Indicators of PERUMDA Air Minum Jereukom

Indicator	Value	Year
Total revenue	IDR 9,947,126,277	2025
Net profit	IDR 1,173,537,361	2025
Net profit (comparison)	IDR 1,220,675,100	2024
Retained earnings (deficit)	IDR (22,985,038,572)	31 Dec 2025
Retained earnings (deficit), prior year	IDR (24,158,575,933)	31 Dec 2024
Dividend distribution	Nil	2024 and 2025
Household connections	3,291	2025
Population served	17,765 (approx. 16% of 103,700 IKK population)	2025
Real Demand Survey interest in service	96% of respondents	Business Plan period
Water production realization vs. installed capacity	Approximately 52%	Business Plan period
Non-revenue water (water loss)	Approximately 45%	Business Plan period
Customer satisfaction with water quantity	Approximately 65%	Business Plan period
Customer satisfaction with continuity	Approximately 60%	Business Plan period
Billing efficiency	68%	Business Plan period
Average billing receivable period	65 days	Business Plan period
Service-area population coverage (administrative)	9.65% (22,290 of administrative population)	Business Plan period
Service-area population coverage (within piped-network area)	91.78% of population within network reach	Business Plan period

Source: PERUMDA Air Minum Jereukom 2025-2029 Business Plan and 2024-2025 financial statements, processed by the researcher (2026).

Table 4 reveals a structurally significant pattern: PERUMDA generated a net profit of IDR 1,173,537,361 in 2025, yet dividend distribution remained nil in both 2024 and 2025, and the company's retained-earnings position remained substantially negative, at IDR

22,985,038,572 in deficit as of December 2025, though improved from the prior year's IDR 24,158,575,933 deficit. This pattern indicates that positive operating profitability has not yet translated into direct fiscal contribution to the regional treasury, since accumulated historical losses must first be absorbed before dividend distribution becomes financially viable. Operationally, the 45 percent non-revenue water rate and 52 percent production-realization rate relative to installed capacity indicate substantial

technical and infrastructural constraint, consistent with informant accounts of aging pipes, inadequate treatment capacity, and uneven distribution.

Regarding human-resource competency specifically, informants indicated that while the company maintains a functioning organizational structure and administrative procedure for cash receipt, daily cash reporting, and monthly financial-reporting, technical staff capacity in water-network engineering, treatment operation, and digital-system management requires strengthening, and the company had not yet adopted a regional asset-management system or a non-cash payment application to accelerate customer service.

Beyond staffing and infrastructure, resource constraint is further reflected in PERUMDA's physical asset inventory. Field observation and documentary review indicate that a meaningful share of the company's transmission network, including sections dating to the Dutch colonial era, remains in service well beyond its intended operational lifespan, alongside water towers and reservoirs at several distribution points assessed by informants as no longer fit for reliable use. This aging infrastructure interacts directly with the 45 percent non-revenue-water figure documented in Table 4, since older pipe material is both more prone to leakage and more difficult to monitor using PERUMDA's current, largely manual asset-tracking approach. Informants further noted that the company has not yet adopted geographic information system (GIS) mapping for its distribution network, a gap that compounds the data-integration weakness identified under the communication variable and limits the precision with which leak-prone segments can be prioritized for replacement within the constrained capital budget available.

4.4 Disposition

Field data indicate broadly positive disposition among implementers. The Board of Directors, notwithstanding acknowledged facility limitations, described active efforts to serve customers and respond to complaints: "with our very limited facilities, facilities that need repair and renewal, we can still serve customers. But we cannot yet provide 100 percent optimal service. At least we have been able to serve around 70 to 80 percent of customers... whenever there is a complaint, we follow up immediately" (Board of Directors, PERUMDA Air Minum Jereukom, interview, May 19, 2026). Regional-government informants similarly described sustained institutional commitment, reflected in planned annual capital participation, infrastructure development coordination through the Public Works Office, and periodic monitoring and evaluation grounded in minimum-service standards. This disposition, however, operates within evident capacity constraints, since the Board's own account of serving only 70 to 80 percent of customers indicates that positive commitment has not yet fully translated into comprehensive service delivery.

4.5 Bureaucratic Structure

PERUMDA's bureaucratic structure, formalized through the Regent as capital-ownership authority, a Supervisory Board, a Board of Directors, and internal operational divisions, provides a clear formal accountability chain consistent with Edward III's structural variable. Field data indicate, however, that coordination, decision-making, reporting, and program follow-up across this structure continue to proceed slowly, and are not yet supported by a fully integrated working system linking the company's operational data with regional-government planning and oversight

functions, a gap directly relevant to the data-integration constraint identified under the communication variable above.

4.6 Contribution to Local Revenue and Public Service

PERUMDA's contribution to Merauke Regency can be read across two interrelated dimensions: economic contribution to PAD and social contribution through public water-service delivery. Regarding PAD, capital-participation regulation explicitly frames government capital injection as intended to strengthen the company's capacity to expand service coverage, improve management quality, and generate revenue for the regional treasury; regional-government informants likewise understand PERUMDA as a business entity expected to eventually remit dividends, reducing regional dependence on central transfer funds. As documented in Table 4, however, this contribution remains potential rather than realized: the company's positive 2025 net profit has not yet generated dividend distribution, given the continuing need to offset accumulated historical losses.

Regarding public service, PERUMDA's 2025-2029 Business Plan articulates a vision of becoming a healthy, excellent, and competitive regional water company, pursued through improved quantity, quality, and continuity of service; healthy corporate governance; strengthened human-resource professionalism; and optimal contribution to regional development. Consistent with Table 4's coverage figures, this vision remains only partially realized: household connections reached 3,291 in 2025, serving approximately 17,765 residents, or roughly 16 percent of Merauke's IKK-area population of 103,700, notwithstanding a Real Demand Survey showing 96 percent of surveyed residents interested in becoming PERUMDA customers, particularly in Tanah Miring and Semangga Districts, where residents continue to rely on rainwater, artificial reservoirs, bottled water, and water-tanker delivery. Consumer-informant accounts corroborate this mixed picture: while some customers described service as reasonably satisfactory, others reported irregular flow scheduling, occasional reddish or turbid water color, algae or sediment presence, and pipe leakage, with complaint follow-up generally occurring, though with variable resolution time, "sometimes a week, but if possible as soon as possible" (Consumer B, interview, May 21, 2026).

Taken together, these findings indicate that PERUMDA's revenue and service contributions are mutually reinforcing rather than separable: improved billing efficiency, reduced water loss, expanded coverage, and strengthened water quality would simultaneously improve both the company's capacity to remit dividends and its fulfillment of its public-service mandate, while continued underinvestment in either dimension constrains progress on both.

Beyond the aggregate figures reported above, informant accounts suggest that PERUMDA's revenue and service performance further vary geographically within Merauke Regency itself, with customers in the core service area surrounding the regency capital generally reporting more consistent supply and faster complaint resolution than residents in outlying, more recently connected sections of the network. This within-regency variation is consistent with the broader pattern documented in Table 4, where citywide averages for continuity satisfaction (approximately 60 percent) and quantity satisfaction (approximately 65 percent) likely mask meaningfully better performance in mature, centrally located network segments and correspondingly weaker performance at the

network's expanding periphery, a distributional nuance this study's qualitative design can identify but not precisely quantify, and one future research employing spatially disaggregated customer survey data could usefully resolve.

4.7 Cross-Cutting Pattern across the Four Edward III Variables

Reading Sections 4.2 through 4.6 together reveals a consistent cross-cutting pattern: each Edward III variable exhibits a favorable formal or procedural dimension alongside an unresolved substantive gap. Communication channels exist but lack integrated data; resources are organizationally present but technically insufficient, evidenced by the 45 percent non-revenue water and 52 percent production-realization figures in Table 4; disposition is

positive but operationally bounded, reflected in the Board's own acknowledgment of serving only 70 to 80 percent of customers; and bureaucratic structure is formally clear but procedurally slow. This recurring form-versus-substance gap across all four variables simultaneously suggests that PERUMDA's implementation challenge is not concentrated in any single Edward III dimension but reflects a broader institutional maturation process still underway following the company's 2018 establishment, a pattern explored further in the Discussion section below.

4.8 Supporting and Inhibiting Factors

Table 5 summarizes the principal factors identified as supporting PERUMDA-policy implementation, while Table 6 summarizes the principal inhibiting factors.

Table 5. Factors Supporting PERUMDA Air Minum Jereukom Policy Implementation

No.	Supporting Factor	Description
1	Clear legal foundation	Regency Regulation No. 5 of 2018 and supporting regulation on capital participation and disbursement provide a clear regulatory basis for PERUMDA's establishment and management
2	Planned regional capital participation	The Regional Government has planned annual capital injection of IDR 1,000,000,000 through 2030 to support business development
3	Regional-government commitment	Sustained commitment reflected in capital strengthening, infrastructure development coordination, and periodic monitoring and evaluation
4	Substantial customer-development potential	Business-plan projections identify potential expansion from 3,323 to 5,553 connections across several service blocks, including over 1,600 prospective new connections in Semangga District
5	Increasingly structured administrative and financial procedure	Documented procedures for cash receipt, daily cash reporting, and monthly financial reporting provide an administrative basis for financial governance
6	Clear corporate vision and mission	The 2025-2029 Business Plan articulates a dual orientation toward service improvement and regional-development contribution

Source: Field interviews and documentation, compiled by the researcher (2026).

Table 6. Factors Inhibiting PERUMDA Air Minum Jereukom Policy Implementation

No.	Inhibiting Factor	Description
1	Regional budget constraint	Regional government must prioritize other sectors, such as education and health, limiting capital-participation allocation
2	Suboptimal capital-participation realization	Despite planned annual disbursement, PERUMDA had not yet formally proposed capital disbursement at the time of the study
3	Slow bureaucratic process	Tariff approval, capital participation, and asset restructuring are constrained by lengthy administrative and legislative-executive procedure
4	Weak data integration	The absence of an integrated customer, network, and asset database between PERUMDA and regional government complicates network-expansion planning and low-income subsidy targeting
5	Physical infrastructure limitation	Aging water towers, reservoirs, and pipes, including infrastructure dating to the Dutch colonial period, require replacement; digital and non-cash payment systems remain unadopted
6	Low technical and service efficiency	Approximately 52% production realization, 45% non-revenue water, 68% billing efficiency, and a 65-day average receivable period, alongside the absence of a customer communication forum
7	Limited service coverage	Only 9.65% of the administrative-area population is served, despite 91.78% coverage within the existing piped-network area

8	Tension between social mandate and profitability demand	Tariff increases intended to strengthen revenue face external resistance rooted in affordability and the company's social function
9	Accumulated corporate loss	A substantial negative retained-earnings position constrains the company's capacity to remit dividends despite positive current-year profit

Source: Field interviews and documentation, compiled by the researcher (2026).

5. Discussion

5.1 A Dual Mandate under Strain: Reading PERUMDA through Edward III

Read through Edward III's four-variable framework, PERUMDA Air Minum Jereukom's implementation presents a case of generally functional formal structure, communication, and disposition operating against a backdrop of severe resource and structural constraint. Communication channels exist and disposition is broadly positive, yet these favorable conditions have not been sufficient to overcome the resource limitations, aging infrastructure, and accumulated financial deficit documented in Table 4. This pattern suggests that Edward III's variables, while all present in some functional form, are not equally weighted in their effect on outcomes: in this case, resource adequacy, particularly capital and infrastructure condition, functions as the binding constraint on both revenue contribution and service quality, with the other three variables operating in a broadly supportive but ultimately insufficient role, a pattern consistent with broader evidence that inadequate budgetary and human-resource capacity, rather than policy design itself, is often the binding constraint on Indonesian public-service implementation (Hutagalung et al., 2021).

5.2 The Data-Integration Gap as a Cross-Cutting Constraint

The absence of an integrated customer, network, and asset database between PERUMDA and regional government emerges as a constraint touching multiple Edward III dimensions simultaneously: it limits communication effectiveness, since planning decisions must proceed without a shared factual basis; it constrains resource allocation, since capital-participation targeting cannot be fully evidence-based; and it weakens bureaucratic-structure coordination, since inter-agency decision-making lacks a common data reference. This finding suggests that data integration, though seemingly a technical matter, functions as a structural precondition for improving performance across the other three Edward III variables, a priority-setting implication with direct relevance for the recommendations offered below. This is consistent with broader public-administration scholarship holding that inter-agency data synergy, rather than institutional structure alone, is what allows network-based governance to function effectively and avoid duplicated or fragmented service delivery (Sheremetyeva et al., 2025).

5.3 Profitability without Fiscal Contribution: A Structural Reading of PERUMDA's Financial Position

This study's central financial finding, positive 2025 net profit of IDR 1,173,537,361 alongside nil dividend distribution and a substantial negative retained-earnings position, illustrates a structural feature of loss-recovery accounting directly relevant to policy-implementation analysis: a BUMD can be operationally profitable in a given year while remaining fiscally unable to contribute to PAD, since accumulated historical deficit must first

be offset. This finding refines the common policy expectation that BUMD profitability automatically translates into dividend contribution, showing instead that historical financial health, not merely current-year performance, determines a water utility's near-term capacity to fulfill its revenue mandate. This reading is consistent with regional-government informants' own understanding that PERUMDA's PAD contribution remains "potential and gradual, rather than fully maximized," a characterization this study's financial data substantiate directly.

5.4 Technical Inefficiency as the Root of the Revenue-Service Trade-off

The technical performance indicators summarized in Table 4, 45 percent non-revenue water, 52 percent production realization, and 68 percent billing efficiency, collectively indicate that a substantial share of PERUMDA's water production and billable revenue is lost before reaching either customers or the company's accounts. This finding suggests that the apparent tension between PERUMDA's social mandate and profitability demand, identified by informants as a persistent dilemma, is not solely a matter of tariff policy but is substantially rooted in technical inefficiency: reducing non-revenue water and improving billing efficiency would simultaneously expand the population served and strengthen revenue, without requiring the politically sensitive step of raising tariffs, a reframing with direct practical significance for how the Regional Government and PERUMDA should prioritize investment. This mirrors evidence from Jakarta's own water utility, where non-revenue water has remained persistently high across nearly a decade despite an expanding toolkit of digital monitoring tools, underscoring that loss reduction depends on sustained governance and financing follow-through rather than technology adoption alone (Wirahadikusumah et al., 2026).

5.5 Comparison with Prior Studies

These findings both corroborate and extend the prior literature summarized in Table 2. Consistent with Anwar et al. (2025) and Pratama et al. (2025), this study confirms that BUMD profitability and PAD contribution do not automatically follow from BUMD establishment alone, but depend on sustained governance quality and regional-government mentoring. Consistent with Firdaus and Saiman's (2024) finding that BUMD contribution to national PAD generally remains below 10 percent, this study's documentation of nil dividend distribution despite positive operating profit offers a specific, mechanism-level explanation, accumulated loss recovery, for why such underperformance persists even where current profitability exists. The study extends this literature by jointly examining fiscal and service-delivery dimensions within a single water-utility case in Indonesia's eastern border region, a combination of locus and dual-outcome focus not present in the reviewed comparator studies, and by identifying technical inefficiency, rather than tariff policy alone, as the more tractable lever for improving both outcomes simultaneously.

These findings also align with studies applying Edwards' framework to other Indonesian public-service settings. Research on disability-workforce recruitment policy within DKI Jakarta-owned

enterprises similarly identifies communication clarity and bureaucratic-structure responsiveness as decisive implementation variables (Hidayatullah & Noer, 2019; Hidayatullah et al., 2022), while research on village-fund management policy in Bone Bolango Regency likewise finds that communication, resources, disposition, and bureaucratic structure jointly determine implementation success (Mohi et al., 2022). The consistency of these findings across markedly different policy domains, workforce recruitment, fiscal management, and public utility service, lends further support to the model's applicability across Indonesia's decentralized-governance landscape.

5.6 Institutional Legacy: The PDAM-to-PERUMDA Transition as an Explanatory Variable

Read alongside the financial-sustainability literature discussed in Section 2.4, PERUMDA Air Minum Jereukom's 2018 transformation from PDAM status offers an additional interpretive layer for this study's central financial finding. Institutional transformation of this kind typically carries forward the predecessor entity's accumulated financial position, including historical operating deficit accrued under a different governance and accountability structure, even as the new entity is expected to operate under stronger commercial and public-accountability norms. This study's documentation of a still-substantial negative retained-earnings balance in 2024 and 2025, six and seven years after the PDAM-to-PERUMDA transition, suggests that the institutional legacy of the pre-2018 period continues to shape the company's present-day capacity to fulfill its PAD mandate, a temporal dimension that a single cross-sectional financial snapshot would not reveal, and one with direct relevance for calibrating realistic near-term expectations of the company's dividend-contribution trajectory.

5.7 Border-Region Context: A Distinctive Institutional Setting

Finally, this study's setting in Merauke Regency, one of Indonesia's border regions within the newly established South Papua Province, warrants explicit interpretive attention. Consistent with the research gap identified in Section 1, most prior BUMD-implementation research concentrates on more economically developed regions with denser institutional infrastructure and stronger fiscal capacity. PERUMDA Air Minum Jereukom's implementation challenges, aging infrastructure inherited from a prior governance era, dependence on a single vulnerable water source, dispersed and growing settlement patterns, and constrained regional-budget capacity competing against education and health priorities, are plausibly more acute in this setting than they would be in a more centrally located, better-resourced regency. This contextual specificity does not diminish the generalizability of this study's Edward III-based analytical findings, but it does suggest that the particular severity of the resource constraint identified as this study's binding implementation variable may itself be a function of Merauke's border-region status, a hypothesis future comparative research, as recommended below, could usefully test.

6. Conclusion

6.1 Summary of Findings

This study examined the implementation of Merauke Regency Regulation No. 5 of 2018 concerning PERUMDA Air Minum Jereukom using George C. Edward III's policy implementation model. On communication, coordination has proceeded through

formal channels among regional government, the Supervisory Board, the Board of Directors, employees, and customers, though data integration remains weak. On resources, the company possesses functioning organizational structure and administrative procedure, yet faces substantial capital, technical, and infrastructural constraint, evidenced by 45 percent non-revenue water, 52 percent production realization, and aging distribution infrastructure. On disposition, implementers demonstrate positive commitment, reflected in sustained capital-participation planning and complaint-response effort, though constrained by acknowledged service-coverage limitation. On bureaucratic structure, formal accountability lines are clearly established, though inter-agency coordination and decision-making remain slow and insufficiently data-supported. PERUMDA's contribution to PAD remains potential rather than realized, given nil dividend distribution despite positive 2025 net profit of IDR 1,173,537,361, constrained by a negative retained-earnings position of IDR 22,985,038,572. Its public-service contribution is evident, serving approximately 16 percent of the IKK-area population against 96 percent expressed demand interest, but remains uneven across coverage, water quality, continuity, and complaint responsiveness.

6.2 Theoretical Implications

This study reinforces Edward III's proposition that communication, resources, disposition, and bureaucratic structure jointly determine implementation success, while extending the model by demonstrating that these four variables are not equally weighted, resource and infrastructure adequacy functioning here as the binding constraint despite broadly favorable communication and disposition conditions. The study further contributes to BUMD-policy-implementation literature by documenting, through detailed financial-statement analysis, the specific accounting mechanism, accumulated loss recovery, through which positive current-year profitability can coexist with nil fiscal contribution, a nuance with relevance for evaluating similarly structured regional water utilities elsewhere in Indonesia. Finally, the study demonstrates that revenue contribution and public-service quality in local water enterprises are not separable analytical categories but are jointly shaped by the same underlying technical-efficiency conditions.

6.3 Practical Implications

For the Merauke Regency Government, the findings support directing capital participation toward the most urgent, service-impactful needs, replacing aging pipes, repairing distribution networks, reducing water loss, and building or strengthening water-treatment installations, positioning budget support as basic-service investment rather than merely a regional-budget burden; strengthening cross-agency coordination among the capital-ownership authority, the Supervisory Board, PERUMDA's Board of Directors, the Economic Affairs Division, BKAD, the Public Works Office, and the Legal Division to ensure more integrated capital-participation, asset-management, network-development, and performance-oversight policy. For PERUMDA Air Minum Jereukom, the findings support strengthening internal governance by consistently implementing, periodically evaluating, and linking existing SOPs to employee and service-performance indicators; prioritizing technical-infrastructure rehabilitation, including pipe replacement, leak management, pumping-system strengthening, and water-treatment-quality improvement; accelerating service digitalization and data integration across customer, asset, network, complaint, and billing records; strengthening human-resource capacity through field-need-aligned training in network

engineering, water treatment, customer service, meter reading, billing, financial administration, and digital-system use; and improving proactive customer communication regarding water-flow schedules, distribution disruption, pipe repair, and complaint-resolution status. For strengthening PAD contribution specifically, the findings support prioritizing service-quality improvement, customer-base expansion, operational efficiency, water-loss reduction, and billing-system improvement over tariff increases or dividend demands alone, so that PAD contribution grows on a healthier, more sustainable basis. For customers, the findings support active participation in network protection, leak reporting, timely bill payment, and complaint submission through official channels, recognizing that water-service success depends on cooperation between provider and customer alike.

6.4 Toward an Integrated Investment Sequencing Strategy

Synthesizing the practical implications above, this study suggests that the Regional Government and PERUMDA would benefit from an explicitly sequenced investment strategy rather than parallel, undifferentiated effort across all identified inhibiting factors simultaneously. Given this study's finding that technical inefficiency, specifically non-revenue water and billing-collection gaps, functions as the more tractable and politically less sensitive lever for improving both revenue and service outcomes, an initial investment phase concentrated on leak detection, pipe-segment prioritization through basic network mapping, and billing-system digitization would plausibly generate measurable improvement in both dividend capacity and service continuity within a shorter time horizon than infrastructure-wide replacement alone. A subsequent phase, once technical efficiency gains are realized and partially self-financing through reduced water loss, could then address broader network expansion into underserved districts such as Tanah Miring and Semangga, where the Real Demand Survey documents substantial latent customer demand. This sequencing logic is offered as a practical extension of this study's findings rather than a formally tested intervention, and would benefit from the kind of longitudinal tracking recommended in Section 6.5 below.

6.5 Limitations of the Study

This study is subject to several limitations. First, it is confined to a single regionally owned enterprise in a single regency, meaning its findings cannot be generalized to other regions' water-utility BUMD implementation without further comparative research. Second, the qualitative case-study design, involving eight informants, privileges contextual depth over statistical generalization, meaning the patterns identified should be read as context-grounded findings specific to Merauke's institutional, geographic, and socioeconomic conditions. Third, the study centers on the perspectives of regional government, corporate management, and a limited customer sample; it does not employ a systematic quantitative customer-satisfaction survey that could more precisely weight the relative severity of the service concerns identified qualitatively.

6.6 Recommendations for Future Research

Future research could extend this study through quantitative performance evaluation, systematic customer-satisfaction analysis, tariff-feasibility analysis, or water-loss analysis, providing more precise, measurable complements to this study's qualitative findings. Comparative research examining PERUMDA or PDAM performance across multiple regions, particularly other border and

eastern Indonesian regencies facing comparable geographic and fiscal constraints, would help determine whether the technical-inefficiency-driven revenue-service trade-off identified here reflects a broader regional pattern. Future studies might also examine in greater depth the specific relationship between infrastructure investment, service-quality improvement, and PAD growth over a longer observation period, tracking whether planned capital participation through 2030 measurably shifts PERUMDA's financial and operational indicators.

Taken as a whole, the Merauke Regency case suggests that a regional water utility's contribution to local revenue cannot be pursued independently of its public-service performance, since both outcomes are shaped by the same underlying technical, financial, and institutional conditions, underscoring that sustainable PAD growth through a BUMD water enterprise depends on prioritizing infrastructure investment, technical efficiency, and public trust ahead of, or at minimum alongside, direct fiscal-contribution demands.

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