

# Strategy for Formulating Regional Development Policies in Enhancing Local Leading Potentials in Labuhanbatu Utara Regency

Afif Prasetyo, Cut Nuraini

## Abstract

This study aims to analyze strategies for formulating regional development policies in optimizing the leading potentials of Labuhanbatu Utara Regency. The research employed a descriptive qualitative method, with data collected through in-depth interviews, participatory observation, and document studies. The findings reveal that Labuhanbatu Utara Regency possesses several leading potentials in agriculture, plantations, fisheries, tourism, and small–medium industries; however, their utilization remains suboptimal due to constraints in planning, coordination, human resource capacity, and technological access. Effective policy formulation strategies include mapping leading potentials, designing evidence-based and community-oriented policies, enhancing human resource capacity, strengthening stakeholder coordination, and adopting adaptive planning responsive to external changes. Properly implemented policies can accelerate economic growth, generate employment, and enhance community welfare sustainably while strengthening the region's competitiveness.

**Keywords:** *Regional Development Policy, Leading Potential, Development Strategy, Economic Growth, Community Welfare*

Afif Prasetyo<sup>1</sup>

<sup>1</sup>Master of Urban and Regional Planning, Universitas Pembangunan Panca Budi, Indonesia  
e-mail: [prasetyoafif@gmail.com](mailto:prasetyoafif@gmail.com)<sup>1</sup>

Cut Nuraini<sup>2</sup>

<sup>2</sup>Master of Urban and Regional Planning, Universitas Pembangunan Panca Budi, Indonesia  
e-mail: [cutnuraini@dosen.pancabudi.ac.id](mailto:cutnuraini@dosen.pancabudi.ac.id)<sup>2</sup>

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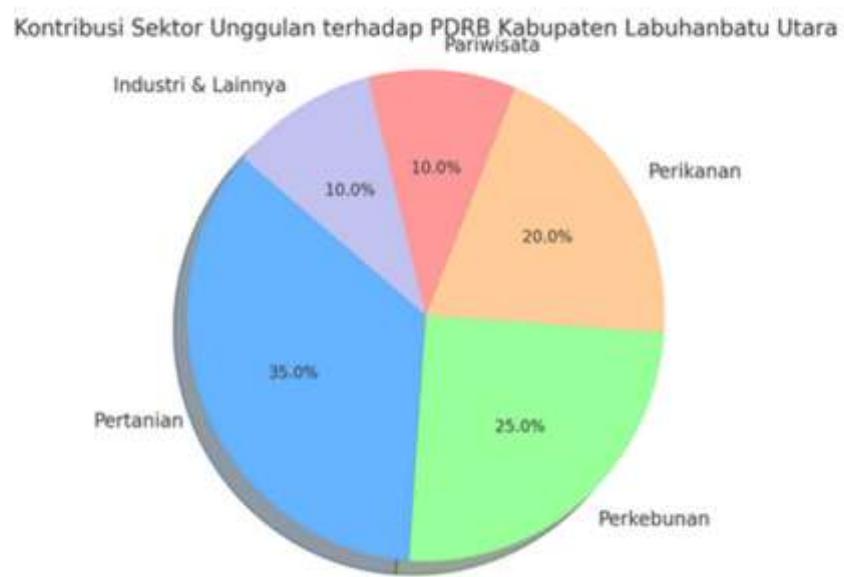
## Introduction

Labuhanbatu Utara Regency, located in North Sumatra Province, is endowed with diverse natural and human resources. These resources encompass agriculture, fisheries, plantations, and tourism sectors, each holding significant potential to be developed as the region's competitive advantage. However, the utilization of these leading potentials has not yet reached its full capacity. Several factors contribute to this situation, including limited strategic planning, weak inter-agency coordination, and the suboptimal implementation of regional development policies that are less responsive to community needs and local conditions.

Effective regional development requires a well-structured and contextually grounded policy formulation process. Policies that are not integrated or data-driven often lead to inefficient resource utilization and fail to provide tangible value-added benefits for the community. Moreover, amid the intensifying interregional competition, developing local leading potentials has become a crucial strategy to stimulate local economic growth, create job opportunities, and improve community welfare.

Furthermore, global challenges such as climate change, commodity price fluctuations, and investment competition demand more innovative and adaptive regional policy-making. Thus, strategies that are based on the identification of local potentials, community needs assessments, and strong synergy among stakeholders are essential. Such approaches not only promote sustainable economic growth but also strengthen Labuhanbatu Utara Regency's position as a competitive region at the regional and national levels.

Accordingly, this study focuses on formulating effective strategies for regional development policy-making, particularly in enhancing the leading potentials of Labuhanbatu Utara Regency. The ultimate goal is to provide policy recommendations that optimize local resource utilization and promote sustainable and equitable regional development.



**Figure 1.** Contribution of Leading Sectors to the GRDP of Labuhanbatu Utara Regency

Figure 1.1 illustrates the contribution of various leading sectors to the Gross Regional Domestic Product (GRDP) of Labuhanbatu Utara Regency. The data reveal that the agricultural sector dominates the regional economy, accounting for 35% of the total GRDP, indicating a high level of dependence on agricultural production. The plantation sector follows with a contribution of 25%, playing a vital role through the cultivation of key local commodities such as palm oil, rubber, and coffee, which serve as the backbone of regional exports. The fisheries

sector contributes 20%, reflecting the significant potential of both marine and inland water resources to strengthen the local economy. Meanwhile, the tourism sector contributes around 10%, a relatively small proportion compared to the primary sectors, yet it holds considerable opportunities for growth, particularly in the areas of nature-based and cultural tourism. The remaining 10% is contributed by industry and other supporting sectors that aid economic diversification and resilience. Overall, the figure underscores the importance of focusing regional development strategies on strengthening agriculture, plantations, and fisheries, while simultaneously promoting tourism and industrial sectors as complementary drivers of inclusive and sustainable economic growth. Current Condition of Leading Potentials

Labuhanbatu Utara Regency possesses various leading potentials across multiple sectors agriculture, plantations, fisheries, tourism, and small-medium industries. Based on the estimated contribution to the Gross Regional Domestic Product (GRDP), agriculture contributes the largest share (35%), followed by plantations (25%), fisheries (20%), tourism (10%), and industry and others (10%). This composition demonstrates that the regional economy remains heavily dependent on agriculture and plantation sectors, while other sectors play relatively minor roles.

This dependence, while indicating strong agricultural potential, also poses economic risks in the event of production or price fluctuations in these primary sectors, which may threaten local economic stability and community welfare. Moreover, the utilization of these potentials remains limited due to the absence of a comprehensive and sustainable development strategy. The local government has not yet established an integrated development plan capable of equitably fostering all leading sectors. Consequently, economic growth remains uneven, with supporting sectors underdeveloped.

Another key challenge lies in the limited capacity of human resources. Local communities often lack the skills and competencies required to manage and innovate within their respective sectors whether in modern agricultural technologies, fisheries management, or tourism development. Additionally, limited access to capital, technology, and supporting infrastructure hinders business development within these sectors.

The lack of coordination among institutions and stakeholders further exacerbates the problem. Weak synergy among the local government, private sector, and community leads to fragmented development efforts and underutilized potentials. As a result, the expected improvement in community welfare has not been fully realized.

This gap between existing potentials and the effectiveness of implemented development policies highlights the urgency of this research. Developing a comprehensive, integrated, and sustainable strategy for policy formulation is vital to unlock the region's leading potentials, ensure equitable economic growth, and improve the standard of living for the community.

## Literature Review

### 2.1 Concept of Regional Development

Regional development is a planned process undertaken by local governments to improve community welfare through the optimal utilization of local resources. According to [1] regional government strategies and policies play a crucial role in supporting regional economic development planning. Local governments are expected to formulate policies aligned with national development objectives through comprehensive regional potential mapping, community engagement, and effective management of local resources.

### 2.2 Development of Regional Leading Potentials

The development of regional leading potentials focuses on sectors that possess both comparative and competitive advantages. [2] emphasizes that the development of Regional Leading Products (RLP) does not solely rely on natural resource potential but also requires supportive policies and active community involvement. Practical recommendations include the

need for local governments to design more inclusive policies, improve infrastructure, and ensure community participation in the RLP development process.

### **2.3 Policy Analysis in Development**

Regional development policy analysis can be conducted using policy analysis frameworks such as those proposed by [3]. This approach involves key stages, including problem identification, policy goal setting, assessment of policy alternatives, evaluation of consequences, and policy implementation and review. Such an analytical framework supports the formulation of more effective strategies for RLP development by considering local contexts and promoting public participation.

### **2.4 The Role of Local Government in Development**

Local governments hold a strategic role in optimizing local economic potential through innovative and sustainable development policies. [4] assert that in the era of regional autonomy, broader authority demands local governments to act not only as administrators but also as facilitators and innovators in formulating adaptive policies that address local needs. The success of local economic optimization is largely determined by institutional capacity, community participation, and the leadership's courage to implement cross-sectoral innovations.

### **2.5 Approaches to Development Planning**

Sound regional development planning serves as the foundation for achieving sustainable development goals. [5] stated that development planning is an initial phase in the overall development process, functioning as a fundamental reference for subsequent implementation. Regional development planning should be both implementable and applicable, tailored to the specific conditions and needs of the respective region.

## **Research Methodology**

### **3.1 Type and Approach of Research**

This study employs a qualitative research design with a descriptive approach. The purpose of this approach is to provide an in-depth understanding of the phenomena related to the strategies for formulating regional development policies in enhancing the leading potentials of Labuhanbatu Utara Regency.

### **3.2 Research Location and Period**

The research was conducted in Labuhanbatu Utara Regency, North Sumatra Province, Indonesia. The study took place from January to June 2025.

### **3.3 Research Focus**

The main focuses of this study are as follows:

1. Strategies for formulating regional development policies in Labuhanbatu Utara Regency.
2. Development of regional leading potentials as the basis for regional development policy.

### **3.4 Data Sources**

This study utilized two types of data sources:

1. Primary Data: Information obtained directly through in-depth interviews with key informants, including local government officials, members of the Regional House of Representatives (DPRD), and community leaders.
2. Secondary Data: Documents related to regional development policies, annual reports, and statistical data from the Regional Development Planning Agency (BAPPEDA) of Labuhanbatu Utara Regency.

### 3.5 Data Collection Techniques

The data collection techniques applied in this research include [6]:

1. In-depth Interviews: Conducted to gather information from key informants regarding strategies for policy formulation and regional potential development.
2. Participatory Observation: The researcher actively participated in activities related to the planning and implementation of development policies.
3. Document Study: Analysis of official documents related to regional development policies.

### 3.6 Data Analysis Techniques

The collected data were analyzed using qualitative data analysis techniques, which include the following stages:

1. Data Reduction: Filtering and selecting relevant information based on the research focus.
2. Data Presentation: Organizing data in an easily comprehensible form such as matrices or diagrams.
3. Conclusion Drawing: Developing conclusions based on the analytical results of the data collected [7].

### 3.7 Data Validation

According to [8] to ensure the validity and reliability of the data, this study employed triangulation techniques, consisting of:

1. Source Triangulation: Comparing information from various sources to ensure data consistency.
2. Method Triangulation: Using multiple data collection methods to obtain more comprehensive information.

### 3.8 Research Ethics

This research adheres to ethical standards, which include:

1. Obtaining permission from relevant authorities before conducting fieldwork.
2. Maintaining the confidentiality of informant identities.
3. Using the collected data solely for research purposes.

## Results

### 4.1 The Development of Leading Potentials in Labuhanbatu Utara Regency

Labuhanbatu Utara Regency possesses a variety of leading potentials that can serve as key drivers of local economic growth, including the sectors of agriculture, plantation, fisheries, tourism, as well as small and medium-scale industries. Based on their estimated contribution to the Regional Gross Domestic Product (GRDP), the agricultural sector dominates with a share of 35%, followed by plantations at 25%, fisheries at 20%, tourism at 10%, and industry and other sectors at 10%. These figures indicate that the regional economy remains highly dependent on a few major sectors—particularly agriculture and plantations—which serve as the backbone of local economic development.

Despite the vast potential, the utilization of these leading sectors has not yet been fully optimized. Several key challenges hinder their effective development. First, there is a lack of well-directed and integrated strategic planning. The local government has not yet been able to formulate development policies that are fully responsive to local conditions and community needs. Consequently, the development of leading potentials remains uneven, resulting in unbalanced regional economic growth.

Second, the limited capacity of human resources serves as a major constraint. The competencies of local communities in managing their leading potentials—such as in adopting modern agricultural technologies, managing fisheries, or developing tourism—remain

relatively low. This limitation affects productivity, innovation, and the competitiveness of local industries.

Third, restricted access to financial capital, modern technology, and supporting infrastructure poses significant challenges for entrepreneurs and local businesses. Many enterprises struggle to secure adequate funding or technological support, preventing them from expanding and optimizing their operations.

Fourth, coordination among institutions and stakeholders remains weak. Synergy between local government, private sectors, and communities in planning and implementing development programs is still far from optimal. This has resulted in fragmented policies and partial approaches that fail to fully harness the region's economic potential.

In addition, Labuhanbatu Utara Regency faces several external challenges, such as fluctuations in commodity prices, regional competition, and the impacts of climate change. These conditions require the local government to adopt more innovative and strategic measures to ensure economic resilience. Therefore, the development of regional leading potentials must be guided by a comprehensive strategy—one that includes accurate potential identification, human resource capacity building, improved access to capital and technology, and strengthened coordination among stakeholders.

Overall, the current state of leading potential development in Labuhanbatu Utara demonstrates significant economic opportunities but also highlights the need for more strategic and integrated planning to achieve sustainable economic growth and equitable community welfare.

#### 4.2 Challenges Faced by the Local Government in Policy Formulation

The formulation of effective development policies is crucial to maximizing the region's leading potentials. However, the local government of Labuhanbatu Utara faces several obstacles that hinder this process [9].

First, the absence of well-directed, data-driven strategic planning remains a major barrier. Development policies are often designed in a fragmented manner without comprehensive analysis of regional potentials or deep assessment of community needs. As a result, such policies tend to be less responsive to local realities and may lead to inefficient use of available resources.

Second, weak coordination among institutions and stakeholders also poses a serious challenge. Regional development involves multiple actors—including government agencies, private enterprises, and local communities. Without effective coordination, overlapping programs and incoherent policies may emerge, resulting in inefficient implementation and underutilized economic potential.

Third, the limited capacity and technical competence of human resources present another constraint. Both government officials and community members often lack adequate skills in management, strategic planning, or the application of modern technologies across key sectors such as agriculture, fisheries, plantations, and tourism. This deficiency reduces productivity, innovation, and the overall effectiveness of policy implementation.

Fourth, limited access to financial resources, modern technologies, and supporting facilities hinders the growth of leading sectors. Many local entrepreneurs face difficulties in obtaining funding or technological tools that could improve productivity and product quality, thereby restricting the success of existing development policies.

Fifth, external challenges—such as price volatility in commodities, climate change, and interregional competition—require the local government to be more adaptive and innovative in policy formulation. Without strategic foresight, regional potentials may stagnate due to factors beyond the government's direct control.

In summary, these challenges indicate that policy formulation for optimizing leading potentials must involve careful planning, strong coordination, capacity building, and greater

access to financial and technological resources. A comprehensive and strategic approach is essential to enable sustainable economic growth and improve the welfare of the community.

#### 4.3 Strategies for Effective Regional Development Policy

Formulating an effective regional development policy is a crucial step toward maximizing the leading potentials of Labuhanbatu Utara Regency. Such a policy must be based on principles of data-driven planning, community participation, and sustainability [10].

First, comprehensive identification and mapping of leading potentials should serve as the foundation. The local government must conduct in-depth studies of natural resources, human resources, and the economic characteristics of the region. This information is vital for setting priorities in developing key sectors such as agriculture, plantation, fisheries, and tourism according to their respective capacities and potentials.

Second, adopting evidence-based and community-oriented policymaking is essential. This approach requires the evaluation of local needs, infrastructure limitations, and potential risks. Policies grounded in such analyses will be more relevant, targeted, and capable of delivering tangible benefits to the people.

Third, strengthening coordination among institutions and stakeholders is imperative. Effective development strategies rely on collaboration among local government, the private sector, academia, and the community. Through consultation forums, participatory development planning meetings, and collaborative mechanisms, all parties can play an active role in formulating, implementing, and evaluating regional development policies.

Fourth, improving human resource capacity and technological literacy must be an integral component of the strategy. The local government should provide training, technical assistance, and technology transfer programs for local communities and entrepreneurs. Such initiatives can enhance productivity, foster innovation, and drive sustainable economic growth.

Fifth, regional development policies must be flexible and adaptive to external changes. The government needs to design policies that can respond to market dynamics, climate change, and regional competition. This adaptability ensures long-term sustainability and minimizes overreliance on a single economic sector.

By implementing these strategies in an integrated manner, the government of Labuhanbatu Utara Regency can formulate development policies that not only maximize regional potentials but also promote inclusive growth, create job opportunities, and enhance the well-being of its people. This strategic approach will also strengthen the region's competitiveness within the broader regional context.

#### 4.4 How Development Policies Enhance Economic Growth, Employment, and Welfare

Strategically designed development policies that focus on regional leading potentials play a pivotal role in fostering local economic growth. By prioritizing key sectors such as agriculture, plantation, fisheries, and tourism, these policies can significantly increase the productivity of existing resources [11]. Higher productivity, in turn, drives economic expansion, as these sectors contribute greater value-added output and a larger share to the regional GRDP.

Beyond economic growth, effective development policies can also create new employment opportunities. The expansion of leading sectors requires labor across various levels—from production and processing to management and marketing. This not only provides job opportunities for local residents but also enhances community skills through training and capacity-building programs. As a result, income stability and overall living standards improve, contributing directly to social welfare.

Furthermore, policies that emphasize environmental and social sustainability ensure that economic progress does not come at the expense of future generations. The adoption of sustainable resource management practices and environmentally friendly technologies helps

maintain ecological balance while securing long-term productivity. Meanwhile, inclusive and participatory policymaking encourages community engagement, fostering a sense of ownership and shared responsibility for development outcomes [12].

In conclusion, development policies that are data-driven, participatory, and sustainability-oriented can create a virtuous cycle of growth boosting economic expansion, generating employment, and enhancing community welfare. Such approaches not only optimize local resources but also strengthen Labuhanbatu Utara Regency's resilience and competitiveness in facing future economic and social challenges.

## Conclusion

Based on the analysis of leading potential development in Labuhanbatu Utara Regency, several conclusions can be drawn:

### 1. Condition of Leading Potential Development

Labuhanbatu Utara Regency possesses leading sectors such as agriculture, plantation, fisheries, tourism, and small to medium-scale industries. The agricultural sector remains the main contributor to the GRDP. However, the utilization of these potentials is still suboptimal due to limited strategic planning, inadequate human resource capacity, restricted access to finance and technology, and weak inter-institutional coordination.

### 2. Challenges in Policy Formulation

The local government faces challenges including the lack of data-based and community-responsive policy planning, weak coordination among stakeholders, limited human and technological capacity, as well as external challenges such as commodity price fluctuations and climate change.

### 3. Strategies for Effective Policy Formulation

Effective regional development policy requires comprehensive identification of leading potentials, evidence-based and community-oriented policymaking, stronger inter-agency coordination, enhancement of human resource and technological capacity, and adaptive planning responsive to external changes.

### 4. Impact of Policies on Sustainable Development

Strategically designed development policies based on leading potentials can stimulate economic growth, create employment opportunities, and improve community welfare sustainably. This approach also strengthens Labuhanbatu Utara Regency's competitiveness at the regional level and promotes long-term, inclusive, and resilient development.

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