

NATURAL RESOURCES MISMANAGEMENT IN INDONESIA

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Intisari

Makalah ini membahas konflik pengelolaan sumber daya alam dan gagasan membangun mekanisme kontrol untuk menciptakan sistem pengelolaan yang berkelanjutan. Kajian difokuskan pada kontroversi peranan negara yang proporsional dalam menciptakan sistem tersebut. Pengelolaan sumber daya alam di Indonesia telah memicu konflik yang cukup kompleks antara masyarakat sipil, sektor privat, dan negara serta mengancam keberlanjutan pembangunan. Untuk itu, perlu dibangun sistem kontrol melalui pengembangan kesadaran kolektif terhadap isu tersebut. Pengalaman di beberapa negara menunjukkan salah satu pendekatan yang kontekstual untuk membangun kesadaran tersebut adalah melalui pendidikan lingkungan bagi masyarakat.

Kata kunci: konflik pengelolaan, peranan pemerintah, kesadaran kolektif, lingkungan

Introduction

The unawareness that economic development causes complicated environmental problems is one of the serious debates on economic development discourse for many decades (Martinuzen, 1997:143; Weaver, Rock, and Kustener, 1997: 237). Misleading mainstream on the issues overshadows so that people do not realize that unhealthy economic growth through pulling out natural resources exhaustively without paying attention on the future of society jeopardizes ecosystem. Instead, the optimism of economic development perceives technological development that

* Paper ini pernah dipresentasikan dalam seminar internasional mengenai “The Role of Public Administration in Building Harmonious Society“ yang diselenggarakan oleh Network of Asia-Pacific Schools and Institutes of Public Administration and Governance (NAPSIPAG) di Beijing, 5-7 Desember 2005.

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accompanying the high economic performance will resolve the problems. The report of "Limits to Growth" published by the Club of Rome in 1972 convinces global society about the false mainstream. The study confronted critically against the optimism. It concluded that international development since the 1970s has impaired environment outshined the predicted previous studies and threatening the continuous economic development. The Earth Summit in Rio de Janeiro tried to achieve win-win situation on the dilemmatic debate through increasing production and simultaneously upgrade the environment as well as the capacity for long-term development (Martinuzen, 1997: 149-152).

Developing countries react to the debate in different way with that of developed countries. They face different environmental problems stem from different economic situations. Indonesia and other developing countries cope with the scarcity and depletion of natural resources because their economies rely upon natural resources extraction. The decentralized political system in Indonesia reveals more apparently about the significance of natural resources to its economy. Natural resources extraction is still the major sources of economic revenues in numerous autonomous districts throughout the country. The local revenues derive from industrial and trade activities simply belong to view regions. Most of them are in Java. This implies that the territories outside of Java relies their economy on natural resources extraction. During the centralized regime, this phenomenon was less important because central government subsidized the district uniformly. Entering the decentralization period, they have to be self-governing. When the idea of decentralization disseminated, local governments were apprehensive about their local revenues. Economically, most of them do not feel that they were able to get sufficient income (Dwiyanto, ed., 2003: 35). It urges them to think about sources of local revenues and the method to get it. The map of the sources discloses the meaning of natural resources to the districts. Most of rich regions, such as Kutai Kartanegara, get most of the revenue from natural resources extraction.

In this situation, how to govern the extraction of natural resources is a critical matter. Inappropriate governance brings to conflicts of natural resources management. At least there are two types of conflict i.e. conflicts

between local governments and central administration and the other one is conflict between local people, private sector, and local government. In the New Order period, most of local governments that possess abundant natural resources felt they were not benefited from the mechanism of revenue sharing. Due to this issue, numerous provinces such as Papua tried to separate itself from Indonesia or intended to become self-governed territory. Currently, the escalation of these disputes is getting lower because the Indonesian government instituted regulation convincing the righteous system. The second type of disputes, up until now, is still a contentious one and the Indonesian government has not found a comprehensive method to lessen the escalation of the conflict.

Many studies (Aman, 2002; CPPS and UNDP, 2003; Sumarto, 2003; Walhi) portray that natural resources management in Indonesia is loaded with conflict between private sector, local community, and local government. The extraction of natural resources generates externalities manifested in environmental problems (Stiglitz, 2000: 215) that eventually brings about the conflict. This conflict has long time dreadful records. From 1980s, there have been latent conflicts between local communities and business caused by land issues. Dayak Benuaq and Tonyoi, a traditional community in East Kalimantan oppose PT. Kelian Equatorial Mining digging gold in their areas. Dayak Siang, Murung, and Bekumpai, a conservative community in central Kalimantan, have tried to keep their traditional land rights from the illegal occupancy of PT. Indomuro Kencana (Aurora Gold) which is digging gold on their land. Meanwhile, a traditional community in Paser Regency, East Kalimantan, has been trying to retain its rights over traditional land from PT. Kideco Jaya. The other case, Amungme, an indigenous tribe in Papua, has been confronting PT. Freeport Indonesia for several years to maintain its traditional rights (Aman, 2002).

The dispute arises in Freeport is one of the most controversial problems. Over the last three decades, the company has generated enormous quarrels on environment, land, and human right issues. In the period, the corporation was sued by Amungme for environmental and human right abuse (Sari, 1998: 10). Freeport used the Indonesian government and the armed forces to restrain violently a civil disobedience by Amungme as well as Komoro and murdered many local people (Sari, 1998: 11; Walhi,

n.y.: 21). Besides prosecuted by Amungme, Walhi also accused the corporation for environmental deterioration (Walhi, n.y.: 21). The company has caused physical environmental destruction as well as land contamination covering 35,820 hectares and ocean contamination comprising 84,154 hectares. However, Freeport denies that it generates the environmental problem. The corporation claims that it applies the best mining practices (Walhi, n.y.: 24).

The conflicts arise because the Indonesian government cannot enforce a comprehensive system to respond the externalities. The agreement of mining corporation to excavate is signed between the company and central government. Meanwhile the ones that get the externalities i.e. local government and local people are not involved in the contract (Sumarto, 2003: 6). In many cases, the corporation perceives that it has complied with central government. On the other side, local government and local people who suffer from the operation of corporation consider that they may get compensation. Both of them, in line with their each interest, try to maintain their demands in their own methods.

In fact, there are regulations preside over how to figure out the externality. After signing the contract, corporations have to conduct community development program to empower local people living surround its plants. Most of local communities live in poor condition so that they need to get social assistance. The program is one type of the compensations to the externality. In the context of environmental protection, there are at least two obligation of corporation i.e. building toxic waste installation to reduce the effects of the pollutant and reclamation of ecosystem after extracting natural resources. However, many cases show that corporations do not follow the rule. Oddly, there is no significant sanction to the corporations. This phenomenon takes place because of rent seeking (see Clark, 1991: 108).

The situation is getting more complicated because of asymmetric information in which local people get no access to the information about the toxic waste and its impacts while the corporation conceals it (Sumarto, 2005: 4). Unfortunately, local people are not literate on the issue. As the society, which lives closely to the business, local community is in an

appropriate position to control over the extraction. The basic assumption is, if the control mechanism works ideally, the transparent governance increases, the asymmetric information and rent seeking can be restrained. It helps to respond externality easily. However, they do not have comprehensive knowledge as well as consciousness about the importance of environmental protection. Many experiences show that one of the meaningful ways to improve the common consciousness is through attaching this issue on education system. This paper intends to elaborate the conflicts on natural resources management, the role of government on natural resources extraction, and the need for building common consciousness on peaceful and sustainable environmental governance.

Economic Development and Natural Resources Management: Debate on the Role of Government

The analysis on links between environmental protection and economic development show a discrepancy in literatures (Martinuzen, 1997: 147). The main concern on the views is how to achieve high economic performance and at the same time, it does not cause detriment to environment. The problem is, in many cases, the interrelationship of those two aspects takes shape on a trade off so that one of them should be putted into priority (Clark, 1991: 258). If the extraction of natural resources is unregulated, for instance, the production will be getting higher, but it put the ecosystem on a risk. On the contrary, if the regulatory intervention is relatively tight, it may guarantee the protection of environment, but it discourages investment. To rule this situation so that the trade off leads to a sustainable growth, it needs a proper role of government.

The theory of government and in a broader context on state theory attracts thoughtful discussions from various scholars. Jessop (1990: 2-4), systematically maps the tendency of theoretical development on state. There is a shift trend on state theory. In 1970s, the theory on state was dominated by Marxism. The fundamental assumption of the theory is that state is a function to the nature of capital and class struggle. Entering

1980s, social-political scientists is not interested on the subject anymore but transferred to state and its own terms. This alteration causes the social scientists withdraw themselves from the theoretical debate and move their concern on empirical analysis, such as on policy and political development. One of the major factors cause the shift was globalization. As the globalization discourse disseminated vibrantly, academic people consider that globalization lessen the role of state in formulating public policy.

Marxism, in the framework of the proper role of government, rejects the term of “proper”. It believes that in a capitalist system, government stands for the interests of bourgeoisie through ameliorating the accumulation of capital. To remove the condition, it is plausible that working class conducts revolution. The new government, then, embodies the collective interests of workers. The government, which called by Marx the “dictatorship of the proletariat”, enables workers to promote collective material prosperity and hold back the capitalist class to rebuild its wealth (Clark, 1991: 111-112). In contrast, liberal perspective views that government ought to provide wide room for private interest to expand its economic activities. The lesser the government rules, the more appropriate it is. The government intervention on market mechanism should be as least as possible. Even when the market failure arises, liberalist argues that it takes places because of the government interferences. It will evaporate if the government puts itself on a proper role strictly (Clark, 1991: 106).

In a democratic country, on the contrary, there is no legal monopoly either on capitalist or on workers. A democratic government has constitutional system based on law indicating the aspiration of people. It is resulted from institutionalized political process, namely election. The system allows controlling the role of government. Thus, the government may not represent the interest of any groups in society, but it serves public interest. While it tries to work for people, it does not deny conflict between capitalist and workers. In this context, the proper role of government is mediating the competition among the classes (Jessop, 1990: 171-174).

In line with the situation in democratic countries, the similar understanding on the role of government appears in a society, which is assumed plural. Pluralist believes that society encompasses various groups or classes that possess different interests. They may contend to control others, but there is no one of them solely can dominate society. In this context, state is seen as an arena of conflict among interest groups. The policy making process, therefore, involves political bargains among a range of conflicting groups. This situation needs a role of government to regulate conflicts in society so that the complex processes of bargaining among the parties are resolved peacefully (Smith, 1995: 209-227).

Since interest groups and classes compete one and each other, the state is not neutral, but symbolizes a range of the group pressures (Smith, 1995: 211). In fact, in democratic countries, the legitimized government takes authority through legal mechanism i.e. election. However, in this process there are many compromises among interest groups. This means that there are political contracts between the government and interest groups, which support it in the election. Under this circumstance, the political consensus may put the government on a biased position and work for a certain interest group. In a country in which corruption arises intensely, such as in Indonesia, putting government on a central role to control the natural resources management is quite risky. In this situation, transparent control mechanism on the natural resources management is valuable. Civil society as constituents should be empowered so that it able to watch how the government administer natural resources extraction.

Decentralization and Conflicts on Natural Resources Management

Decentralization is generally associated with political-economic values. It brings government close to people so that it reinforces accountability, efficiency (Smith, 1985: 4-5), and transparency. At the same time, it fosters exit mechanism that improves public services (see Bailey, 1999: 44). Political-economic reform, leads to decentralized system in Indonesia is accompanied by chaotic situation so that the values have not been accomplished yet. The reform has been conducted while Indonesian

people perceive political euphoria. Political aspirations, which previously were repressed by Suharto administration, entering the decentralization era, are expressed simultaneously. During transition period, the new system cannot accommodate properly so that it seem to be anarchic and the conflict escalation tends to be higher (see Dwiyanto, ed., 2003: 59).

The complexity of the conflicts could be discerned from the multifaceted categories and stakeholders involved within the quarrels. Based on the data resulted by a study on governance and decentralization in 20 provinces in Indonesia (Dwiyanto, ed., 2003: 62-70), the categories of discords encompass land property disputes, violent conflict, inter-political party supporters, and conflict on natural resources management. Those clashes involve various parties in the form: inter-local government conflicts, conflict between local government and its people, labor disputes, and horizontal conflicts. It happen on a wide range levels from national to the lowest at grassroots levels.

Responding to the inharmonious situations mentioned above, corporation, local government, and local community shift their paradigm on how they behave to each other's (Sumarto, 2003: 5-8). During the New Order period, there were dormant conflicts between local community and corporation. In the decentralization period, the protests of local people to corporation escalate. They urge the corporation to afford compensations. Correspondingly, local government insists business to hire a certain number of local people working in its plant. The corporation also has to assess the environmental impacts. The other compulsion is it has to support local government providing social services for local people. Meanwhile business considers that what has been maintained by both parties as a risk to its process of production. The corporations do not have any options, but respond the demands through various efforts to diminish the threat. They allocate a certain amount of budget for local government. At the same time, the companies carry out community development programs. It implies that the corporations conduct the programs have been driven by the disputes.

Unocal, a private petroleum mining company which operates its plant in Marangkayu, East Kutai, East Kalimantan, since 1970s, for instance,

conducted community development programs in 2002 right after Marangkayu community protested pollution resulted by the corporation. The protest went surrounding the plant of the company. Unocal could not hold back the demonstration so that it led to physical conflict. The conflict caused one of the demonstrator was shot by military troop hired by the company to secure the plant. It persuaded the company and Marangkayu people negotiated and brought the case to court. The result of the conciliation was the corporation compulsorily implemented community development programs as maintained by local community (CPPS and UNDP, 2003: 44-45).

Correspondingly, Caltex Pacific Indonesia (CPI) has been in operation for decades, yet simply began to conduct community development programs as a response to the demand of local population (CPPS and UNDP, 2003: 71). Among the cases of CPI, there is the one, which relatively complicated. Duri community who live surrounding CPI suffers on their health and household economy due to the expansion of CPI's oil exploration. The extension decreased the demarcation of the company and residential mere about 150 meters. It causes artesian wells began to dry up. Consequently, the consumption of hygienic water is growing to be a serious problem. In addition, fishponds that are mainstay of local people gradually became dysfunctional as they dry up. This situation brings about discord between local community and the company. Duri community demanded compensations to the CPI through local legislative body. The local legislature, unfortunately, could not solve the dispute and the case was taken to the central assembly. Up until now, the issue is still pending and case has not resolved yet (CPPS and UNDP, 2003: 78-80).

The environmental destruction is not only generated by private corporations, but also by state owned mining-companies. Belitung, a district in which PT. Timah, a state own tin mining company excavated, nowadays faces serious environmental problems. Since tin is not available any longer, the company does not work in the area. The ecological dilemma takes place because the corporation did not recover the ecosystem. After digging, it did not reclaim the location. Consequently, there are numerous wide holes ex digging which may cause erosion and

in raining session may become malaria mosquito nests. It impairs local people who live close to the area. In this circumstance, however, the corporation did not undertake programs that significantly contribute to environmental protection as well as socio-economic empowerment of local people (Sumarto, 2005: 11). The similar situation also appear in mining sites belong to Pertamina as a petroleum mining state owned company.

Ironically, in the powerless condition of local people, local NGOs and local government do not support them. Their normative role is to protect people from market failure however, they prefer working to seek rent rather than empower them. The implementation of community development programs has attracted political-economic interests of the parties involved in the programs. The case of Kapital describes that various local NGOs work for local bureaucrats and corporation rather than for local community. Kapital is a local NGO established by local government officers in Kutai Timur, East Kalimantan, aimed to facilitate the officers govern community development programs conducted by corporations. Since the budget, which is allocated to the programs, is relatively high, the intervention of local elites is not apart from economic motive. Local elites work hand in hand with corporation through using the NGO as the agents implementing the programs. The companies that appointed Kapital are Kaltim Prima Coal and Unocal. The problem on the appointment of Kapital was that it caused a dismissal of other NGOs, which previously work for the companies conducting community development programs. The ones that were altered were more competent and legitimate than Kapital (Sumarto, 2003: 8). It triggered local people to protests the removal of the justifiable NGOs. This phenomenon arises in many cases throughout Indonesia.

Corporate Social Responsibility: Corporation's Method in Responding Environmental Disputes

Over the last five years, there are immense movements of private sector to propagate the importance of community development program

and environmental protection in Indonesia (Sumarto, 2005: 5). Even though it still wants to find a contextual format, however it tends to be more solid. The extractive companies, which most of them located in remote areas, perceive higher risk of quarrel than that of manufacture, banking, and services companies that usually situated in urban areas. They, particularly mining companies, seem to be the profit association that lead the movement. Interestingly, the movement is not simply occurring in Indonesia. It is such a global phenomenon. In 2000, United Nation (UN) established UN Global Compact. It represents a framework of private sector promoting corporate social responsibility (CSR) which is propagandized by the institution as a commitment of private sector to human right, labor standards, environment protection, and anti-corruption. Community development program, in this context, is simply a part of CSR.

The concept of CSR, in fact, is a controversial phenomenon. From one side, people may argue that decentralization as well as welfare pluralism (see Midgley, 1997: 8; Spicker, 1995:115-117) legitimize the involvement of private sector in providing social services. The spirits of decentralization and welfare pluralism provide wider room for private sector as well as civil society to participate contributing their resources to the process of social-economic development. They stand for the constraint of state plays its central role delivering social services. From another perspective, however, it is such a questionable phenomenon that private sector intending to maximize its profit, possesses social responsibility redistributing its profit for local community and environmental protection.

A study intends to find out about CSR programs conducted by three mining companies and one agricultural company in East Kalimantan and Riau Provinces, Indonesia (CPPS and UNDP, 2003), unveil that the motive of the corporations carry out community development programs is not for social responsibility, as disseminated by UN Global Compact. The corporations conducts the programs do not want to work ethically for local people, but for responding protest in order to secure its production facilities as well as to gain public trust. Public trust is a long-term investment of corporations. Many cases show that corporations, which possess

unhealthy track records on environmental protection as well as unresolved conflict with people, do not get the trust and consequently, cannot operate any longer.

Since the programs are aimed simply to respond the dispute, as elaborated on the table above, they cannot empower local people. The programs do not provide wide opportunity for local community to participate on the programs. They are planned centrally by the corporations. In the empowerment discourse, how significant the self-governing community is determined by how wide they get the room to participate on the programs. The other problematic characteristic of the programs is that the programs are not planned to equip local people face situation in the period of post extraction. After the extracted natural resources are running out, the extraction and other economic activities support it will not work anymore. It will make vulnerable people who involve on the activities. Without any preparation to empower them, they will get social-economic problems (Sumarto, 2005: 13-14).

Concerning the propaganda on environmental protections, the figure above describes about the commitment of private sector to respond environmental destruction. The corporation's process of production is

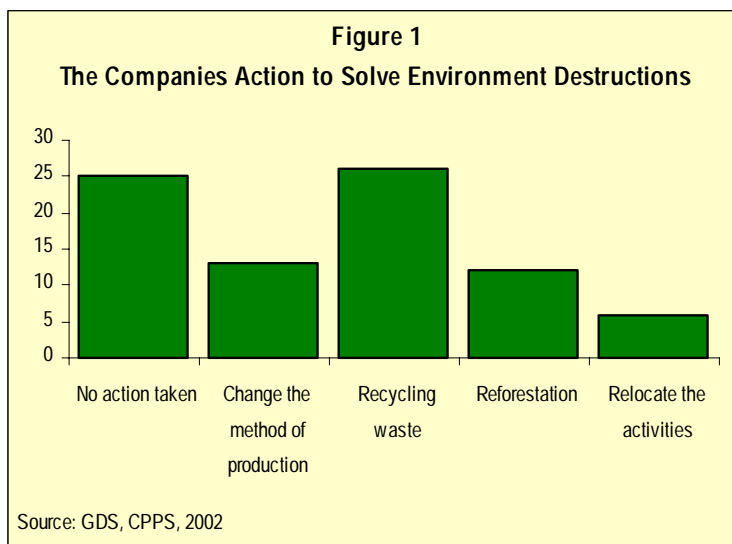


Table 1
General Description of CSR Programs

Nature of the Program	Mechanism	Subjects	Characteristic of CSR Programs
Charity programs	<ul style="list-style-type: none"> • Building physical facilities • Giving financial and technical endowment 	<ul style="list-style-type: none"> • education • health • hygienic water • sport • income generation • religion • transportation • agriculture • home industry 	<ul style="list-style-type: none"> • In general, the programs are not intended to empower local people so that they are ready to struggle in the period of post-extraction. • The coordination between corporation and local government conducting the program does not go smoothly. • The corporations undertake the program exclusively. • Generally, the programs are designed by the corporation in top-down mechanism. • Local people as well as local government do not get wide opportunities to participate in the program. • The programs are not planned systematically. • The program does not empower local people.
Capacity building	Training		

Sources: Modified from the result of interview as well as focus group discussion with local people, district, and provincial government officers (Sumarto, 2005: 14).

not apart from environmental contamination. Accordingly, it is an obligation for them to resolve the problem. The figure apparently demonstrates that corporations do not take any action to fix the problems in a relatively high proportion among other programs they carry out. Since conflicts are mainly triggered by environmental problem and the compensation of externality, based on those data, the corporate social responsibility through implementing the programs on environmental protection and community development do not answer the major problems. Those circumstances put at risk the sustainable natural resources management. Environmental destruction (see Weaver, Rock, and Kustener, 1997: 2) and conflict (see Conca, 1996: 25-29) are the aspects endangering sustainable natural resources management.

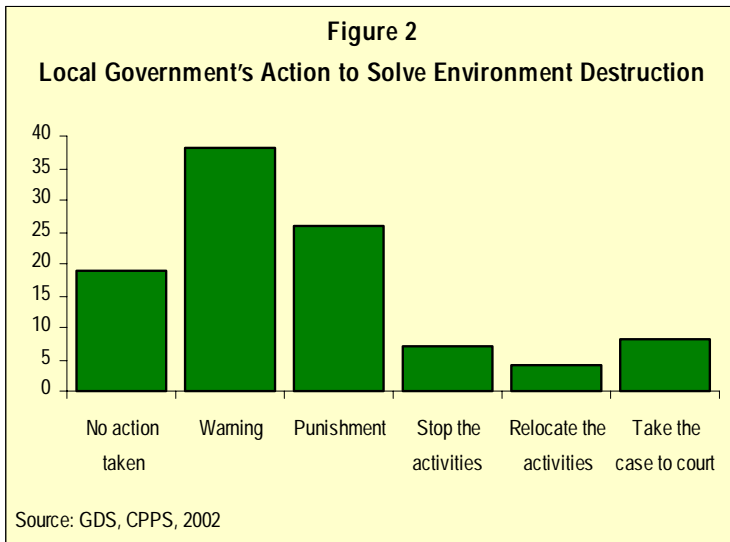
Decentralization and the Challenges for Developing Transparent Control Mechanism

In the situation where the concern of private sector to environmental problem is not relatively high, the government also performs the similar pattern. The figure below implies that the ideal response of government to the environmental destruction through taking the case to court is low. It is less than 50 percents of no action taken. In general, the percentage of the government does not respond anything to the environmental problem is quite high. It demonstrates that local government does not put itself on an appropriate position to solve environmental destruction.

In fact, there are many methods to moderate environmental dilapidation and conflicts on natural resources management caused by externalities. Stiglitz (2000: 217-233), describes that externality can be solved by public as well as private sectors independently. Although both of the sectors use different methods, they employ similar approach i.e. legal system. Liberal perspective, as elaborated by Clark (1991: 267-269), also emphasizes the importance of legal system. To respond externality, the appropriate institution remedies the problem is government. The government ought to play central role to diminish environmental destruction. In a practical sense, it could be accomplished through enforcing environmental laws such as setting pollution standards. Along the lines of Clark's explanation,

Weaver, Rock, and Kustener, (1997: 254) argue that the efficient way to protect ecosystem is imposing environmental regulation.

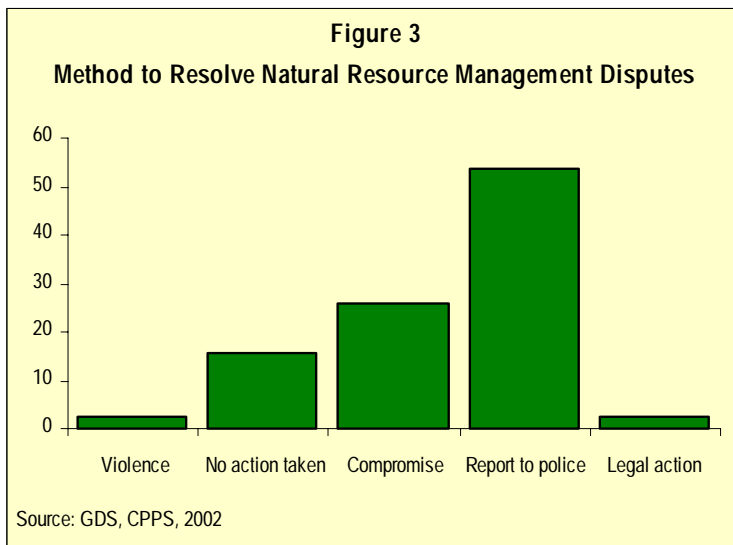
Those recommendations rely on the normative role of government. In Indonesian case, as describe above, the recommendations do not work suitably. Government cannot restrain the ecological damages. Rent seeking worsens externalities on natural resources management. Since the regulation is designed to facilitate private sector (see Clark, 1991: 108), rent seeking ruins the role of government to administer the extraction process. The figure below shows how objectionable the enforcement of legal infrastructure to solve natural resources management disputes: the legal system is used in the similar degree with violence and greatly lower than no action taken. During the decentralization period, rent seeking along with corruption phenomena in a broader sense tend to be higher (Dwiyanto, ed., 2003: 117-118). At the same time, asymmetric information exacerbates the situation. To minimize the protest of local community, the corporations do not share the information about the impact of extraction to them. Unfortunately, in many cases, local NGOs do not endorse local community. Therefore, it is crucial to find alternative to respond the situation. In this case, empowering local community so that they can



monitor the extraction of natural resources is an effective method (see Conca, 1996: 26-27).

It could be accomplished by the transfer of understanding on local natural resources to augment public awareness through curriculum development. It will provide comprehensive knowledge to local people regarding the importance of environmental protection, the extraction and externality, and the appropriate way to get the compensation of externality. If people are literate on the issues, it may increase the transparency of natural resources management, and in the end, the asymmetric information as well as rent seeking can be contained. Rowe (2002) finds out that there is a clear relationship between environmental literacy and social responsibility. People who are literate on environmental issues possess sufficient conceptual framework and belief on future of society so that they do not reluctant take part resolving environmental problem. This situation, in other words, builds community based-control mechanism closely watches the natural resources extraction.

Many experiences, such as in Botswana, Namibia, Bulgaria, and Florida, United States of America, show comprehensive efforts to respond environmental problems through attaching it on education. Jones (1999)



elaborates that over the past five years, the Government of Botswana and Namibia trained its people so that they able to manage their resources sustainably. It is covered on the concept of community-based natural resources management aimed to respond the decrease of natural habitat, land destruction, and lessening wildlife population. To achieve the goal, one of the methods implemented by the government of Botswana is enhancing public awareness on environmental issues through curriculum development. In the same way, Markowitz (1993) explains that educational curriculum has been developed in Bulgaria to foster environmental literacy as well as appreciation of schoolchildren to ecosystem in Vermont. One of the growing thoughts in Bulgaria is promoting environmental consciousness to respond environmental dilemmas. Those concerns on environmental issues are also take place in Florida. Monroe (2003) describes that over the last eleven years, State of Florida implements environmental education. The objective of the program is increasing environmental literacy of youth and adult people. One of the approaches conducting the program is developing environmental based-curriculum. The program contributes reasonably impacts attaining the goal.

The method, actually, is not a new approach, but it has not carried out systematically in Indonesia. During the centralized regime, it was out of the question developing local content based-curriculum. The central government issued national curriculum and implemented uniformly throughout Indonesia. The uniformity approach did not accommodate local specific contents, which is relatively divers in Indonesia. Entering the decentralization period, the system has been changed. The decentralized system allows ministry of education at district level developing local resources-based curriculum. However, the response to the new system is relatively dubious. Local governments do not have sufficient understanding on decentralized system of public services (see Dwiyanto, ed., 2003: 88-89). It occurs in the same time as the augmentation of corruption at local level. Therefore, it is still require a serious endorsement to carry out local resources based-curriculum development. In addition, there are enormous self-directed districts, which each of them consist of different social, economic, and cultural backgrounds. A program works properly in a certain district may not succeed in the other ones.

Before conducting the program, it is necessary to assess the diversity in the context of problem, needs, and local natural resources. It will assist to carry out the appropriate substance and method implementing of curriculum in accordance with the local specific resources.

Conclusion

Natural resources management in Indonesia symbolizes inharmonious relationship between government on either national or local level, private sector, and civil society. The factors causing the problem are multifaceted aspects. However, it mainly stems from the improper role of government in building system on how to respond externality resulted by extraction of corporations. Externality causes detriment of ecosystem, harms local community, and eventually engenders the clash. This circumstance is exacerbated by asymmetric information and rent seeking. To diminish the intensity of conflict, corporation restrains the dissemination of information about the extraction process and its impacts. In fact, the extraction is ruled by regulation but because of rent seeking, it does not work properly. In this situation, government cannot control over the externality.

The shift of political economic system from centralized to decentralized system has not improve significantly the approach to respond the externality yet. Local governments do not put themselves on appropriate position vis a vis private sector and civil society. The main driving force generating this situation is misleading orientation of local governments to get high local revenues, but they do not consider strategically about environmental problems for long period. There is not clear approach of local government to lessen the aftermath of the trade off between economic growth and environmental protection. Many of them do not take any action significantly to improve ecosystem while environmental degradations and conflicts on natural resources management arise in many places. The similar behavior also arises on corporation that generates the environmental problem. In fact, the corporation carries out CSR programs to minimize the environmental dilapidation and conflicts, but it does not provide substantial contribution.

Those facts show that government could not administer the trade off properly. Its policy is more emphasize on natural resources extraction but it does not pay considerable attention to the environmental protection and social-political aspects of the environment. This situation is reproduced by corporations. They extract the natural resources but in the same time, they do not reclaim ecosystem and provide compensation on the externality to local people. In short, both of government and private sector concentrate on high economic performance but they do not pay attention considerably on the future environment and society (Sumarto, 2005: 15). To respond this problematic situation, therefore, it should be started from civil society through building collective consciousness on the natural resources either on environmental or political aspects. The awareness enables society to control over the political behavior and management on natural resources extraction so that it leads to sustainable governance.

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