

Green Growth Strategy in Natural Resources Management and Its Correlation to Prevention of Corruption: Practices in Indonesia

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Abstract- Short term of cash return in natural resources management as economic benefit has been considered as a usual approach in practice. However, environmental degradation has been escalated since this approach ignores its negative impacts to the environment. This, of course, has caused the increase of greenhouse gas emission which is contra-productive for Indonesia commitment to reduce emissions by 26 % and up to 41 % with international support by 2020. This approach also perpetuates patronage and rent seeking relation pattern due to its economic benefit which generates corrupt practices. Concerning to the related issues of the usual implementation of business, green growth strategy is established to prevent further environmental degradation. By implementing such strategy, the economic development shall positively correlate with the natural resources conservation through accountable environmental management. Distinct from business as usual approach, such strategy does not provide short term of cash return, yet it provides benefits for the environment, social, ecosystem, and will reduce the emission. Therefore, such strategy requires the changes on how business actors managing the natural resources, yet also requires the government to develop green growth projects policy reciprocally. The importance of this changing is to meet the aim of green growth strategy itself, such as restoring degraded land, managing water resources, improving air quality and utilizing waste management, etc., and also assuredly to prevent corrupt practices. Since green growth strategy necessitates rigidly, yet tenuously of study and policy for the project, elimination of the opportunities for corrupt practices is compulsory to be met.

Keywords- *Green Growth Strategy, Corruption Prevention, Environmental Degradation, Business as Usual*

I. INTRODUCTION

By 2020, Indonesia is committed to reduce greenhouse gas emission by 26 % under business as usual and up to 41 % with international support. Furthermore, Indonesia is expected to reduce its emission up to 29% under business as usual by 2030 . To support the commitment, Indonesia is in transition to a low carbon and climate resilience future. Sustainable natural resources management which is compliance with good governance principles is one of the implemented efforts to achieve the goals[1].

Green growth strategy is an approach that is preferable for Indonesia to meet the expectation of reducing greenhouse gas emission. This strategy requires strictly and gradually study and policy of the strategy. It is important to ensure that the strategy is feasible and in line with national and regional development planning[2]. Those

requirements are to assuredly that the aims of green growth strategy, such as restoring degraded land, managing water resources, improving air quality and utilizing waste management, etc., and also assuredly to prevent corrupt practices are expected to be met.

The issues of mismanagement and corruption prevail due to poor management in natural resources sector. Loopholes in the management occur since there is a gap between legal framework and practices, such as overlapping in land ownership due to different spatial maps in several state institutions. This is an indication of lack of good governance in natural resources management. While good governance requires “having good rules, strong oversight to enforce the rules, and the competence and willingness to follow them”[3], Indonesia potentially fails to meet those requirements.

These issues are usually met under business as usual approach in managing natural resources. The short term of cash return benefit has caused this approach preferable than green growth strategy to be implemented. However, the hidden costs of this approach, such as flood, harvest degenerate, and land degradation are having less attention. The leakage in management has created excessiveness in several resources exploitation. As an impact, the cost of economic and several pollutants emission are escalated.

Distinct from business as usual, green growth strategy does not provide short term of cash return benefit, yet it provides long-term of economic benefit, social and ecosystem development incentive, also greenhouse gas emission reduction. Yet, the implementation of this strategy is also struggle with corruption and mismanagement issues, since corrupt practices has entrenched in natural resources management sector.

Human Rights Watch report indicated that corruption and mismanagement still occur under green growth project in Indonesia[4]. Lack of good governance in forestry management has failed the policy of pulp plantation and palm plantation as biofuel source to preserve the environment. The policies fall into vast practices of logging in forest area due to corruption and mismanagement.

Since green growth strategy necessitates rigidly, yet tenuously of study and policy for the project, elimination of the opportunities for corrupt practices is compulsory to

be met. This strategy requires the changes on how business actors managing the natural resources, yet also requires the government to develop green growth projects policy reciprocally. Considering the aforementioned issue, this article will analyze how to develop the compliance of good governance in green growth strategy by observing each stage of green projects.

II. RESEARCH METHOD

This article is using a multi-interdisciplinary approach by applying statutory, comparative, and case study approaches. In addition, environmental law and criminal law approaches are also used to analyze harmonization of both legal regimes under natural resources management policy.

III. FINDINGS AND DISCUSSION

1. *Corruption in Natural Resources Sector*

Common definition of corruption is “the abuse of public or corporate office for private gain”. Hence, corruption is understood as collective decision-making in the context of principal-agent theory. Collectivity of the decision can be seen through the failure either the supervised or supervising agents to prevent corruption. This is what so-called as a double principal-agent problem which occur due to “imperfect formal institution”[5].

With abundant natural resources, Indonesia also deals with corruption issue in its management. Licensing for doing business in natural resources sector is the entrance for corruption practices. Some corruption cases confirm that bribery is usual practice in issuing natural resources business license or permit. It involves public officials and corporation.

Several cases of corruption in natural resources management acquire public intention, not only due to the respected-perpetrators, but also its law enforcement. For instance, bribery case which involved former Riau Province Governor, Annas Maamun and businessman, Gulat Medasi Emas Manurung also Edison Marudut Marsadauli[6]. Furthermore, corruption cases which involved regents occur in Buol Regency of Central Kalimantan and Bogor Regency of West Java. On both cases, Amran Abdulah Batalipu as Regent of Buol Regency and Rachmat Yasin as Regent of Bogor Regency[7] are taking bribe from corporations. Since corruption in this sector is never been a single incident, damaging activities to the environment also adhere to the corruption. For instance, bribery case which involved Nur Alam, former Governor of Southeast Sulawesi is a hallmark case where the corruption perpetrator is accused liable for restitution to restore the ecological destruction, beside the corporation, P.T. Anugrah Harisma Barakah[9].

In addition, to meet the commitment of corruption eradication in natural resources sector, the Corruption Eradication Commission (the KPK) has recommended to

revoke several business licenses, especially in the mining sector. According to study of the KPK, Ministry of Law and Human Rights, Ministry of Energy and Mineral Resources, Ministry of Environment and Forestry, also Ministry of finance, around 2.509 mining business licenses are not a Clean and Clear/CnC status. Since 2014, the KPK has revoked 400 mining licenses[11]. Moreover, the KPK has revoked 2.595 non-CnC mining license of several corporations in Indonesia until 2017.

Poor management has created loopholes for corruption and vice versa. As an impact, state lost is inevitable and not to mention degraded environment. For instance mining activities in Papua, Kalimantan, and Sumatera forest areas potentially cost the state in the amount of 15.9 trillion rupiah. Furthermore, state lost that caused by illegal logging is in the amount of 35 trillion rupiah per year[10].

2. *Concept of Green Growth Strategy*

Poor management in natural resources has degraded the quality of environment. Natural resources depletion and degradation lead by misleading policy in various sectors of natural resources management[11]. Conflicts raise due to issues in violent eviction, pollution, economic, etc. Therefore, social and ecological cost in this issue is prodigious.

Short term of cash return in natural resources management as economic benefit has been considered as a usual approach in practice. Business as usual approach in managing natural resources has caused massive exploitation to the natural capital. The benefit from this business opens opportunities for corrupt practices. It means that the degraded environment will continue. As a result, global warming is an inevitable consequence.

To overcome the issue, Indonesia initiates to develop green growth strategy. United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) introduced this strategy in 2005. With concern to correlation between environmental degradation and economic growth, this strategy endeavors to promote economic growth and development which fits with sustainability of the environment[12].

Several definitions are endeavor to explain about green growth. UNESCAP defines green growth as an effort to simultaneously improving eco-efficient economic and consumption patterns by conducting harmonization among poverty reduction, prosperity and environment improvement efforts. Meanwhile OECD describes green growth as an effort to promote economic growth and development by ensuring natural capital availability and environmental sustainability. From those definitions, there is a shift from acquiring economic benefit through massive exploitation on natural capital into eco-efficient economic or so-called green economy.[13]

OECD developed five indicators for green growth as followed[14]:

1. Indicator of production environmental efficiency and production patterns changes;
2. Indicator of environmental efficiency in consumption and consumption patterns changes;
3. The availability of natural resources and environmental quality;
4. Indicator of subjective and objective environmental quality; and
5. Response quality from the economic actors.

Those five indicators shall be under consideration prior to the implementation of green growth policy. Government and corporation are the actors for this strategy. According to Policy Brief on Global Green New Deal which launched by United Nations Environment Programme (UNEP) in March 2009, those actors are supported to provide green sectors investment. Efficient energy construction, renewable energy, low carbon transportation, and ecology infrastructure restoration, particularly on forest and marine sectors are several green sectors to be invested[17]. Under some definitions and indicators, compliance on good governance principles are not explicitly stated as a requirement. Therefore, corruption practices are potentially occur during the process of green growth projects.

3. *Corruption Prevention in Green Growth Sectors*

Curse of natural resources, as mentioned by Sachs and Warner, is described as a gap between abundant natural capital and low economic growth due to bad institutions. However, Brunnschweiler and Bulte challenge the argument of the resource curse. They argue that due to high dependency on extracted primary sector of natural resources, many natural resources-rich countries fail to develop non-resource sectors. Furthermore, they also argue that rather than inflicted harm, resources wealth is a favor for both institutional and economic growth[15].

Despite from those contradictory arguments, both are sharing the same concern on over-exploitation to natural resources. Pressure to natural resources due to over-exploitation is profound. In turn, the life on the earth surface will be affected. Damaging behaviors to the environment degrade the quality of environment. Crimes related environmental almost never become a single incidents. Under criminal law context, some damaging behaviors to the environment may violate several criminal regulations, such as environmental law, anti-corruption law, anti-money laundering law, etc. This type of crimes receives massive public attention due to its complexity in evidentiary and the involvement of respected perpetrators.

Enjoying more benefit rather than the cost of committing the crime is rational for the perpetrators to prefer committing crime rather than following the rule. Abundant natural resources are risky to be exploited due to its benefit. It also lures irresponsible people to gain benefit from its management. Corrupt practices are inevitable due to dependency on some natural resources such as oil and mining. As mentioned by Shaxson that “this is not about

production, but about a cake to fight for” to depict rent-seeking behavior in managing natural resources[16]. This refers to rather than expanding “the cake”, people are fighting to get more share from “the cake”.

Moreover, patronage is driven by the opportunities from abundant natural resources for government to get more incentives to stay in power. More power means more access to natural resources[17]. Indonesia suffers from such behaviors. Indonesian Corruption Watch /ICW indicated that license issuing in doing natural resources business before the local election is prone to corrupt practices since numbers of license issuing were increased in that moment. ICW indicated the increase of license issuing is in West Kutai Regency (East Kalimantan Province) and Ketapang Regency (East Kalimantan).

Alternative for energy and economic growth are developed to reduce pressure to the environment. Green growth strategy was initiated to overcome the issue. Green business is to assure the sustainability of the environment by establishing green growth projects. The expectation is to maintain economic growth and development by balancing long-term economic growth and environmental sustainability[18]. This model is differentiate green growth from sustainable development model.

To indicate the benefit of green growth project, analysis for monetary net present value and extended Cost Benefit Analysis (eCBA) is conducted to compare both cost and benefit in doing usual business in managing natural resources and green growth. eCBA includes analysis on economic and social growth, ecosystem, also greenhouse gas emission[19]. For instance in green growth project of peatlands restoration in Katingan, Central Kalimantan, eCBA indicates that green growth is more profitable for sustainable and stable benefit. This strategy also eliminates hidden costs of the projects, especially for the environment.

The government commitment for green growth projects is indicated by several ministries planning to support the projects. In 2014, the Ministry of Finance launched the Green Planning and Budgeting for Indonesia’s Sustainable Development (GPB) to cover a five-year timeframe to support long-term national green growth[20]. This initiation also leverages private sector investment according to several international reports, for instance The reports are came from UN High Level Advisory Group, the Green Investment Report, a review of IFC’s climate portfolio, and the World Resources Institute.

For the business actors, those are two different claims related to competitive strategy for business. The first claim is allowing paying bribe as usual practice to obtain advantage in business competition. In contrast, the second claims that reputation for not paying bribe determines to obtain competitive advantage in business[21]. In this matter, it is important to proportionate penalization for corporation that ‘allows’ bribery in its business practices. It does not mean that harsh punishment is as a cure. In its development, criminal settlements through Deferred

Prosecution Agreement (DPA) and Non-Prosecution Agreement (NPA) are introduced as alternative measure to combat corruption. Rather than to put the corporation in 'jail', it is better to make corporation paid for restitution and improved their business practices.

Then how green growth strategy eliminates corrupt practices?. The answer is by developing good governance. Learned from Nordic countries, establish a new set of relations between authorities, private companies and citizens is a must[22]. It is important to develop public trust on business practices. Shifting toward green growth strategy is a challenge. It involves complex study for its policy, implementation of the policy, and supervision for the implementation. As a compulsory, anti-corruption approach must be included in each stage of the project. Cost of corruption shall also be analyzed and how it will nullify benefit from green growth. For instance, palm oil as sources for biofuel and expand pulp for paper production have degraded environment due to corruption practices and human rights violations. Claimed as green growth project to promote green economy turns into massive land clearance for palm oil plantation. In turn, this strategy fails as low carbon project.

Lack of good governance, especially lack of transparency and accountability has nullify the benefit of the green growth. Again, it fails the efforts to reduce greenhouse gas emission. Therefore, analyzing for eCBA shall also include assessment for not committing corruption during the process. Disincentive must be imposed to eliminate the benefit of committing corruption. The concept of good governance is applicable for all sectors such as legislature, judiciary, executive, media, private sector, etc. Through good governance, corruption, issue on minorities, violence on human rights potentially to be eliminated. While, transparency means to disclose all information needed. The disclosure does not mean to endanger the company competitive position, yet it is necessarily to avoid misleading for investment decision. Therefore material information is provided to determine proper decision for the investor. This must be also implemented under green growth strategy.

IV. CONCLUSION

Searching for eco-efficient economy is necessarily due to enormous pressure to the environment. Damaging activities in managing natural resources has created destruction to ecosystem and environment. Human and other creatures are suffered since greenhouse gas emission increased as an impact of over-exploitation to the natural resources. Issues of corruption and violence emerge which aggravated by rent seeking-patronage relation pattern in natural resources management. Green growth strategy is initiated to overcome the issue of environmental degradation and natural resources scarcity. The aim of this strategy is to balance both economic growth and environmental sustainability. Rigid planning on green growth projects is expected to meet the expectation on how to reserve the environment also to prevent corruption in its

process. However, this strategy also prone for corruption if lack of good governance keeps continuing. Therefore, to prevent corruption and mismanagement in green growth projects, good governance is urgently needed to be established. Cost of not doing corruption in management shall be valued as benefit of green growth strategy.

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