The Political Economy of Recentralising Indonesia’s Resource Sectors

The case of the mineral and coal mining sector

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Structure

- What changed?
- Why?
  - Technical reasons
  - Political reasons
- Responses from the regions
- Implementation and prospects for success
What Changed?

• Article 10 of Law 22/1999 states that regional governments have the authority to manage natural resources

• PP 75/2001 states that bupati can issue permits within their borders

• The 2009 Mining Law confirmed the authority of Bupati

• Under UU Pemda, bupati no longer have authority to determine mining areas (WIUP) or mining licenses (IUP) for minerals and coal. Authority is given to Governors and Ministry.
Why? The technical factors

- Explosion in mining licenses = 10,000+
- Over 4,000 = not CNC
- Poor capacity to monitor 500+ districts
- Impact on overall investment climate
- Impact on environment
Why? The political factors

• Curtailing the power of district leaders

• Limit elites’ access to large capital flows – formal and informal – from resource sectors

• Part of a broader reassertion of central state authority over resource management
Response from regions

• Uncharacteristically quiet
• APKASI has provided contradictory responses
• Some bupati in resource regions have been more assertive in their opposition
Bupati Kutai Timur, Isran Noor:

“UU Pemda is no problem. Until now there has been a lot of overlap in district, city and provincial laws and jurisdictions. We hope the new law will bring clarity to these governance issues.”
Bupati Sumbawa Barat, Zulkifli Muhadli:

“.... Governors will not be able to reach all the mining areas in the all their districts. Governors also don’t have the resources to deal with social conflicts associated with the mining sector...”
Why such little opposition?

• Senior staff member at Dirjen Minerba: “..Karena mereka sudah kenyang...”

• Role of the KPK

• Preparing for a submission to the MK
Implementation....

- Conflicts with existing laws
- Lack of clarity over implementing regulations
- Possibility of an MK case
- And.... While primary licensing authority might be gone, districts maintain other permitting powers