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Impact of Decentralization in East Kalimantan Province on Mineral and Coal Mining Policy

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ABSTRACT

This study analyzes the relationship between the decentralization policy in East Kalimantan Province and coal mining, using a literature study. The finding shows evidence that there is a mixed impact between the decentralization and mineral and mining sectors. The decentralization policy has provided opportunities for local governments to manage and utilize their natural resources independently. Decentralization in the mining sector brings positive impacts on economic security, as indicated by an increase in the East Kalimantan provinces human development index as of 2016 reaching 74.59. Decentralization would therefore be good for economic growth and poor for basic services such as education and health and the occurrence of landscape changes that lead to environmental damage.

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1. Introduction

Decentralization is the delegation of authority from the central government to the lower level to manage its own territory (Duncan, 2007). Decentralization aims to improve the service efficiency and effectiveness to society. Decentralization is expected to make local governments more responsive to the needs of local communities. This aims to reduce the dependence of local on the central government, to encourage economic development, to increase accountability and for institutional change (Grindle, 2007: 178-83; Alm, Aten & Bahl, 2001: 84; Smoke, 1966, 2001).

Indonesia has a transformation from centralization to decentralization. The system which was previously controlled by a centralized center turned into decentralization with the establishment of Law No. 22/1999 concerning Regional Government and Law No. 25/1999 concerning Central and Regional Financial Balancing, which was later changed to Law No. 32/2004 concerning Regional Government which was later revised through Law No. 23/2014 concerning Regional Government.

Decentralization was then realized in the form of Regional Autonomy policies. Decentralization and regional autonomy also underlie the creation of a change in regulations in various fields, for example in the

mining sector, which gives many roles to the local government in managing mining businesses in their respective regions, which in this paper are called decentralization of natural resource management. With decentralization and regional autonomy, then Law No. 4/2009 concerning Mineral and Coal Mining, which replaces Law No. 11/1967 concerning Mining Principles which are no longer in line with the principle of decentralization of regional autonomy.

According to Saleng (2007), the establishment of Law No. 4/2009 concerning Mineral and Coal Mining is a consequence of the birth of Law No. 32/2004 concerning Regional Government and Law No. 33/2004 concerning Financial Balance between the Central Government and Regional Government which has given very broad authority to the Regional Government in the mining sector as stipulated previously in Government Regulation No. 25/2000 concerning the Authority of Governments and Provinces as autonomous regions.

The latest data from Indonesian Energy Statistics, estimates that Indonesia's coal reserves are 104,940 billion tons. While the measured reserves are 21.13 billion tons. In 2009, Indonesia's total coal production reached 263 million tons, of which 230 million tons were exported to various countries, or in other words around 87% of the country's total coal production was

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exported abroad (Indonesian Energy Statistics 2011, Ministry of Energy and Mineral Resources). This paper then identifies and outlines some of the key issues regarding decentralization in Indonesia, especially in managing natural resources in East Kalimantan province. This paper describes decentralization in general frame, then outlines the reality and practice of decentralization in minerals and coal mining in East Kalimantan and finally concludes the impact of decentralization on managing mineral and coal resources in East Kalimantan Province.

2. Material and Method

This paper employs a literature review. The empirical data are collected from journals, reports and books. The paper is a first, first, decentralization policy in Indonesia. Secondly, conditions for decentralization policy in the mining sector in East Kalimantan. Third, the management of East Kalimantan's natural resources that discuss mining potential, production potential and ultimately mining impacts and implications on local communities.

3. Result and Discussion

3.1. Decentralization

The dynamics development of the decentralization concept has never escaped criticism or even polemics between those who are pros and cons. The debate at the conceptual level not only has implications for the development of decentralization but also has created certain complexities in understanding the concept of decentralization. This trend has become increasingly apparent since the 1970s, when the study of decentralization was no longer monopolized by political disciplines and state administration, but also attracted the attention of other disciplines. Just mentioning a few examples, among the disciplines that have contributed to the study of decentralization and regional autonomy are economics, law, sociology, and anthropology (Conyer, 1984: 190). As a result, the concepts of decentralization and regional autonomy were formulated in different languages', in accordance with the disciplines of the bearers.

Cohen and Peterson (1999) argued that decentralization as a concept that undergoes evolution, where the process of evolution is divided into three phases to become a concept as understood today. Each phase gives a different emphasis on the concept of decentralization but is said to have the same goal.

3.2. Decentralization of Natural Resource Management

Natural resource management that gives regional authority to manage its natural resources, including assets that become resource endowments, such as land and water, is one of the factors of production that has triggered regional economic growth. Basically, decentralization means that various actions of the central government hand over power to actors or institutions at a lower level in a political administration and territorial hierarchy within a government. the strong form of decentralization occurs when power and resources are

transferred to the representation of authority and the transfer of responsibility to the local community. In the relation between management and natural resources, decentralization refers to the transfer of state assets or power to local decision-making bodies including NGOs (civil society) (Aggrawal and Ribot in Lane, 2003). Democratic decentralization aims to increase public participation in local decision-making. So democratic decentralization is a form of institutionalization of the participatory approach, meaning that there is involvement of citizens in the planning process (Lane, 2003).

Furthermore, the logical promised by the decentralization is First; equity is believed to help promote justice through greater ownership rights to resources and fair distribution of benefits from local activities. Whereas the second; it is believed that economic and managerial efficiency will increase through 1). Calculating the costs of decision making, where the community and the representation of those who make resource decisions, is believed to be more likely to incorporate the overall calculation of costs into the local community. 2). Increased responsibility; bringing public decision making close to citizens, decentralization is believed to increase the accountability of the public sector and therefore be more effective. 3). Reducing transaction costs, by increasing access to local skills, labor, and local information. 4). Adjust services to needs; bring local knowledge and aspirations into project design, implementation, management, and help assess decision makers for more appropriate actions with local needs. 5). Mobilizing local knowledge: bringing the government close to the community to help efficiency. 6). Encourage coordination: decentralization is also believed to increase the effectiveness of coordination and flexibility between administrative agents, and in the planning and implementation of development and conservation. 7). Provision of resources: participation in the benefits of local resources can also contribute to the development and to the agenda of environmental regulation by providing material to local communities and revenue. So, now in a number of products or drafting the Law in accordance with the spirit of decentralization and regional autonomy, the central government still seems to hold the weak form of decentralization, because if the paradigm of change is in the context of civil society, then the principles of good governance, democratization, accountability, strong form of decentralization, and transparency must inspire the laws produced.

3.3. Management of East Kalimantan's Natural Resources

3.3.1. Coal mining potency

Indonesia is a country that is rich in forest resources (SDH) and minerals (mines). The mining materials include gold, silver, copper, oil and natural gas, coal, and others. Like forest resources, mining materials are also controlled by the state. State ownership rights in the form of authority to regulate, manage and supervise the management or exploitation of mining materials, and are obliged to use them for the greatest prosperity of the people (Salim, 2008). One of the excavated materials is coal. Coal is a mixture of heterogeneous solids and is

found in nature with a different level of quality than (the value of calorie lignite below 5,000 kcal/kg), and submit mine between parasites (the calorific value is above 5,000 kcal/kg (Sukandarrumidi, 1999). In 2013, Indonesia was ranked as the fourth largest coal producer in the world based on 2014 Statistical Review of World Energy BP data.

Indonesia's total coal in 2014 was estimated to reach 104.76 billion tons, spread in 12 locations in more than 6 provinces. Most of them located at South Sumatra (39%), East Kalimantan (34%) and South Kalimantan (16%). These three provinces control 89% of all measured coal in Indonesia (Department of Geology, Ministry of Energy and Mineral Resources, 2014).

In 2008, coal from these three provinces accounted for 98.2% of Indonesia's total production. In 2012, almost 93 percent of coal exploration and exploitation was in Kalimantan. Until 2012 the largest national coal supply, originating from Kalimantan, reached almost 93 percent of total national production, while Sumatra contributed 7 percent (Sukhyar, in Detik finance Tuesday, 11/27/2012). In general, the Kalimantan island has 51 coal reserves, 9 billion tons or 49.6% of Indonesia's coal reserves. East Kalimantan has coal reserves of 37.5 billion tons or 35.7% of national coal reserves and is the most active and progressive province in coal mining compared to other provinces. Currently, East Kalimantan dominates 1,476 coal mining business licenses on the Kalimantan island with an area of 5,406,566 ha (Distamben Kaltim, 2013). The existence of coal mines has contributed significantly to East Kalimantan's economy, which is 50% of Gross Regional Domestic Product (GRDP), while more than 6% of its

population is still below the poverty line (Marino, 2013).

3.3.2. Coal Mining Production

The development of coal production and export in Indonesia increased significantly in the last 5 years (Subarudi, 2016) where both the number of exports and coal production from year to year experienced a significant increase. But in the same graph, it can be seen that total coal exports outweigh the total production. This shows that there are a number of exports that are not recorded or can be said to be illegal exports. This export amount can be categorized as a state loss for not paying royalties and income taxes and other value-added taxes. BPS data (2012) shows that the amount of coal exports exceeds the amount of recorded production in the sense that there are a number of unreported exports. The average excess coal export from the total production per year is around 24.57 million tons with a total value of US \$ 1,242,352.24, equivalent to Rp. 12,423 billion assuming the value of Exchange Rate 1 USD = Rp. 10,000. Not all national coal production is exported, but to fulfill domestic market obligations also. Natural resource exploration, especially the mining sector in East Kalimantan, covers oil and gas and non-oil and gas. Petroleum and natural gas are mining products that have a very large influence on the economy of East Kalimantan and Indonesia because until now both of these mining products are the main export commodities as shown in Figure 1. The mining and quarrying sector is the largest sector in contributing to East Kalimantan GRDP. In 2016 this sector contributed 43.34% of GDP value, slightly decreased compared to the contribution of mining and quarrying in 2015 which was 45.16%.

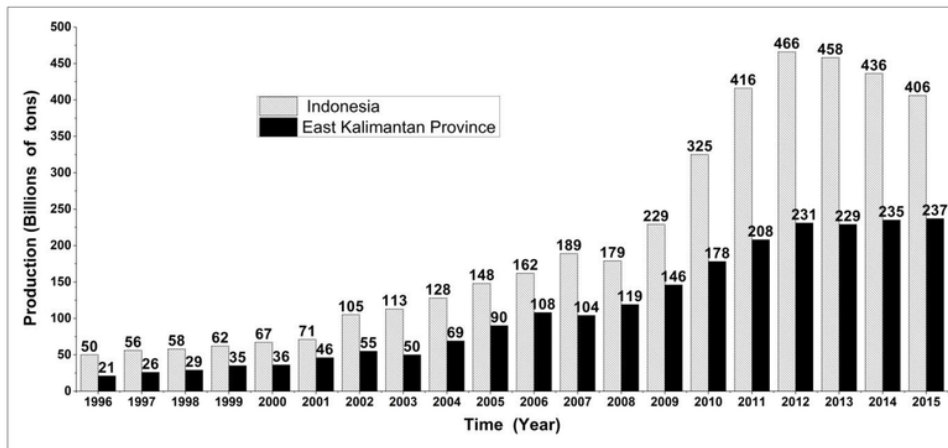


Figure 3. 1. Indonesian and East Kalimantan coal production in 1996-2015

Source: Processed from BPS 1997, 2002, 2006, 2007, 2011, 2016, 2017 and the Mining and Energy Office of East Kalimantan Province, 2016.

The growth of the mining and quarrying sector is still declining due to the lack of demand for mining products, and the low selling prices of coal and oil and gas in 2016. The growth of the mining and quarrying

sector slowed from 1.85% in 2013 to -0.40% in 2014 and deeper correction in 2015 to - 4.89%, while in 2016 slightly improved compared to 2015, which was at a growth rate of -3.52%.

In terms of coal production, the commitment of large-scale miners to comply with contracts with the government is a driving factor in maintaining production volume amid price corrections. Furthermore, large-scale mining activities are also relatively high due to long-term contracts with buyers and contractors. For miners, the scale of IUP maximizing production is the only way to gain profits to keep the company's liquidity maintained and minimize the reduction of labor related to the declining coal prices. The low price of coal in 2016 has made coal mining and lignite growth experienced a correction of -4.80% after growth of 4.95% in 2013, the growth of 1.95% in 2014 and experiencing a deep correction in 2015 of - 6.42%. Since the 1990s until now, East Kalimantan has relied on an economic sector based on non-renewable resources. For approximately 20 years, from 1970 to 1990 the forestry sector became the economic backbone of the East Kalimantan region and even the rate of economic growth in East Kalimantan at that time was able to reach 7.42% per year. The shift in the economic sector base occurred in the 90s where the mining sector began to become the regional economic base that replaced the forestry sector.

The 1990-2000 period, the mining, oil, and gas sector and the oil and natural gas industry began to take over the domination of the East Kalimantan economic region. The economic growth rate is relatively lower, which is a maximum of 5.71% per year. In 2000, the non-oil and gas mining sector shifted the position of the oil and gas mining sector. At present, the coal mining sector can no longer be relied on to support East Kalimantan's finances. Until the end of 2015, economic growth increased to 0.85% lower than the previous year. In 2014, East Kalimantan's economic growth could reach 2.02%.

Figure 2 shows the export performance of East Kalimantan Province over the past four years which has continued to decline. In 2012 total exports amounted to USD 33.79 billion (non-oil and gas valued at USD 18.79 billion and oil and gas worth USD 14.99 billion) and continued to decline until 2016 reached US \$ 13.84 billion (non-oil and gas worth USD 10.06 billion and oil and gas worth USD 3.78 billion). The decline in the value of non-oil exports for four years was around 46% and oil and gas exports fell 74%. Coal commodities which account for around 54.99% of East Kalimantan's total exports in 2016, the value dropped by 18.41 Million Tons or by 7.78% of the total production of 236.61 Million Tons in 2015, down in 2016 mounting to 218.20 Million Tons. Whereas East Kalimantan's oil and gas exports decreased to the level of 41.04% compared to 2015. Some non-oil and gas commodities whose value also declined in 2016 compared to last year include wood and wood products down 17.86%, animal/vegetable fats and oils down 18.82 %, inorganic chemicals fell by 21.20%, organic chemicals dropped by 31.40%, various chemical products dropped by 17.96%, ships, boats, and floating structures dropped by 67.41%, as well as nuclear reactors, boilers, machinery, and equipment mechanically, part of it fell 1.56%. Whereas non-oil and gas exports whose value experienced an increase in 2016 included fertilizer exports which increased by 19.33%, and exports of fish & crustaceans,

mollusks, and other aquatic invertebrates increased by 28.66%.

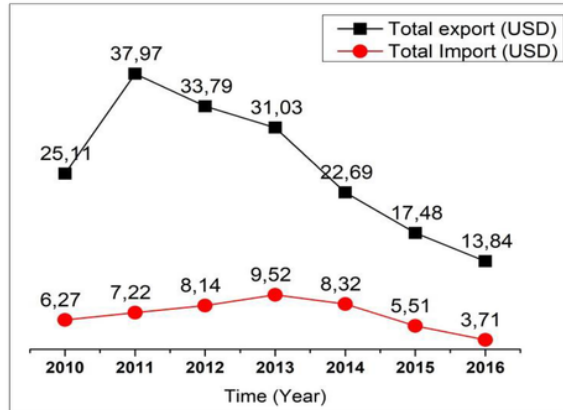


Figure 3.2. East Kalimantan Province's total import and export value for 2010-2016.

Source: Central Statistics Agency of East Kalimantan Province, 2016 (processed).

By country, the oil and gas exports of East Kalimantan Province are mostly to Japan, Taiwan, Korea, Singapore, and Australia wherein 2016 respectively reached USD 1.6 billion, USD 800.24 million, USD 455.88 million, USD 357.98 million, and USD 225.04 million with the country's participation reaching 90.96 percent of the total oil and gas exports in 2016.

The East Kalimantan Province's non-oil and gas exports agreed to India, China, Japan and the Republic of Korea in 2016 reaching USD 2.18 billion, USD 2.13 billion, USD 1.36 billion and USD 1.14 billion with the assistance of the country reached 67.72 percent of total non-oil/gas exports in 2016.

The fall in prices of imported commodities, especially crude oil, made the import value of East Kalimantan decrease in 2016. East Kalimantan's imports were valued at USD 3.71 billion consisting of oil and gas imports of USD 2.61 billion and non-oil and gas USD 1.10 billion. The total value of this import fell 32.55% compared to last year, where East Kalimantan oil and gas imports in 2015 were valued at USD 4.14 billion and non-oil and gas imports were USD 1.37 billion. Most of East Kalimantan's oil and gas imports are in the form of crude oil, which accounts for around 58.15% of East Kalimantan's total imports and oil products that play a role of 12.21%. Both of these commodities have decreased by 27.51% and 60.82% respectively in 2016. Nigeria and Malaysia are East Kalimantan's oil and gas import countries of 26.39% and 24.97% of East Kalimantan's total oil and gas imports. In addition, they also came from the Republic of Korea (10.77%), Singapore 5.10% and Thailand 0.41%.

East Kalimantan's non-oil and gas import commodities are dominated by mechanical machinery and equipment which account for around 14.52% of total 2016 imports, where the value has dropped 20.57%

compared to last year's commodity imports. Whereas iron or steel goods accounted for 2.67% of total imports and machinery and electric vehicles that played a role of 2.42%, the import value also rose by 28.34% and 120.05% respectively compared to 2015.

The validation results for the realization of the average amount of coal per year for domestic needs (2006-2010) is 57.45 million tons (Directorate General of Mineral and Geothermal, 2010). The amount of exports that exceeds the amount of coal production indicates that there is an amount of coal production that is not officially registered or not reported by the owner of the Mining Business Permit (IUP). KPK (2014) found that in 2010 there were a difference in production (109.81 million MT) and exports (131.94 million MT) of illegal coal as a result of a comparison between data from the Ministry of Energy and Mineral Resources and the World Coal Institute (WCI). This is consistent with Praja's (2014) statement that mining governance has not been well implemented which is characterized by (i) weak coal mining production data, and (ii) there are differences in production data between the Director General of Mineral and Coal, Ministry ESDM with the Central Statistics Agency (BPS). Data on production, domestic sales and exports should be tiered from district/city to province and minister, then the provincial government to regency/city and minister as stipulated in Article 7 of Law No. 4 of 2009 concerning Minerals and Coal. Central BPS receives data on production, domestic sales and coal exports from the ESDM Ministry or reports from provincial and district / city BPS. The Central BPS also obtained data on coal exports from the Ministry of Trade. If the data on coal exports are large and unrecorded and coal production is increasing, which tends to increase (an average of 200 million tons per year with an income of around Rp. 22 trillion), it will accelerate the rate of coal extraction, which is feared to threaten its sustainability.

Indonesian coal stock is only about 2.6% of the world's total reserves, but the number of coal exports ranks the 8th largest in the world. If this condition continues, Indonesia will become a coal importing country within the next 15 years (Praja, 2014). The average state revenue per year lost to the behavior of rent seekers and free riders who take advantage of the weaknesses in the system of recording and monitoring of the amount of national coal production is relatively high, namely Rp. 3,913 billion (31.5% x Rp. 12,423 billion). Meanwhile, East Kalimantan coal production and exports also experienced a significant increase over the past 10 years (2004-2013, the condition shows that coal production in East Kalimantan increased 2.4-fold in the last 10 years from around 113.16 million metric tons (2004) to 272.04 million metric tons (2013) or an average of 193 million tons per year. However, in 2014-2017 it declined because the price of coal in the international market dropped. The average national coal production (2006-2010) was 198, 92 million tons per year and the average production of East Kalimantan coal in the same period (2006- 2010), which is 184.85 million tons per year or 92.9%, while East Kalimantan coal exports (2006- 2010) are around 140 annually. 76 million tons or 63.0% of the total national coal exports in the same period (223.49 million tons). (BPS Kaltim, 2014) Based on the above data, East Kalimantan is one

of the provinces in Indonesia that has potential and Natural resources are abundant with activities the exploration and exploitation increases every year with high investment value.

4. Impacts and Implications of Mining

In addition to providing a positive impact on regional economic development and growth, natural resource utilization activities also support various landscape changes in environmental damage. Open coal mining in East Kalimantan has caused the lower layers and the surface of the land to be freed and there has been a drastic decline in soil quality (Agus, 2014). Therefore, coal mining in East Kalimantan needs to be coordinated because mine sector is currently needed to provide benefits that are equivalent to improving the regional economy in realizing regional development and people's welfare (Ishak, 2015).

Data on mining business permits (IUP) in East Kalimantan reached 1,476 companies with an area of 5.4 million hectares consisting of (i) exploration IUP 1,029 units with an area of 4.7 million hectares and (ii) IUP exploitation 447 units with an area of 0.69 million ha. When compared between the area of IUP and the vast area of East Kalimantan, the area of IUP (5,406,565 ha) that has been issued by 11 districts/cities has increased by about 42.5% of the total area of East Kalimantan (12,726,752 ha). Overall IUP data in Kaltim in 2014 reached 1,443 coal companies operating with a cultivated area of around 5.5 million ha consisting of (i) coal mining companies 1,360 IUPs (94%) and; (ii) mineral sector 83 IUP (6%). Of the total number of IUPs including 993 IUPs that are clear (free from tenurial and clear conflicts or the legal system for obtaining licenses) and 450 IUPs are not yet clear (Susanto, 2014).

Forest areas in East Kalimantan Province (Minister of Forestry Decree No. 79 of 2001) covering 14,651,553 ha with various forest functions in Conservation Forest Areas (2,165,198 ha), protected forests (2,751,702 ha), limited production forests (4,612,965 ha), and production forest (5,121,688 ha) (Ministry of Forestry, 2012). The use of forest areas for mining and non-mining in the framework of permits and plans for utilization in East Kalimantan in 2008-2012 reached 159 units with an area of 361,071 ha. According to the 2012 Ministry of Forestry data shows the use of forest and mining areas for each unit is between 1,100-4,000 hectares. The most forest utilization (230.7 thousand ha), followed by permits (110.6 thousand ha), and exploration (29.7 thousand ha).

Data from the East Kalimantan Mining and Energy Service (2013) show the number of business units in East Kalimantan is 1,476 IUPs with a total area of 5,406,566 ha and by using the ratio suggested by Susanto (2014) between coal mining (94%) and non coal mining (6 %), the coal IUP is 1,387 units with an area of 5,082,976 ha and non-coal IUPs of 89 units with an area of 324,394 ha. The ratio percentage area of the mine is used to estimate the area of coal mines in the forest area. Thus the legal coal mining business in the forest area covers 340,337 ha (94% x 362,071.2 ha) or only 6.7% of the total coal mining area (5,082,976 ha) in

East Kalimantan. Data on mine area in legal forest areas (340,337 ha) is still separate from the illegal mine area in forest areas reaching 774,519 ha (DG PHKA, 2012). The existence of illegal mines in this area greatly contributes to the rate of deforestation and forest degradation. Prayitno et al. (2013) declare the growth rate of critical land area in East Kalimantan is quite high at 300 ha per year with detailed critical land area increasing by 1,840,181 ha (2007) to 2,844,134 ha (2011), while very critical land increases dramatically from 16.124 ha (2007) to 325,357 ha (2011).

Implementation of decentralization in East Kalimantan was marked by a paradox because the abundant economic resources actually made poverty and poor public services. The regional autonomy system as an implication of decentralization is expected to bring greater benefits to local communities, increasing regional fiscal needs has increased significantly as a blessing in the implementation of Law 25/1999 and the revision of Law 33/2004, as well as greater government assistance, discussed in support of Law 22/1999 and also its successor, Law 32/2004 was then revised again with Law 23/2014. Increase financial capacity and increase the government budget for regional budgets to accelerate development and provide welfare to the population. To be able to improve welfare and encourage reform, decentralization requires certain conditions, namely: 1) having enough education and caring, 2) economic inequality and low social status, 3) the existence of law and social order, and 4) the existence of regular and fair political elections, effective competition between the forces of local politics and long interests, the existence of information channels that connect the community to government, and the presence of government relations both internally and externally (Tendler 1997; Crook & Manor 1998). According to an economic perspective, decentralization provides beneficial outputs that are in accordance with the existence of 1) the functioning of local democracy, 2) fiscal autonomy that requires regional government, including regions that are capable of producing resources, who want to suffice, 3) nothing external community and between regions, and 4) administrative/administrative capacity by government administrators (Bardhan & Mookherjee 1998). The absence of these preconditions will make decentralization trapped in corrupt practices and other power deviations.

Skeptical decentralization capabilities to overcome poverty factors, ranging from corruption in government, poverty, control of control both by society and between government institutions, and the lack of professionalism of government officials in government affairs-public affairs (Bossuyt and Gould, 2000). A study conducted by Blair (2000) in six countries (Bolivia, Honduras, India, Mali, Philippines, and Ukraine) refers to decentralization that encourages community participation in taking policies and government at the local level which has gained considerable protection, failed decentralization prepare poverty and make pro-poor policies. This is because local elites prefer the decision-making process and vice versa are drawn from interests that only benefit local elite groups. Hadiz (2010) reported that several regions in Indonesia after decentralization does not show significant changes. The

new government is unable to transform a more powerful government, which guarantees the inclusiveness of society in all government processes. In many practices, decentralization belongs to the character of power structures with solid patronage, which results in the hijacking of new resources by the power elite.

The East Kalimantan Regional Development Planning Agency data (2008) shows oil reserves in East Kalimantan reached 1.178 billion barrels, equivalent to 13 percent of national oil reserves, while the potential for natural gas reached 49.14 TSCF (Trillion Standard Cubic Feet) or 28 percent of national gas reserves. In addition, the East Kalimantan earth also contains a very large coal deposit, estimated at 22 billion tons. This mining potential is predicted to be exploited for another 20-30 years. The accumulation of natural resources made East Kalimantan one of the fourth largest contributors to the national Gross Domestic Product (GDP) (BPS Indonesia, 2008). The position that made East Kalimantan a recipient of direct decentralization blessings, specifically financial transfers from the center.

The implementation of balancing funds has an impact on the increase in the provincial budget amount. In 2001 the East Kalimantan provincial budget increased by around 300 percent, from 605.5 billion rupiahs in 2000 and continued to increase until 2008 to reach 6.1 trillion or an increase of around 900 percent compared to the 2000 regional budget, the period before regional autonomy. Besides at the provincial level, an increase in the number of APBD is also enjoyed by all regency and city governments in the East Kalimantan region. As an illustration, the cumulative number of provincial and all district budgets in the East Kalimantan region reached around 22 trillion in 2010 (DGT, 2011). This financial abundance justifies the argument of Seymour and Turner (2002) that regional autonomy provides greater benefits to regions rich in natural resources.

This decentralization blessing was welcomed enthusiastically by local elites, as reported by Ishak (2006), Agustianto (2008) and Hamongpranoto (2006) that this significant increase in authority and fiscal capacity will provide opportunities for regional governments to accelerate development through development programs to improve the welfare of local communities. However, this claim seems indisputable if you look at the implementation situation because the budget does not significantly affect the improvement of the welfare of the East Kalimantan community. The poverty rate is still very high, according to Bappeda (2008), of the 3.5 million East Kalimantan residents, around 9.51 percent are categorized as poor. The still poor condition of poverty is an early indication of the inability of decentralization to produce prosperity, as expected by this policy designer. The irony of decentralization in the province is increasingly dramatic if we look at further data relating to the situation of public services and the provision of infrastructure.

In the case of the availability of road infrastructure, for example, the data shows that the ratio of road length to the area of East Kalimantan is 115 km per 1000 square kilometers. This shows that road infrastructure as a pre-condition to moving the economy of the community has not yet reached most of the East

Kalimantan region, where the cluster of the population is spread over a very wide area. From the infrastructure built, the quality is also still very low, of which around 22 thousand roads are long, 60 percent are still with gravel and soil surfaces, and those with good conditions are only about 48, and the rest are below standard (Bappeda, 2008). This situation certainly impedes people's access to the economic center and other service facilities, which ultimately affects the level of community welfare.

Important welfare indicators are basic services; education and health. In terms of education services, the conditions of supporting facilities and infrastructure available in East Kalimantan are still very alarming. The report from Bappeda and BPS (2008) shows that out of 2,044 classrooms at the elementary and secondary levels, around 22 percent are in a damaged condition. In fact, the availability of schools is still not present in all residential settlement clusters, especially in rural areas and upstream sub-districts.

In one of the richest districts in East Kalimantan (and Indonesia), Kutai Kertanegara, has poor health facilities and infrastructure. The quality of education services that are low and do not reach these results in the quality of Human Resources being measured from the point of view of formal education is still poor. Illiteracy rates are quite large, reaching 16.09 percent, while the education level of the community is still low. According to the BPS East Kalimantan report (2007), more than half of the population of East Kalimantan only received education at the elementary and junior high school levels, which were 53.11 percent and 28 percent respectively. In fact, around 12.4 percent of the working age population do not have formal education equivalent to primary school or in other words have never attended school. The situation that illustrates that decentralization has not been able to be managed to produce educational services is often for local communities.

The situation is not different in health services. Health service facilities are also still minimal, especially in newly expanded districts such as West Kutai, East Kutai, North Penajam Paser, and Hulu Mahakam. The

availability of health facilities in this region is limited. The limitations of facilities and health workers are indicated by data that East Kalimantan has 1.5 times the area of Java and Madura only has 44 hospitals, 201 Community health centers (Puskesmas) and 651 community health sub-centers (Bappeda, 2010), and with a population of around 3.5 million people, only served by 680 general practitioners - meaning 1 doctor serves around 4000 residents. Apart from being very limited, the existence of most of the facilities and health workers is in the capital city of the sub-district, which means that it increasingly closes the access of communities living far from the center of government.

Given the conditions as shown in Table 1, it is not surprising that the district and city Human Development Index (HDI) in East Kalimantan are still relatively low compared to other regions in Indonesia. For example, Kutai Kertanegara Regency which has the highest APBD in Indonesia is only able to be ranked 137 out of around 400 regencies/cities in Indonesia. The above situations are an affirmation that the fantastic increase in the APBD and the broad delegation of authority to the regions have not significantly impacted on reducing poverty.

This phenomenon shows that the East Kalimantan regional government "failed" to take advantage of the momentum of decentralization and the abundance of resources. The decentralized system facilitated by Law No. 22/1999 and its successor, Law 32/2004, and fiscal decentralization through Law 25/1999, revised with Law 33/2004, carried out most of the governmental authority and intensified financial flows to East Kalimantan, but the abundance seemed to only be captured as profit by very limited, those in the local elite strata and those around it. Conditions that justify skeptical opinions about decentralization, and have given rise to tragedy profiles in the implementation of East Kalimantan decentralization so far. The presence of poverty in East Kalimantan is due to the accumulation of various causes, ranging from the legacy of past policies, sociological and historical factors, and the situation of the deficient regional government.

Table 4.1. Human Development Index by Regency/City in East Kalimantan Province

Regency/City	Human Development Index						
	2010	2011	2012	2013	2014	2015	2016
Pasir	66.54	67.11	68.18	69.61	69.87	70.3	71
Kutai Barat	65.9	66.92	67.14	68.13	68.91	69.34	69.99
Kutai Kartanegara	67.45	68.47	69.12	70.71	71.2	71.78	72.19
Kutai Timur	66.94	67.73	68.71	69.79	70.39	70.76	71.1
Berau	69.16	70.43	70.77	72.02	72.26	72.72	73.05
Penajam Paser Utara	66.37	66.92	67.17	68.07	68.6	69.26	69.96
Mahakam Ulu	-	-	-	63.81	64.32	64.89	65.51
Balikpapan	75.55	76.02	76.56	77.53	77.93	78.18	78.57
Samarinda	75.85	77.05	77.34	77.84	78.39	78.69	78.91
Bontang	76.97	77.25	77.55	78.34	78.58	78.78	78.92
East Kalimantan (Average)	71.31	72.02	72.62	73.21	73.82	74.17	74.59

Source: Processed from BPS East Kalimantan Province, 2011-2017

The argument that decentralization has not been effective in overcoming poverty and building welfare is more sourced from the internal government. Legacy and historical-sociological factors are more minor and become contexts.

Sociological and Cultural with a large economic appeal, East Kalimantan is one of the objectives of population movements. Immigration from Java, South Sulawesi, and several other areas became part of the history of the formation of East Kalimantan social formation. East Kalimantan is a heterogeneous area, even the majority of the population of East Kalimantan are immigrants from various regions, more than 80 percent of the population (Bappeda, 2008). Related to poverty, Deputy Mayor Samarinda, who is also a former senior official in East Kalimantan Province, Nusyirwan Ismail (quoted from Harijono and Eko, 2005), stated that the high poverty rate in East Kalimantan was influenced by the arrival of unskilled immigrants from mainly East Java, South Kalimantan, and Sulawesi. Their arrival in East Kalimantan was considered to have created strong pressure for rising poverty rates and made it difficult for local governments to handle it. However, this claim that is often discussed by politicians and government officials needs to be tested more in its validity, given the economic contribution brought by them in reviving East Kalimantan.

In this cluster, another factor is the existence of local communities which are considered to be a barrier to the effectiveness of poverty eradication programs and welfare development. In interviewing writers with a number of political elites, regional officials and community leaders, there seems to be a consensus of the view that local culture and mental underprivileged individuals influence poverty in East Kalimantan. It was explained that the people of East Kalimantan, especially indigenous people, will always be in a marginal position because they feel quite satisfied with what they already have and tend to isolate themselves from change, and tend to have a short-term and instant mindset. This mindset makes them accept things as they are without any hard work to advance their lives. The cultural manifestation of poverty is also seen in the process of collecting poverty data, where a group of people consciously and force themselves to be registered as poor families only to benefit from government assistance. However, this condition of society should not be blamed, because it is the duty of the regional government to transform the mindset that can support the development of quality of welfare.

The deficiency of the local government when poverty is still convoluted and prosperity is not present in the midst of an abundance of authority and financial resources, so we need to focus attention on the local government as the holder of that power. Through research in the field and analysis of various

sources, the work of regional governments in East Kalimantan in implementing decentralization is still filled with a number of deficiencies. Inconsistency of local government in the implementation of development. In the East Kalimantan planning document, it is very clear that the regional development priority programs cover three things: HR development, infrastructure development, and agricultural development. These three

priority programs reflect the fundamental problems faced by East Kalimantan in the past few decades and are convinced that consistency in the implementation of this program will be able to raise the level of community welfare.

The failure of the Regional Government to take advantage of this opportunity is caused by (1) The inconsistency of the regional government in implementing programs and activities contained in the planning document marked by the failure of the regional government in implementing the predetermined priority program; (2) The mechanism of policymaking is very elitist and has not been able to explore what is actually the aspirations of the community and decision making at executive and legislative level tends to be dominated by political considerations rather than consideration of technocratic, participatory and bottom-up professionalism; (3) APBD leaks that should be used to finance poverty programs make the use of budgets ineffective and inefficient to deal with poverty issues in the regions; and (4) the inheritance of development developed by the highly centralized New Order regime which has given rise to wide inequality. Given some of the above problems, so that the existence of Natural Resources does not result in a curse of natural resources, some policies need to be considered by the regional government to encourage the implementation of decentralization with a vision of welfare, namely:

First, it is necessary to implement the poverty mainstream policy in the process of regional development planning and budgeting. This policy is needed to ensure that every program planned by the local government has an impact on the poor. In many cases, programs claimed by local governments as part of policies to fight poverty are often general policies and apply to everyone without specifically targeting the poor. Therefore, to ensure that all development programs proposed by local governments fulfill the principles of "pro-poor program" and "pro-poor budgeting", all proposed programs must go through a poverty impact assessment process) Thus, it is expected that all development programs proposed by the regional government will produce pro-poor policies.

Second, the development of human resources and increased professionalism of regional government officials. Along with the increasing responsibility and authority of the local government, efforts to increase the capacity of local governments also become very important. Local governments must have a commitment to improving the quality of human resources in local communities because civil society will only be able to involve themselves or be involved in the development process if they have adequate capacity. Individual capacity development can be carried out through formal and informal education institutions along with strengthening social-political institutions that are concerned with the issue of poverty. With adequate education and knowledge slowly the local culture that is less responsive to progress will be eliminated and replaced with a culture that respects the spirit of healthy competition.

Escort policy consistency through strengthening the control of civil society and other social forces. The inconsistency of local government in the

implementation of development programs is an important discussion in this paper. Basically, the development program launched by the regional government has accommodated the development priorities set out in the planning document. These programs are also relevant to the problems faced by the people of East Kalimantan. In other words, the regional development program plans produced through various approaches have actually responded to the fundamental problems faced by the community, namely the low quality of human resources and the lack of basic infrastructure. Therefore, in addition to long-term programs in the form of strengthening the capacity of individuals and local social and political institutions as agents of change in the regions, a joint commitment from all stakeholders needs to truly foster a culture of public accountability in implementing development programs.

5. Conclusion

Decentralization policy affecting the mineral and mining sectors and have different impacts on local communities. The decentralization policy has provided

opportunities for local governments to manage and utilize their natural resources independently. Due to the decentralization policy, local governments have the right to issuing mining permits, monitoring, as well as evaluating the mining sectors. However, mining decentralization has different implication on human security. Decentralization in the mining sector brings positive impacts on economic security, which is shown by increasing regional income. In addition to providing a positive impact on regional development and economic growth, natural resource utilization activities also result in various landscape changes or lead to environmental damage. In terms of the welfare of local communities, important welfare indicators are basic services; education and health. The need to implement the poverty mainstream policy in the process of regional development planning, budgeting and also the development of human resources and increasing professionalism of local government apparatus to encourage the implementation of decentralization that has a vision of welfare and avoids the existence and management of natural resources that lead to the curse of natural resources.

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