

IM4DC

Action Research Report

SUMMARY

Researchers:
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School/ Centre:
Centre for Social Responsibility in Mining,
LabSosio

University/ Institutions:
Sustainable Minerals Institute, The University of
Queensland, University of Indonesia

Key themes:
Governance and Regulation
Community and Environmental Sustainability

Key countries:
Indonesia

Completion:
March 2013

Research aims:
This desktop research provided a brief on mining legislation and policies in Indonesia, before and after the period of national and regional transition. The project aimed to identify current Indonesian regulatory frameworks/policies and analyse their implications for mining, Corporate Social Responsibility and community development and empowerment.

For further information on this action research:
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Mining and Development in Indonesia: An Overview of the Regulatory Framework and Policies

The mineral resources sector plays a vital role in the Indonesian economy. Mining contributes approximately five percent of the total Indonesian Gross Domestic Product and a much greater share within the regional economies of some resource-rich provinces. The industry has attracted many investors, including 'newcomers' from China, India, Russia and South Korea. Indonesian civil society (and specifically local communities) is demanding that mining companies recognise their 'local rights', which sometimes leads to conflict between companies and local communities.

This project provided an overview of the history of mining legislation and policies in Indonesia and an analysis of the current legislation and its impact within the mining industry. Seven key points were noted and expanded for consideration by policy makers, private enterprise and other stakeholders, to assist in mining and development within Indonesia:

1. Prior to the decentralisation era, the Indonesian mining regulatory framework was governed with a centralised mining administrative system under Law 11/1967.
2. Decentralisation and political reform resulted in significant changes to the Indonesian mining regulatory framework with a greater role given to sub-national governments.
3. Decentralisation has encouraged a paradigm of 'localism' in natural resources and economic wealth for local communities.
4. Forestry and mining areas often overlap and there are conflicts between government agencies over their control.
5. Companies are required to obtain relevant environmental approvals as well as the 'new environmental license' as part of an Environmental Impact Assessment.
6. Social and environmental responsibility has been legally mandated in Indonesia, but with mixed outcomes from its implementation.
7. The Indonesian mining regulatory framework and practices are still in transition; however there is clear intent to ensure greater benefits to Indonesia's citizens.

The research illustrated that the evolution of regulatory frameworks for mining in Indonesia has been pronounced during the past century and will continue to evolve.

Notably, the key factors in this regulatory framework pertain to:

- Economic benefits that could be enjoyed by local people through the development of local suppliers and infrastructure, and the creation of direct employment.
- Corporate social responsibility through community development and empowerment programs that can benefit communities, in particular those near mining operations.
- The importance of mitigating impacts on the environment due to mining activities, both large and small-scale.

The report includes recommendations regarding continued collaboration with LabSosio (Department of Sociology, University of Indonesia), utilising the report information in training activities and international publications, and further research activity.