

Redressing Equity Issues in Natural Resource-rich Regions: A Theoretical Framework for Sustaining Development in East Kalimantan, Indonesia

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ABSTRACT

Despite having potentials for economic growth, natural resource-rich regions in developing countries, like East Kalimantan Province of Indonesia, often face problems emerged from unequal distribution of development benefits and extreme exploitation of natural resources. Economic inequality and poverty on one hand, and threat of unsustainability on the other, are thus common. Essentially, the problems share a common root of cause, namely inequity.

The main question is therefore: "Given that the immediately viable prospects of achieving economic development in developing countries lie in natural resource-rich regions, how can public policy in such regions assist in promoting intra- and inter-generational equity, and thus sustainability?" In the way of answering it, the paper proposes a theoretical framework for public policy reformulation that can help resolving the problems in East Kalimantan.

The regional development of East Kalimantan should consequently apply equity in four main functions, i.e. in the benefit distribution to the people, in the production function of natural resources, in the nonproduction function, and in the reinvestment for sustainability. Equity failures in the benefit distribution would end up to problems of poverty and economic inequality. Also, inequity in the production function would cause problems of benefit leakages to foreign countries, along with the threat of unsustainability due to excessive exploitation. Moreover, equity failures in the nonproduction function would deteriorate the assimilative and carrying capacity of the environment. Finally, equity failures in the sustainability reinvestment would threaten the sustainability, mainly because of insufficient funding to reverse the environmental damage.

Therefore, to resolve the inequity problems, and thus to ensure sustainability, it is necessary to reform and to renew related public policies, the correct and corruption-free implementation of which will bring sustainable welfare to the people. The paper finally comes out with 18 policy areas needed to be reformulated.

KEYWORDS: equity, inequality, natural resource-rich, sustainable regional development, developing countries.

1 THE DISTRIBUTION OF BENEFITS AND SUSTAINABILITY: CHALLENGE IN RESOURCE-BASED REGIONAL ECONOMY

People in both developed and developing countries enjoy development benefits unequally. This kind of inequality, contrary to the expectation of many, has not been decreased by globalisation. In terms of inequality of income, for example, the UN (DESA 2006) indicates a general increase, both globally and within countries, although significant exceptions can be found in a number of, mostly wealthy, countries. In the developed world, while considerable decreases have occurred in Italy and France, substantial increases are experienced by the United States and the United Kingdom (Frazer 2006). In developing countries, the trends are also vary, from significant decrease in India (but only until its income per capita reached \$1,700) to increasing patterns in Taiwan and Thailand (Frazer 2006). However, Stiglitz (2002: 5) asserts that "a growing divide between the haves and the have-nots has left increasing numbers in the Third World in dire poverty, living on less than a dollar a day". This point accentuates the need for attention to be given to developing countries.

The first part of this paper gives a background to a research problem. The onus is four fold. First is a contention of some irony, that many people are unable to benefit from development in rich regional (sub national) economies. Second, a brief understanding of the problems of unequal benefit distribution and unsustainability will be advanced. Third, the important role of public policy is briefly discussed, which then leads to a main research question. Finally, the organisation of the paper is described.

1.1 Deprived People in Rich Economies

A notable event happened in Berau Regency in East Kalimantan Province of Indonesia in 2001. Kompas newspaper reports that a notice board was placed in every local government office in Tanjung Redeb, the capital city of Berau Regency, announcing the need to collect clothes to be given as charity to the needy in rural areas (Kompas 2001b). The announcement was launched after the Vice-Regent came back from a work trip to villages