



Policy Brief:

LOCAL GOOD DEAL FOR COMMON PROSPERITY FROM EXTRACTIVE INDUSTRIES IN SOUTHEAST ASIA

Target audience:

Head of Local Governments in ASEAN Countries

A. The Primacy and Vulnerability of the Locals

Southeast Asia countries are blessed with the abundance of natural resources; the most favorable are the oil, gas and mineral reserves. The extraction of the resources has been allowing extractive industries to flourish in the region, within which local leaders play strategic, yet understated, role. More over, as the region gearing toward the establishment of an economic block, known as ASEAN Economic Community (AEC), local leaders has even more strategic roles. There are two points to pay attention on.

First, the position of the local leader at the hart of risk-taking business. The lucrateness of exploitation from natural resources in extractive industries potentially obscures the risk entailed within it. This easily drives government at any level to take shortsighted or narrow-minded acts. At the same time, local leaders need to ensure that the extraction make the outmost benefit to the local. The failure in governing the industry at local level potentially fails the wider public to gain benefit from the spiral effect of extractive industry. Bad governance on these resources has driven in other resource-rich region has been responsible in setting up some sort of dependency, and even suffering from the so-called 'the paradox of plenty' or 'the resource curse'. In this set-up, they are unable to develop simply because of the abundance the revenues. Apparently, extractive industry is burdensome, as oppose to blessing (Ross, 1961:5).

Second, apart from the specific nature of extractive industries, the way to govern ASEAN is changing. In this regard, a clear and agreeable framework is in a deep need. Bearing in mind that local communities in all of ASEAN countries are more exposed to the policies made by their counterparts (either at local; national; and regional levels), a concerted action among local leaders is indispensable. As there are both advantages and risk to mitigate at the local level, there should be a common referent for simultaneous local policy-making. As local regions are the one immediately affected either positively or negatively by the activities of extractive industry, the respond of local authority deserve immediate attention from other local authority in the region. Ironically, sub-national authority in this region usually is lacking the necessary authority to make policies that significantly affects the dynamics of extractive industry activities and their repercussion. This situation is relatively common among the local regions in ASEAN and SEA countries. The aforementioned new situation at regional level due to the initiation of AEC opens new opportunities for the local regions to consolidate themselves and address this common issue of extractive industry.

So the question is: how can local leader exploit the opportunities in the changing regional situation to take part in ensuring that the richness of natural resources leads to common prosperity in ASEAN region?

B. In Search of a Breakthrough

Apart from becoming an economic “block”, ASEAN going to be a political as well as cultural “block”. The formal wording for these is ‘community’. The key and uniting words for governing ASEAN is ‘community’, which implies that each country retain and fully respect others’ sovereignty, yet each leaders are encouraged to think beyond its locality in gaining advantages and avoiding disadvantages. ASEAN framework requires local leaders to adopt an outward looking local leaders who prepare to collaborate each other for the common propensity in the region.

As the authoritative policy-makers, local governments are no longer an isolated actor an isolated nation-state. A trans-national initiative of local leaders is important not only for the participating local community, but also for the whole region. In this regard, governance is a matter of active engagement of well-informed actors who take part in pursuing a common prosperity. In attaining common prosperity, ASEAN requires new form of governance, in which a leader is endowed with sufficient knowledge, and skillful in managing the even increasing network. Academically speaking, this is known as ‘knowledge-based governance’, or ‘network-based governance’. In any case, both knowledge and network are important elements which both national and local government are bound to have.

By equipping the good network management, the knowledge-based governance is more superior to the bureaucratic one. When channels of trans-national communication among local leaders are well-developed, there would be more flexible practice of governance, which equal and mutually beneficial relations to take place. As each actor recognizes that knowledge is scattered among various governance actors and the need to mutually share their knowledge if they want to achieve their individual and collective goals. Thus, each of them must come up with mutually beneficial proposals in order to get the consent from others to share their knowledge.

This process of cross-border horizontal learning among local communities shows us how as policy actors the local communities redefine their understanding and role of themselves. In their engagement in the horizontal learning process, the local communities see themselves as entities with comparable and similar experience, situation, and through horizontal learning they expect to draw lessons from their counterparts. Thus, the local communities and their leaders leave the more conventional perception of merely local communities as the smallest and the lowest units of public administration.

C. Recommendations

Within the framework of collective engagement for enhancing local capacity to bring about a just and common prosperity in ASEAN, local leaders are recommended the following:

1. To Ensure Local Government and Community to have Good Deal in Extractive Industry Activities.

In their respective policies regarding extractive industry, the Local Leaders need to ensure that those policies are inline with their parameter they use to measure whether certain EI activity leads to good deal or not. (See Annexed I)

The parameters for Local Good Deal should include consideration not only on the aspect of fiscal gain but also other equally crucial aspects of social and environmental impacts, including equity in the distribution of the wealth produced from EI among the public and investment on more sustainable sectors. The parameters should also include contribution of the local EI policies for the achievement of broader national and regional goals. It is also necessary to regularly refine and update the instrument in order to keep up with the pace of the dynamics both on EI and governance as a whole. In doing so, the local leaders need to keep themselves up-dated with knowledge on latest development in order to be able to make well-informed policy decisions.

2. To Equip Local Policy-making with Capacity to make Good Deal.

This include:

a. **To Enhance Think tanks**

In order to arrive at proper policies, a local leader, as policy maker, needs to be well informed about the issue at hand. The think tanks help the local leader by providing relevant knowledge and formulating the policy substance. This knowledge production machinery comes in various

forms, such as organic think tank agencies at the local government; universities; research centers, CSOs etc. Thus, it is necessary for the local leaders to build and maintain connection with such institutions.

The knowledge and experiences sharing should be managed, arranging and circulated by a knowledge hub. In other words, this knowledge hub will function the horizontal learning among sub-national government. As the focal point of sub-national government's collaboration and partnership, the knowledge hub facilitates the forum for sharing knowledge, tools and resources. The knowledge hub involves in acquiring, processing, distributing knowledge and experiences in the region.

Therefore, the local leaders and other stakeholders of sub-national governances should attach and use the existing knowledge hub related to the extractive industries governance rather than build the new one. For instance, the local leader and various stakeholders of sub-national governance can use the information and knowledge arranged by Asia-Pacific Knowledge Hub on Extractive Industries Governance, a knowledge hub concerning on training the strategic actors and sharing the knowledge and experiences in extractive industries.

b. To Enhance Network management Team.

Networks facilitate the local leaders in various ways. Politically, they may provide additional leverage for the local leaders when they need to push certain issue into policy agenda. No less important is that the networks provide the knowledge required by the local leaders to deal with specific issues they are facing through process of horizontal learning. It is through this process breakthrough and innovative ideas and policies may come out. Therefore, it is necessary for the local leaders to have specific people or group of people assigned to manage their networks and up-date them with information regarding the dynamics and development of issues their counterparts are facing.

Since the extractive industries governance is the complex public affairs, the local leaders cannot work alone for institutionalizing better and democratic governance in extractive industries. In addition, many effective horizontal learning in the region in fact has been facilitated and initiated by the transnational CSOs and think tank networks rather than the formal network of government. Hence, local leaders should keep the partnership and friendship with CSOs, think tanks, and other counterparts both in their original country and in neighboring countries.

How networks of thinktanks and local leaders work in sinergetic way to produce innovative policies on EI is seen in the case of collaboration between Compostella Valley Province, the Philippines and the District of Bojonegoro, Indonesia. These two local regions have been engaging in horizontal learning in incorporating the local contents into EI industries in their respective area.

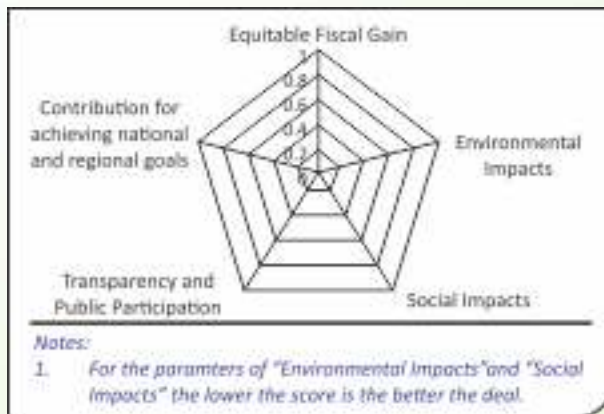
3. *To Broaden and Up Scale Trans-national Engagement*

Local leaders of sub national governance at South East Asia countries should broaden and up scale the knowledge and experiences (either good or bad) of managing extractive industries through various formal and informal forums, either in bilateral or multilateral. The coming ASEAN community in 2015 will be a good opportunity to tighten horizontal communication among the sub-national governances. It also a good start to develop the association of local government in South East Asia that complementary support the work of national government in ASEAN in enhancing "One ASEAN community", including make ASEAN more concern on extractive industries governance. The sub national governance in South East Asia can push the ASEAN, as the only regional organization in the region, to facilitate more forums for local leaders and sub-national governments.

Moreover, the existing collaboration and partnership among sub-national governance, such as Partnership for Democratic Local Governance in Southeast-Asia, International Council for Local Government Initiatives (ICLEI) for Sustainability in Southeast Asia and so forth should be used to mainstream the idea of better and democratic governance in extractive industries.

Sub-national government that has shared commonalities and localities, in term of its certain extractive-based economic structure, the social structure, the political system and etc. can build and develop "sister city" model. This model will facilitate the exchange of human resource and knowledge in order to mutual support for better and democratic governance of extractive industries.

TOOL KITS FOR QUICK ASSESMENT ON LOCAL GOOD DEAL



Questions to the indicators:

a. Equitable Fiscal Gain

- Is the local leader act both as designer and implementor upon the extractive industries' deal/contract within her/his area
- Is the local leader act only as implementor upon the deal that has been made for his/her area by the higher authority for its extractive industries' deal

b. Environmental Impact:

- Do the extractive industries activities have any contribution to the environmental degradation?
- If its Yes, how much is the degree and has the environmental recovery agenda been proportionally included on the contract/deal in regard of post-mining activities?

c. Social Impact:

- How significant is the revenue sharing's contribution to the people's welfare? Especially in fulfilling the public needs. E.g job opportunities, health, education, infrastructure, etc.

- Is there any significant social change in the society since the existence of extractive industries?
- If it's Yes, has this social change already been anticipated and addressed properly in the deal/contract?

d. Transparency and Public Participation:

- Did the decision to extract or not to extract build upon the public participation and awareness?
- Is there any public control mechanism on the whole process of EI activities?
- Is there any 'complaint' mechanism for the people if there is a irregularities in the extraction/mining activities

e. Contribution in achieving national and regional goals:

- Do the industries significantly contribute to the national and local income?
- Do the industries help the government in building more networks in order to gain more benefits upon the extractive activities
- Do the industries linked and synced to the national and regional framework in building its political, economy and social policy?

Level of Achievement:

- 5--> the overall goals has been achieved, with full commitment and capacity to keep the efforts in each level of government
- 4--> substantial goals has been achieved, yet there are several flaws which appear in term of commitment, financial resources or operational capacity.
- 3--> commitment and institutional capacity are existing realizing the 'Making Good Deal', but there is no substantial or thorough progress.
- 2--> goals has been achieved but not in thorough way, although improvements have been planned, commitment and capacities are still limited
- 1--> Achievement is still very low and only few signs of further planning or action to improve the situation.

ASIA PACIFIC KNOWLEDGE HUB FOR BETTER GOVERNANCE ON EXTRACTIVE INDUSTRIES

THE ASIA-PACIFIC KNOWLEDGE HUB FOR BETTER GOVERNANCE ON EXTRACTIVES INDUSTRIES

The Asia Pacific (ASPAC) Knowledge Hub for Better Governance on Extractive Industries is a university-based knowledge hub linked with a network CSOs to push for better governance through network-based advocacy on extractive industries in Asia Pacific region. The Hub that is jointly managed by Department of Politics and Government (POLGOV), Faculty of Social and Political Sciences, Universitas Gadjah Mada, Indonesia, and supported by USAID conducts a series of trainings and research in order to further equip civil society actors with the knowledge and skills to oversee the EI sector, and to strengthen the existing networks of policy advocacy in EI sectors for effective action and oversights in their respective countries within Asia Pacific region.



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