

## Research Article

# ROLE OF INTEREST ACTORS IN THE DEVELOPMENT POLICY OF THE DONGGI-SENORO LNG REFINERY, BATUI DISTRICT, BANGGAI DISTRICT, CENTRAL SULAWESI PROVINCE

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### Abstract.

Indonesia opened a new gas field in Kab. Banggai Province of Central Sulawesi with the project name Donggi-Senoro. This LNG field project is the first project that uses a different system by separating owners and managers of the downstream and upstream sections with an investment capital of \$28 billion, where for the upstream region Indonesia is represented by Pertamina also managing and owning a share capital of 29%.

In this study the authors tried to analyze the roles of the actors involved in the DSLNG project development policy using policy response and public choice theory. This study uses a case study approach in reconstructing the analysis based on data obtained in the field, both primary and secondary data by conducting interviews and observations. The results of the study concluded that there were 3 major groups that became actors and played a role in DSLNG project development activities, namely the government as policy makers and policy makers, the private sector as owners of capital and the community and NGOs which were divided into groups that were pro and those who were resistant to development policies. DSLNG project. The emergence of a response that is mostly resistant is a manifestation of the injustice of the policies and decisions made by the local government. The response given by the community was in the form of demonstrations, blocking roads and burning tires as a form of protest against policies related to the construction of a DSLNG plant.

**Keywords:** *public policy, public choice, policy response*

## 1. INTRODUCTION

In order to increase the sufficiency of gas necessity, domestic gas Indonesia opens a new gas field project namely DSLNG (Donggi – Senoro Liquefied Natural Gas) in Banggai district, Central Sulawesi. This project is established as the company of foreign investment (OMA) on 28<sup>th</sup> of December 2007. DSLNG itself is the first LNG project in Indonesia which is developed based on Law of Republic of Indonesia Number 22

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Year 2001 regarding “Downstream Business Activities”, that it enables the development of separated businesses between the upstream activities (provision of gas materials) and downstream activities (LNG factories) ([donngisenorolng.co.id](http://donngisenorolng.co.id)). The intended activity of downstream business development here is separating the management between upstream part and downstream part. It means that the downstream business (building factories in downstream part, producing LNG, and distributing) is held and conducted entirely by the party of Donggi Senoro, while the upstream part is conducted by PT. Pertamina.

As stated by Keraf 1 that one of the sector which has both passive and high ability to damage land is the mining industries. Lands can be damaged because of land-opening for supporting activities for mining. It is also the same for DSNG project. As national big-scaled project, Donggi-Senoro has some problems in national scale and played by great actors which hold the authority as policy makers. However, in this research, the researcher tries to dig the problems in local scale or in the limit of producing region. Despite the fact that the project is nationwide, it is still related to the participation of local actors with their roles. By evaluating some investment projects and natural source exploration, big projects in this kind of region are identical with many interventions from various parties. The policy which local government makes both directly and indirectly influences the sustainability of local society. The imbalanced benefit between local citizens and local government as well as the investors causes political dissatisfaction. It is caused by the influencing groups which possess powers in both government and social status which can affect the policy and decision. In other words, it is likely that elite group will get more benefit than what they actually deserve. The existence of groups which is defined by their own purposes can cause hostility and various responses which then will trigger conflicts.

## 2. LITERARY REVIEW

As a strategic fact, public policy is not only positive, but also negative. It means that deciding is always accepting one and rejecting the others. Although there is a room for win-win and a claim can be accommodated, in the end, the room will be limited that public policy is more in the context of a zero-sum game, which means accepting one and rejecting the others<sup>2</sup>. Indiahono<sup>3</sup> also states his opinion that public policy in a substantive pattern is all the activities done by the government in order to solve the public problems that are faced. Public policy is directed to solve the public problems in order to fulfill the purpose and implementation of public businesses<sup>4</sup>.

Generally, we recognize that public policy is a process or way of handling a public problem. Public policy is the media where the government has the authority to manage the country as well as make and decide something for the sake of public significance. However, in the process of making the policy, there is always intervention that does not intend to the public significance itself. The same as other processes, a policy is a political war over the stronger parties. Winarno<sup>5</sup> stated that in the process of making a decision, some things can be influenced in making decision, such as political and social pressures, economic conditions, procedural requirements, former commitments, limited time, and so forth. Besides, we need to take into account the personality of the decision-maker himself. There is a big number of public policy that eventually gives benefits to the elite groups rather than the public itself. Therefore, it is no longer a secret that in arranging decisions starting from deciding the policy issues up to the evaluation step, a certain significance both in a group or individually will always exist. Besides the political value which can influence the policy arrangement, individual values also gives a big effect and take part in making alternative policies<sup>2</sup>

It cannot be prevented that the process of making public policy is identical with various significance corresponding to the actors inside it. It stated by Kusumanegara that a study about policy is a study about the behavior of various actors in many activities and fields which has relevance to the actor<sup>6</sup>. It is because public policy is born from politic word which involves complex processes. Opinions may come from countless sources, such as the significance of the politicians, governmental departments, and bureaucrats interpretations, as well as the intervention from significant groups, media, and the people<sup>7</sup>

Through his book, Putra<sup>4</sup> concludes from the process of policy formation that authority is a term that is very determining. He argues, and his argument is normal since the public policy is a political process that its formation is actually the political bargaining process from those who have the privilege to access it. Putra takes the concept triggered by Mosca and Pareto that *the reality in the field shows that society is always classy, and those who are in the highest class will decide the color of the product called public policy. And in their point of view, democracy is basically the open bargaining process between the elites themselves.*

In order to fulfill their purposes to get their significance, then the interest groups will of course rally everything that they have such as resources, economy, or other powers. It is stated by Winarno<sup>5</sup> that besides official actors in policy arrangement, there are also unofficial actors. They are labeled as unofficial since they can take part in influencing the policy, even though they do not have the authority to decide (i.e. interest groups, political

parties, and individuals). Political parties often conduct “significance aggregation” which tries hard to change certain claims from interest groups into alternative policies.

## 2.1. Interest Group in Public Policy

It is not far different from other mining cases in other regions, the opening and creating DSLNG gas refinery project in Banggai district, Central Sulawesi is an example of source seizing which has many significances playing within it. Starting from regional and central government, capital investment companies, land speculators, and local functionaries such as village headmen who earn money from making and faking land-owning certificates, up to the people who own the land (including those who admit possessing the land). Resource and environmental seizing problems indeed have big potential to occur in the area where people suspend their lives upon nature (Hadi, 2006: 4). This is because the characteristics have been ingrained and the perspectives of the parties are different. The intended characteristics include the intangible environment, negative externality, long-term and strong presumption that the environment is a common property. Until today, resource seizing in the mining sector still becomes the leading cause of conflict. In the past, the conflict happened because of the dominance and centralization of strong governmental authority. In the name of national significance, the government forced big projects such as the Kedungombo reservoir on million hectares of land (Hadi, 2006: 11).

Resource seizing eventually cannot be free from various significances. Government with the rights of organizing and managing, organizations or departments linked to it, and of course, the society living in the area that has resources, are the parties who possess significance<sup>4</sup>. According to Subakti<sup>8</sup>, the interest group is some people who have the same character, attitude, belief, and/ or purpose, and who agree to organize themselves to protect and reach the goal. As an organized group, they do not merely have a clear membership system but also have leadership patterns, financial sources to fund the activities, and a good communication system both inside and outside the organization. The interest group is different from the political party and pressure group. Interest groups, corresponding with their name, focus on how to articulate certain significance towards the government so that the policy they make can cover their significance.

Interest groups have important positions in interfering with making a policy because they bring about a lot of public issues which are worthy to be handled. In reaching their significance, interest groups try to find special ways to deliver their claims and develop

the delivering strategies so that the claims can be considered and responded to. There are various ways which can be done to reach the goal, such as:

1. Strike and anarchism: these are temporary and usually done by anomic groups such as college students who strike against the rise in fuel prices.
2. Personal relation: it can be created from close relationships such as family, school, acquaintances, colleagues, regional relations, and so forth. They can use the relation to support their claims. The relation can change and influence the decision and policy which will be made.
3. Special delegation: delegation or direct representation in legislative body and bureaucracy enables an interest group to communicate their significance directly and continually through an active member in the structure of decision maker.
4. Formal way and other institutions: the formal ways are mass media such as television, newspaper, social media, and the internet which are very widely used nowadays. Besides mass media, other institutional ways can be in the form of political parties and legislative bodies, ministries, and bureaucracy. The tactics can be in the form of lobbying including performance and information delivery and statements in front of the parliament. It can influence any form of certain action rather than common policy<sup>9</sup>

Interest groups in public policy are also sometimes known as stakeholders<sup>7</sup> Stakeholders here are individuals, groups, or departments who have significance towards a policy. Stakeholders can include the actors in the process of arranging and doing the policy, receiving benefits, or the victims who are disadvantaged by the public policy. Therefore, stakeholders can be those who support or resist.

Taking classification from Putra's opinion, based on power, an important position, and the influence of stakeholders in one issue, they can be categorized into three groups, those are:

1. Major Stakeholders: the stakeholders who have an important relation to the policy, program, or project, instantly. They have to be positioned as the main decision maker (society and public figures, public managers or departments, or public bodies who hold the responsibility).
2. Secondary Stakeholders: they don't have direct relation of significance to a policy, project, or program. However, they have an awareness that they get involved to

give an opinion and take effect towards the society's attitude and the government's legal decision. One of the secondary stakeholders is a non-governmental organization.

3. Key Stakeholders: are those who have the legal authority to make decisions. They include executive constituents based on their levels, legislative and institute<sup>10</sup> (Putra, 2005: 31-32).

## 2.2. Public Choice

Decentralization which gives the power of resources management and regional finance comes in the form of Regional Original Outcome which is now owned by each region by optimizing their potential. The challenges which are faced by regional autonomy are considered both a gift and a threat in the aspect of social, economy, politics, and culture. It is the logical consequence that the development process and alignment need capital<sup>11</sup>.

Supported by such a thing, then each region nowadays tends to increase its productivity and economy maximally. The sources of economic capital that the regions have are optimized as the supporter of the process that they can result in good effect for the regional development which then will give implications towards the society's prosperity increasing. Mining is also an economic activity that can increase the regional original outcome, which is used as the supporter of development capital. Such a process does not leave politics behind, in which the economy is the way of action and politics is the place to act<sup>12</sup>.

As the holder of the highest government in the region, the regional head is empowered to properly manage the economic resources in the region, both in the form of natural resources and human resources. All of this is of course inseparable from how these power holders then work and make decisions and issue policies related to management and exploration in the area. For regions that are rich in resources, of course, this brings many benefits to the people. However, in practice that occurs in the field, benefits are not only obtained by the community but also obtained by regional officials. There are many cases of regional officials reaping greater benefits than the people themselves. This cannot be separated from the power over the authority possessed by public officials as people who own and hold power in the regions. The role of public officials in managing the utilization of political economy resources here is then questionable.

In his book, Mosco states that as well as the field of political economy, most of the attention is driven to the problems related to public policy. This is because political economy basically involves the political decision about the condition of goods or service availability which humans need. Therefore, it can be inferred that political economy is the discipline of knowledge to see every single effort made by humans to fulfill their needs and get their benefits optimally<sup>13</sup>. Besides Mosco, Hartanto also gives his opinion that Marxism confirms the context of a nation as the tool to reach and preserve the significance of groups by using its politics. In the context of the study of political economy, a nation is seen as a secondary position or as an institution to reach its significance. This reality is pictured by Andersky about the alliance of nations with capitalist significance which is marked by the rising of Mercantilism (Hartanto, 1989: 50). The politicians and bureaucrats are motivated by the willingness to do an act which is used as public significance. However, behind those public significances, there are self-seeking interest groups and self-serving leaders who do their political processes through negotiations that use the direct recourses that they possess (i.e. money, information, authority) and the indirect resources (i.e. goods and services which are manipulated to gain resources)<sup>14</sup>.

Public choice or the theory of public election is a theory that uses a new political economy approach. This theory assumes that government or nation, politicians, and/or bureaucrats are the agents who have their significance. This theory focuses on the attitude of the actors who are seen as humans with significance and purposes. The significances and purposes are the actions and efforts that have choices, values, and objectives. There are some viewpoints about this theory, such as: Capraso and Levine state that the theory of public election sees individual actors as the center of study, no matter whether they are political parties, interest groups, or bureaucracy; both are in charge because of elected and appointed [Capraso and Levine, in Yustika<sup>12</sup>]

The theory of public choice describes that 'typically, the experts of the political economy see politics as the form of democracy, which gives rooms to exchange between the society, political parties, government, and bureaucrats' [Mitchell in Rachbini<sup>15</sup>]

While in their book; The theory of political science, Capraso and Levine quote some explanations about the comprehension of Public choice. The theory of public choice uses the media and methods which have already been developed up to the high-technology analytical level in the economic theory to be applied in the political sector or governmental sector, towards political science or political economy [Buchan, in Capraso and Levine<sup>16</sup>]

Besides the explanation from Buchan, Caprasso, and Levine also explain through the viewpoint of Ekelund and Tollison who state:

The theory of public choice sees that the core of the analysis is the individual actors: “The basic premise of public choice theory is that the political decision-makers are the voters, politicians, bureaucrats, and the individual decision maker (i.e. customer, distributor, producer) who will behave with a similar pattern: everyone will follow the principle of the fulfillment of personal interest, rationally. Even the economic and political decision-makers are the same person, i.e. the people as the customers and the people as the voters. The individual who buys daily needs will also vote in an election”<sup>16</sup>

At the analytical level from Caprasso and Levine, Erani explains that there are two genres in political economy; the theory of normative public choice and the theory of positive public choice. The normative public choice focuses on issues related to political designs and basic political rules. Shortly, this theory is related to the constitution work pattern which takes position in the political process. Meanwhile, positive public choice concentrates to explain political behavior which can be observed in the form of elective theory [caprasso and Levine, 1992]. In other words, positive public choice theory operates in the real world (das sein)<sup>12</sup>

### 3. RESULT AND ANALYSIS

There is one main question in this research, namely how is the mapping of stakeholder actors in the DSLNG project Development Policy case?

Adapting the classification from Putra, in this case, the writer decided to divide the actors into 3 groups, namely:

1. Key Stakeholders, namely Government and Bureaucratic Groups or officials who have authority/positions in decision-making, starting from those with the highest position to the lowest position.
2. Main Stakeholders, namely groups of entrepreneurs who have capital and economic power
3. Supporting/Secondary Stakeholders, namely community groups and the public (including social or local organizations) as the parties most affected by the policy.

In the government group, actors that can be mapped as key holders of policy making are the Regents for the 2006-2011 period, who took the main role as well as important actors. The reason for determining the position of the **first interest actor** is that the



position held by the actor is very influential and has many advantages, especially since the actor is the main policy maker and maker in the area whose orders and words are approved by his subordinates. Second, actors have a special status in the social community of Kab. Banggai, namely as a descendant or child of one of the previous Kings of Banggai as well as a sibling of the king of Banggai at that time. This allows actors to move freely and make various decisions that affect policies, including the development of DSLNG projects.

The next actors in this group are a number of public and related officials in the DSLNG project, including the regional Assistant I, the Mining and Energy Service, and BPN and several village heads. Most of these actors were also included in the committee formed by the main actor where the Regional Assistant I at that time served as chairman of the special committee whose function was to take care of matters relating to the implementation of the DSLNG project. Then there is the BPN (National Land Agency) as the government agency responsible for measuring and determining the selling value of land, here BPN also has a role in determining the status of land because a lot of land does not have a certificate so that the determination of who owns the land depends on the decision of the BPN. The interests and strategies used by this actor are the use of positional power. Land ownership status is an important part of this project due to the large number and extent of areas that must be acquired to be used as project land which include the main LNG processing site, the area traversed by the gas pipeline, and the surrounding areas that must be secured. Land compensation also has a very large effect on the community because the amount of land acquired is also relatively large so that it is directly proportional to the amount of money received by the land owner. The problem of land ownership in the case of land acquisition in the DSLNG project is that a lot of land does not have a certificate so that cases of dual ownership, problematic land, disputes and unclear land boundaries are often found. So the BPN's decision in determining who owns the land and how much land is very important.

**The second group is a private group**, namely PT. Donggi Senoro, PT. Pertamina EP-Tomori, PT. BSS (Banggai Sentral Sulawesi and local news media. PT. Donggi Senoro and PT. Pertamina EP-Tomori have a position as capital owners who have economic power. PT. Donggi Senoro are foreign investors with the interest motive of getting profits in their investment and ease of access while the project was in progress. Meanwhile, PT BSS was chosen and authorized by DS as an agent/representative to handle all matters related to land compensation. Meanwhile, the media here has the role of reporting everything about the DS project and the actors involved in it to the public.

**The third group in this case is the community group.** There were 2 camps that were created, namely the supporters and the resistant camps. The supporting camps are several youth groups and groups of traditional leaders. While the resistant groups are members of other traditional councils, the local community, local media and related national NGOs namely JATAM, YTM and WALHI. Interest motives that exist are socio-cultural (local values and customary values that are not respected by investors), economic problems (financiers with the government tend to harm local communities rather than gain benefits from exploration projects), environment (financiers do not maintain the values environmental and natural preservation in the local area also damages several parts of the project area environment), and human rights issues (the investors and the government pay little attention to the rights of the local community).

The economic loss that is felt from community groups in general is the loss of the main livelihood of the surrounding community, namely in agriculture because agricultural land has changed its function after being explored, due to the loss of arable land, the community is ultimately forced to let go during the DSLNG project construction period because they have no ability other than farming. Even being a freelance worker in an LNG gas refinery construction project will not solve the problem because the number of freelance workers needed for project construction decreases drastically when the construction is completed and the company enters the production stage where it requires more workers with certain skills which of course are not owned by the local community.

If the surrounding community feels economic losses, the indigenous people will suffer losses because the environmental and cultural impacts caused by the development of the DSLNG project disrupt the fauna habitat in the Donggi to Senoro area, including the maleo bird habitat which is endemic to the Banggai area. Apart from the maleo bird, there are customary areas and lands that must be leveled for exploration purposes, be it areas passed by natural gas pipelines or areas for road construction for transportation purposes during the development project. The roads built by DSLNG are also different from the roads that can be used by the public. Initially the road sections were intended to be used together but for company security reasons, other sections were made by the company for public use but several obstacles were found on the new road sections namely the lack of lighting at night making it very dangerous to pass and the length of the road sections which are 2x further to traverse so spend more time than the road owned by the company.

The settlement strategy in achieving the goals of this resistant group was pursued in various ways, including making petitions, publishing articles and working papers, making

written agreements with the government and investors, and what often happened was holding demonstrations, blocking roads, intercepting company officials who passing through the road to the exploration site, also burning tires. In a number of cases this resulted in victims being physically injured or secured by the authorities, this happened because the actions taken ended in anarchic chaos. This action was chosen because residents in general have no other choice in the normal path because other normal things that have been taken have not brought about significant change or satisfied them.

#### 4. CONCLUSION

In this study, there are 3 groups that are classified as interested parties, namely government, private and community groups (including NGOs and traditional groups). In addition to the classification of stakeholder strengths, there are also 2 groups divided in the development of the DSLNG project, namely groups that support the development of the project, and groups that oppose the development of the project. Supporting groups consist of actors who have power and strength in obtaining benefits or influencing policies to gain both personal and group benefits. The power possessed by office holders or economic power makes this group have broad access to influence policies, bureaucracy and local communities or even create a good image in communities outside the development area. Encouraged by this, land speculators emerged who benefited economically from the compensation process for land affected by the exploration area of the DSLNG project.

Meanwhile, it is certain that the groups that refuse to participate in this project are the parties that have reaped the most losses both in terms of the economy, social and culture, be it the community or traditional groups. This includes community monitoring organizations concerned with the environment, human rights and mining projects. The majority in this group chose to refuse based on the large profit inequality and uncooperative attitude from both the government and the investors/private sector. This group's strategy in achieving its goals is sometimes anarchic and ends in conflict, it is a last resort that is widely used and is often used because of despair over demands and protests that are never heard of and never resolved.

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