

Bojonegoro's Economic Growth Strategy: Turning Curses into Blessings

Suyoto¹, Fery Permana Adhy²

¹Postgraduate, University Muhammadiyah Gresik, Gresik, Indonesia

²PT. Permana Sidat Indonesia, Gresik, Indonesia

¹suyoto@gmail.com, ²fery.adhy01@gmail.com

Submit: 30th January 2021, Revised: 05th February 2021, Accepted: 30th March 2021

Abstract. *The purpose of this study is to analyse the economic dan resources growth in Bojonegoro using six pillars sustainable development to improve its human capital and capital resources. This study was conducted in Bojonegoro, using qualitative approach with the level of explanation descriptive. As for the type of data used in this research included in this type of qualitative data. Data collection techniques used self-inquiry secondary data analysis include observation and documentation. The data analysis technique used in this research is a descriptive technique which includes three stages of analysis, namely data reduction, data display and conclusion drawing/verification. The result show that in general, the six pillars of Bojonegoro's sustainable development as stated in the previous discussion are basically the choice of the path of transformation, but it is still necessary to confirm how this scenario will be followed. For this, it is necessary to affirm what must be transformed, namely the six elements of Bojonegoro's transformation, Vision Transformation, Vision for Economic Development, Environmental Vision, Social Vision, Fiscal Policy Vision, Vision of the Bureaucracy, Vision of Leadership.*

Keywords: Sustainable Development; UNDP; Local Political Resources.

I. INTRODUCTION

One of the famous adagium about extractive resources is "behind every exploitation on extractive resources always has a curse". Mineral resources such as gold, silver, coal, copper, oil, and gas are categorized as extractive resources. The word extract illustrates that to become a usable resource requires an extraction process, read squeezed, from the essence of the earth. Its formation requires a very long process. Anything that is taken from the earth, let alone extracts, holds the threat or curse of the popular term (natural resources curse).

Then what is the curse that is common in the hemisphere? Among them the most prominent are the threat of environmental damage, social conflict, and weak social and governance resilience. Especially for the latter, this usually occurs due to rampant party mentality. When mineral resources are exploited, capital flows in, community and government incomes rise sharply. That is when the threat of party syndrome comes in, firstly people who get the opportunity to work and do business without thinking about spending their money, secondly the two diseases that threaten politicians: corruption and state revenue spending without regard to the principles of sustainable development.

Since the 1900s until the beginning of the reform era, there have been practically no major

changes in economic development. But now Bojonegoro has two important moments. First, regional autonomy and democracy which give full opportunities to district governments and communities to choose programs that are relevant to the problems faced in increasing the ability to create quality and sustainable welfare. Second, the discovery of oil and gas reserves. Activities in the oil and gas sector provide job opportunities and regional development. In addition, district government revenues through profit sharing funds and participating interest will increase significantly.

How to manage extractive for sustainable development? UNDP suggested formulas to achieved sustainable development with the implementation of these four keys:

1. Focus on people throughout the process of exploration, exploitation, both government and companies.
2. Participatory and transparent in all formulation of regulations, policies, and planning.
3. Very prudent (careful and careful) in collecting revenue and management.
4. The income from extractive industries is only spent on investment: human resource development and social capital, infrastructure development which is relevant for the continued growth and development of financial resources. All this investment spending must

be truly effective and have an impact on productivity in the long term.

Empowerment programs have been carried out in Indonesia for many groups [1]. Regarding the sustainable development of Bojonegoro as an entity that has both natural and human potential resources, its empowerment strategy must be well thought out so as not to turn its potential into a "curse" for the region and its people. Bojonegoro does get the opportunity to get out of poverty and accelerate the realization of prosperity through opportunities for oil and gas exploitation. However, these opportunities are not automatic, like a historical journey, Bojonegoro faces three choices which are; turn left, go right, or climb up straight.

Economics of Sustainability

By utilizing economic tools, early theorists offered that policies to protect the environment could also promote innovation and turn a profit. In 1920, Arthur Pigou noted that the presence of incidental, uncharged services act as a barrier to achieving equilibrium in the market. In his work "The Economics of Welfare", Pigou noted that the divergence between marginal private costs and benefits and marginal social costs and benefits create what we now call "externalities" [2]. These externalities are conceived as transaction spill overs or costs and benefits unaccounted for in the given price of a good or service. To correct the market failure, Pigou proposed a tax on those activities that produce negative externalities at a rate equal to those external costs. By levying this charge, called a Pigouvian tax, the market price will more accurately reflect the comprehensive costs and benefits of the activity. From this, Michael Porter and Claas van der Linde theorized that pollution is a sign of inefficient resource use. Therefore, win-win opportunities for the environment and economy can be captured through improvements which reduce pollution in production processes [2]. These authors argue that competitive advantages rely on the capacity for innovation; thus, "by stimulating innovation, strict environmental regulations can actually enhance competitiveness". As the Porter hypothesis states, properly designed environmental policies that make use of market incentives can encourage the introduction of new technologies and reduce production waste. The tests of this theory have yielded mixed results, but scholars generally agree that policy design and public support are crucial elements to the success of these incentives.

Nonetheless, market-based environmental tools are generally perceived as more "business friendly" than traditional command and control policies [3].

The appreciation of our natural resource constraints is also in our best interest. Truly rational and "effective governance requires a nation to consider and protect the environment and natural resources on which its current and future development depend. Any other approach is self-defeating. The connections between the environment and development thus provide a powerful rationale for environmental protection: enlightened self-interest" [4].

This inherent interdependence between the long-term stability of the environment and the economy is the foundation of the field of sustainable development. Like Porter's win win hypothesis that a trade-off is not necessary, sustainable development policies look to tackle the sources of environmental degradation, not just the symptoms, while still providing opportunities and creating incentives for economic advancement [5]. Components of a healthy environment, such as clean air and water, are considered public goods in that they are non-rivalrous and nonexcludable. Thus, it is up to the public sector to maintain the provision of these goods and services. More recently, nations have moved towards the implementation of these market-based mechanisms to internalize the complete costs of pollution and ensure long-term stability of the environment; in other words, to ensure sustainable development [6].

Sustainable Development: Definition and Principles

Although many definitions abound, the most often used definition of sustainable development is that proposed by the Brundtland Commission [4];[7];[8]. This broad definition, which will be used in this dissertation, does not limit the scope of sustainability. The explanation does, however, touch on the importance of intergenerational equity. This concept of conserving resources for future generations is one of the major features that distinguish sustainable development policy from traditional environmental policy, which also seeks to internalize the externalities of environmental degradation. The overall goal of sustainable development is the long-term stability of the economy and environment; this is only achievable through the integration and acknowledgement of economic, environmental, and social concerns

throughout the decision-making process. In the application of this definition of sustainable development, one issue concerns the substitutability of capital. There are several types of capital: social, natural, and man-made [9].

The definition of weak sustainable development explains that only the aggregate level of capital matters: man-made, or manufactured, capital is an adequate alternative to natural capital. Strong sustainability, on the other hand, recognizes the unique features of natural resources that cannot be replaced by manufactured capital. Most ecologists and environmentalists are proponents of the strong sustainability definition [8]. In addition to substitutability, this definition of sustainability is also founded on several other important principles.

Contained within the common definition of sustainable development, intergenerational equity recognizes the long-term scale of sustainability to address the needs of future generations [4];[8]. Also, the polluter pays principle states that “governments should require polluting entities to bear the costs of their pollution rather than impose those costs on others or on the environment” [4]. Thus, government policy should ensure that environmental costs are internalized wherever possible; this also serves to minimize externalities. The precautionary principle establishes that “where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measure to prevent environmental degradation” [10]. Therefore, the proponent of an activity bears the burden of proving that this action will not cause significant harm. Explicitly stated in the Rio Declaration, the notion of common but differentiated responsibilities recognizes that each nation must play their part on the issue of sustainable development.

This principle also acknowledges the different contributions to environmental degradation by developed and developing nations, while appreciating the future development needs of these less developed countries [2]. Developed nations, therefore, bear greater responsibility considering the resources they require and the pressures they exert on the environment. The key principle of sustainable development underlying all others is the integration of environmental, social, and economic concerns into all aspects of decision making. All other principles in the SD framework have integrated decision making at their core [9]. It is

this deeply fixed concept of integration that distinguishes sustainability from other forms of policy. Institutionally, government organizations are typically organized into sectoral ministries and departments. This works well until the system encounters something very comprehensive and highly integrated in nature, such as sustainable development. In practice, sustainable development requires the integration of economic, environmental, and social objectives across sectors, territories, and generations [11]. Therefore, sustainable development requires the elimination of fragmentation; that is, environmental, social, and economic concerns must be integrated throughout decision making processes to move towards development that is truly sustainable.

II. RESEARCH METHODOLOGY

This research type is research qualitative research is used to test the condition of the object where the researcher is the key instrument. Based on the type of data and analysis, this study describes the qualitative descriptive, aiming to describe and analyse the effectiveness of program implementation of 3Rs in waste processing, which adopts the Theory of Campbell J.P. in Mutiarin (2014) measuring effectiveness in general is First, the Rate of success of the program, Both the Success Rate of the target, the Third Level of Satisfaction with the program, the Fourth Level of inputs and outputs, a Fifth Level of Achievement of the purposes for which acquired. Data collection techniques used in this research, include in-depth analysis using documents from Extractive dialogue dated 3-5 December 2014 held by UNDP (United Nation Development Program, the United Nations (UN) institution for development) in collaboration with the Government of Brazil which aims to remind, invite focus, and strengthen the synergy of all parties: government, entrepreneurs, social organizations, and local communities, realizing sustainable development. The data analysis technique used in this research is a descriptive technique which includes three stages of analysis, namely local resources analysis, policy analysis, and conclusion drawing/verification.

III. RESULT AND DISCUSSION

Based on observations and identification of problems in the socio-political and cultural conditions that exist in Bojonegoro Regency, there are lots of inputs and opportunities for discussion regarding the threat of the curse of natural resources from various parties, from academics and non-government organizations. Bojonegoro does get the opportunity to get out of poverty and accelerate the realization of prosperity through opportunities for oil and gas exploitation. Through the results of the study and dialogue in the extractive dialogue held by UNDP in Brazil, the future scenario draft for Bojonegoro can be described as follows:

1. A sorrowful future
2. Short term scenario
3. Long term and sustainable scenario.

First Scenario – Sorrowful Future

A state of sorrow can occur if we all fight with each other when there are opportunities for work, business, and then manage oil and gas revenues in a reckless manner. Financial resources are used without strict control and are used for various physical and social expenditures that are not relevant to basic needs. The spirit of sharing, the opportunity to get a fee and corruption are the main motivations. So that the seven years of Bojonegoro's golden age will not leaving a trace for the Bojonegoro's foundation sustainable growth. After the oil and gas resources run out, there are no more entrepreneurs interested in investing in Bojonegoro, unemployment has risen sharply. The district government's finances again depend on the Central Government so that politicians and Bojonegoro figures must ask the central government for attention.

Second Scenario – Short Term Scenario

During the seven years of income and expenditure, both income and expenditure were always optimized to be included in the APBD during the seven golden years. It is extraordinary that the Bojonegoro's APBD exceeds 4 trillion, including the high-ranking groups in East Java. Various lighthouse buildings have sprung up, buildings, roads, bridges, and social shopping are high. As a region with high income, Bojonegoro is dashing, it does not need a special allocation fund and even the General Allocation Fund is decreasing. But that did not last long. As projected, oil and gas production only reach its peak in 3 years, and

Bojonegoro's high revenue will only be enjoyed for about seven years and after that the income will fall. As an area that once enjoyed quite a large amount of funds and suddenly fell, it is certainly very painful and makes us feel sad. If previously praised by many parties, and Bojonegoro became the target of investment, now it is shunned, pitied by many parties and there will come an era of distress will come and is there any another scenario that is better than the previous scenario? It is quite possible, but the direction towards the realization of this third possibility is a sharp ascent.

Third Scenario - Long Term and Sustainable

All physical expenditure is only directed at matters which have a strong link to the long-term productivity of the Bojonegoro people. The focus of Bojonegoro's human development is aiming on the creation strong human resources with strong cultural and social capital. Revenues from the oil and gas sector are managed carefully and part of the revenue is set up as an endowment fund, and only half of the revenue will be spent. Even though, the revenues go to the development of its human quality. Along with the quality growth of its human resources, they will be a strength resources by the time Bojonegoro's oil and gas sector declined. This scenario needs strong willing of the political leader to bear on the difficult circumstances and make decision as precise as possible.

The various positive changes that will be achieved, provide encouragement, and become a strong basis for supporting various policies that will be carried out in the next five years, namely framework for a foundation of resilience and competitiveness. Its main targets are to strengthen the ability of Bojonegoro's human capital together with the district government to continuously fulfil their basic needs: food, energy, order and security, quality of competent human resources, education and health services, job creation, a social and natural environment that is conducive to life support comfortable and productive.

The quality of society through factors related to education and health can have an impact on the economy [12]. This scenario is what we have tried to implement since the exploration and exploitation stage in the Bojonegoro development plan, both the Long-Term Development Plan and the Regional Medium-Term Development Plan have been designed in the spirit of fighting the curse of natural resources and realizing sustainable development.

This principle has created the six pillars of sustainable development and the six elements of a transformation strategy, as follows:

1. Economic Development Pillars. The focus of this is how to make Bojonegoro an area where all people can carry out economic activities, get opportunities for activities that can lead to sustainable income. Putting the economy first is not without purpose. If you want to create prosperity and mutual happiness in a sustainable manner, the first key is that all Bojonegoro people have an income that increases continuously. In relation to oil and gas, how to make exploration and exploitation opportunities for oil and gas to create job opportunities, business and increase economic opportunities in the non-oil and gas sector, especially agriculture, services, and manufacturing.
2. Environmental Pillar. Economic activities require healthy and resilient environment, to make Bojonegoro as a comfortable area for living, playing, working, worshipping, and studying. Since hundreds of years ago Bojonegoro has faced problems, too much water at certain times (floods), too little and even no water in some areas during dry periods (drought). Plus, since the last 15 years, the problem of dirty water and air has been increasing along with economic activity. The focus of environmental development in Bojonegoro is devoted to reduces sources of damage, repairing the damage and improving the quality of the environment in a sustainable manner through several programs that lead to physical development and activities which emphasize on attitudes changes to "respect, preserve, care for" the environment. Its implementation includes, Spatial Revision, Wastewater Disposal Installation obligations and Environmental Impact Analysis in every industry, law enforcement, tree planting movements, Bojonegoro shining gates, making biopores, embungs, irrigation infrastructure, paving roads, Adiwiyata School, Bengawan Solo Festival, Grebeg Berkah Bojonegoro, and others.
3. Human Capital and Social Capital Pillars. The mutually proactive support of social conditions creates conditions of safety, comfort, health, mutual trust, and openness to new possibilities. The people of Bojonegoro must be a productive resource, therefore they must be physically and mentally healthy. Changes from agriculture to other sectors by continuously improving the quality of the environment require social support and human resources. Physically healthy and devout, innovative, and creative, and with an environmental perspective. It is for this that all programs of education, health, environment, national resilience, and unity are carried out. The focus is on the realization of cultural capital and social capital for all the people of Bojonegoro. Some of the programs include, improving education and health infrastructure, improving the quality of education and health personnel, opening programs and types of training in skills relevant to the people, domestic and foreign cooperation, increasing the competence of civil organizations and empowering communities that are members of non-governmental organizations (NGO) or there is a term as a Non-Government Organization (NGO) to support the development of Bojonegoro, through their respective work and training for 12,000 vocational workforce each year to improve the skills of the Bojonegoro's human capital.
4. Pillars of sustainable fiscal policy. It cannot be denied that Bojonegoro will receive an increase in revenue from the oil and gas revenue sharing fund, and possibly a share of the business results from Participating Interest. However, it does not mean that it is without problems, apart from the problem of post-oil and gas anticipation, there are still facing two problems, firstly income fluctuation problems. Regarding oil and gas revenue uncertainty, it can occur because of the following three reasons (1) International oil and gas prices that can fluctuate drastically, (2) The increase and decrease in lifting tools which is not within the authority of Bojonegoro, and (3) the central political situation. Often the national situation makes the central leaders postpone the transfer of the sharing of revenue sharing funds. This situation has been experienced by Bojonegoro several times and resulted in almost default on several projects being implemented. In terms of income, Bojonegoro must be careful in estimating the revenue- sharing funds that will be included in the Regional Budget. Moreover, the Law in Indonesia stipulates that regions with high income do not receive special allocation funds and that the general allocation funds will be reduced to zero. Secondly, allocating budget appropriately. how in the uncertainty of such income can allocate its budget appropriately and

has implications for Bojonegoro's ability to finance its sustainability programs?

5. Pillars of smart, good, and clean governance. To carry out or realize the pillars of the economy, environment, human capital, and social capital, carrying out a proper fiscal policy requires a strong, smart, healthy, clean, and proactive government towards all dynamics of society, entrepreneurs, civil groups, and political forces. Although democracy relies on the existence of strong business groups and civil society, it is imperative to have a bureaucracy that serves appropriately, quickly and is oriented towards the greatest benefits to the people. Within that framework, bureaucratic reform and empowerment of the apparatus are carried out.
6. Pillars of Transformative Leadership. Bojonegoro needs to promote, create, and maintain transformative leadership in political and social leadership. business and bureaucracy. Transformative leadership is leadership that drives and manages change continuously. To carry out the six pillars of Bojonegoro's sustainable development and its six elements of transformation, it cannot be managed with a leadership that is solely oriented to the status quo, establishment, and harmony. On the other hand, transformation must be managed with a harmonious dynamic approach. Particularly, regarding the realization of this transformative leadership, political parties, mass organizations, and civilian organizations must take responsibility. These responsibilities are very important because from it not only the leadership practices are carried out, but also the source of leadership will be born.

IV. CONCLUSION

In general, the six pillars of Bojonegoro's sustainable development as stated in the previous discussion are basically the choice of the path of transformation, but it is still necessary to confirm how this scenario will be followed. For this, it is necessary to affirm what must be transformed, namely the six elements of Bojonegoro's transformation as follows:

1. Vision Transformation. All people's elements in Bojonegoro need a future's perspective of their wealthiness life. That picture is the common direction that is aimed at and illustrates the regional superiority that is to be

realized together. To realize this quest, the six visions of the six pillars of sustainable development are emphasized.

2. Vision for Economic Development. Bojonegoro has competitive advantage on food and energy resources, competitive advantage in educational-health services, trade, tourism and as the most competitive area for labour-intensive manufacturing.
3. Environmental Vision. Bojonegoro is an area most resilient to the threat of disaster, a comfortable place to live, play, work, do business and worship.
4. Social Vision. The new Bojonegoro's human capital is a person who is physically and mentally healthy, creative, innovative, productive in creating benefits for others and can create happiness for himself and his environment.
5. Fiscal Policy Vision. In fiscal terms, the Government of Bojonegoro Regency is towards fiscal independence, independent of the Province and the Centre and has the fiscal capacity that continues to grow healthily in a sustainable manner.
6. Vision of the Bureaucracy. The Bojonegoro Regency Government is a government that can quickly serve the needs of its citizens, is able to proactively respond and synergize all the dynamics of various interest groups and is able to proactively offer various options that enlighten and empower citizens, while remaining strong as a protector, guardian, and guardian of its citizens in all their human rights
7. Vision of Leadership. Bojonegoro's leadership model is transformative leadership, motivating leadership, those not fixated on routines and the status quo or comfortzone.

As now what we can see in Bojonegoro today's growth - as a result its consistency implementing long term and sustainable (scenario 3) – people harvesting the fruitful both politics climate and economic growth like decreasing the poverty rate, the human resource index rises, and the low nutritive ratio index is low. A fiscal increase also occurred where Bojonegoro, which previously only had shares worth 500 million to 75 billion, or the 4th largest shareholder of East Java banks, after the provincial government, Surabaya, Sidoarjo, and Bojonegoro.

REFERENCES

- [1] M. Indrasari and S. Riyadi, "Implementation of Empowerment Program for Person With Disability in Indonesia.," *J. Adv. Res. Dyn. Control Syst.*, vol. 11, no. 7, pp. 298–303, 2019.
- [2] M. Porter and C. Van Der Linde, "Toward a new conception of the environment-competitiveness relationship," *J. Econ. Perspect.*, vol. 9, no. 4, pp. 97–118, 1995.
- [3] R. Emas, "The concept of sustainable development: definition and defining principles," *Br. GSDR*, vol. 2015, 2015.
- [4] J. Dernbach, "Achieving Sustainable Development: The Centrality and Multiple Facets of Integrated Decisionmaking," *Indiana J. Glob. Leg. Stud.*, vol. 10, no. 1, pp. 247–284, 2003, doi: 10.1353/gls.2003.0006.
- [5] J. Ruhl, "Sustainable development: A five-dimensional algorithm for environmental law," *Stan. Envtl. LJ*, vol. 18, p. 31, 1999.
- [6] A. Stark, "Bureaucratic values and resilience: An exploration of crisis management adaptation," *Public Adm.*, vol. 92, no. 3, pp. 692–706, 2014.
- [7] S. Chen and W. Härdle, "Dynamic activity analysis model-based win-win development forecasting under environment regulations in China," *Comput. Stat.*, vol. 29, no. 6, pp. 1543–1570, 2014.
- [8] H. Stoddart, "Guide to Sustainable Development Governance," *Stakehold. Forum*, 2011.
- [9] C. Brodhag and S. Talière, "Sustainable development strategies: Tools for policy coherence," *Nat. Resour. Forum*, 2006, doi: 10.1111/j.1477-8947.2006.00166.x.
- [10] R. Declaration, "Rio declaration on environment and development." 1992.
- [11] H. Bungkaes, J. Posumah, and B. Kiyai, "Hubungan Efektivitas Pengelolaan Program Raskin Dengan Peningkatan Kesejahteraan Masyarakat Di Desa Mamahan Kecamatan Gemeh Kabupaten Kepulauan Talaud," *J. "ACTA DIURNA " Ed. April 2013*, 2013.
- [12] Suyanto, B. Purnomo, and R. Standsyah, "Impact of education and health on the unemployment rate and economy of east java," *Sinergi J. Ilm. Ilmu Manaj.*, vol. 9, no. 2, pp. 26–31, 2019.