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THE CONTRIBUTION OF NATURAL RESOURCES TO ECONOMIC WELFARE IN INDONESIA
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Source: Flickr by Michael Iba (1), Cifor (2) (3), FAO forestry (4), Puguh Sarwanta (5), and David Rahmat (6).
The impact of natural resource endowments on a country’s welfare is inconclusive.

Indonesia is a country which might perceive natural resource endowment as a blessing.

Successfully overcame the resource curse during the 1970s and 1980s (Rosser, 2007)

Achieved positive rates of per capita GNP growth between 1980 and 1992 (Mikesell, 1997)

Grouped as one of only four countries among 65 resource-rich countries that achieved long term investment and per capita GNP growth (Gylfason, 2001)

The Indonesian economy has neither followed a sustainable path nor progressed in the right direction to achieve substantial improvements in welfare related to natural resource use (Alisjahbana & Yusuf, 2004; Mollin, 2014)
Indonesian policy background:
The Indonesian government has been focused upon inclusive and environmentally sustainable growth. This requires an improvement in environmental and natural resource management, by strengthening institutions and community participation in rehabilitation and conservation (ADB, 2015).

Empirical study results background:
A meta-analysis study from Havranek et al. (2016) found that several factors influence the estimated effect of natural resources on economic growth. These are the level of the investment, the quality of institutions, and including an interaction term between institutional quality and natural resource richness.

This study will examine three variables as moderating factors between economic welfare and natural resources: institutional quality, investment level, and community participation.
CONCEPTUAL FRAMEWORK

NATURAL RESOURCE

ECONOMIC WELFARE

MODERATOR VARIABLES

Community participation

Institutional quality

Level of investment

World Bank data of total natural resources rents (% of GDP)

UNDP data of Human Development Index

World Bank data of Adjusted Net Saving

World Bank data of Worldwide Governance Indicator

World Bank Data of Foreign direct investment

Indonesia Family Life Survey by Rand Co. of community meeting

World Bank data of Foreign direct investment

World Bank data of Worldwide Governance Indicator

- Voice and accountability
- Rule of law
- Control of corruption
- Political stability
- Government effectiveness
- Regulatory quality
• Research Approach: Sequential Explanatory design (Creswell, 2009)
Natural resource curse exists in Indonesia at the national level.

The three moderating variables of institutional quality, investment level, and community participation, can positively moderate the relationship between natural resources and economic welfare.

This study argues that:

This study’s goal:

Propose a recommendation for the GoI about:
• which factors that should be focused on
• how to implement this/these factor(s), in order to achieve the inclusive and environmentally sustainable growth.