

Conflict of Interest in Natural Resource Management and Public Policy Implications

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Abstract

Natural resources constitute a strategic asset controlled by the state and utilized to achieve the greatest prosperity of the people as mandated by the Constitution. However, the management of natural resources in Indonesia frequently encounters conflicts of interest involving government officials, business actors, and political elites. Such conflicts potentially influence policy-making processes and create public policies that prioritize particular interests over public welfare and environmental sustainability. This research aims to analyze the forms of conflicts of interest in natural resource management and examine their implications for public policy in Indonesia. This study employs normative legal research using statutory, conceptual, and case approaches. The findings indicate that conflicts of interest may occur in licensing, supervision, policy formulation, and law enforcement processes. These conditions contribute to regulatory bias, weak environmental protection, unequal distribution of economic benefits, and declining public trust in government institutions. Furthermore, the study finds that inadequate transparency and accountability mechanisms create opportunities for regulatory capture, allowing private interests to influence public decision-making. Therefore, strengthening regulations concerning conflict-of-interest prevention, enhancing public participation, and implementing transparent governance mechanisms are necessary to ensure sustainable and equitable natural resource management. The novelty of this study lies in its examination of the relationship between conflicts of interest and public policy outcomes within the framework of natural resource governance and sustainable development principles.

Introduction

Natural resources constitute one of the most important assets owned by a nation and play a strategic role in supporting economic growth, social welfare, and sustainable development. As a country endowed with abundant

natural resources, Indonesia possesses significant reserves of minerals, coal, forests, fisheries, oil, natural gas, and various other resources that contribute substantially to national development. The existence of these resources provides opportunities for economic advancement, employment creation, and increased state revenue. Therefore, the management of natural resources has become a crucial aspect of national governance and public policy.

The constitutional basis for natural resource management in Indonesia is stipulated in Article 33 paragraph (3) of the 1945 Constitution of the Republic of Indonesia, which states that the earth, water, and natural resources contained therein shall be controlled by the state and utilized for the greatest prosperity of the people. This provision reflects the state's responsibility to ensure that natural resource governance is conducted in a manner that promotes public welfare, environmental sustainability, and social justice. Consequently, every policy related to natural resource management should be directed toward achieving these constitutional objectives.¹

Despite the existence of a strong constitutional foundation, the governance of natural resources in Indonesia continues to face numerous challenges. One of the most significant issues is the occurrence of conflicts of interest involving government officials, policymakers, business actors, and other stakeholders. Conflicts of interest arise when individuals entrusted with public responsibilities possess personal, political, or economic interests that may improperly influence their decision-making processes. Within the natural resource sector, conflicts of interest often emerge because natural resources possess substantial economic value and involve complex interactions between public and private actors.²

The presence of conflicts of interest may significantly affect the formulation and implementation of public policies. Decisions concerning licensing, resource allocation, environmental protection, and law enforcement may become influenced by private interests rather than public welfare considerations. As a result, policies may fail to achieve their intended objectives and instead contribute to environmental degradation, social inequality, and ineffective governance. In some circumstances, conflicts of interest may also facilitate the emergence of corruption, collusion, and abuse of authority, thereby undermining public trust in governmental institutions.

¹ Iman Prihandono and Ekawestri Prajwalita Widiati, "Regulatory Capture in Energy Sector: Evidence from Indonesia," *The Theory and Practice of Legislation* 11, no. 3 (2023): 207-231,

² Ahmet Faruk Aysan et al., "Natural Resources Governance and Conflicts: Retrospective Analysis," *Resource Policy* 85 (2023): 103942, <https://doi.org/10.1016/j.resourpol.2023.103942>.

The issue of conflicts of interest in natural resource management has attracted increasing attention from scholars and policymakers. Previous studies have examined various aspects of natural resource governance, including regulatory capture, environmental governance, public participation, and sustainable development.³ Research conducted by several scholars indicates that private interests often exert considerable influence on policy-making processes, particularly in sectors characterized by high economic value such as mining, forestry, and energy. These studies highlight the importance of transparency and accountability in preventing undue influence over public decision-making.

Furthermore, previous research concerning environmental governance demonstrates that weak institutional oversight and limited public participation frequently contribute to unsustainable resource exploitation. Similarly, studies focusing on good governance emphasize the importance of accountability mechanisms, independent supervision, and public access to information in ensuring effective natural resource management. While these studies provide valuable insights, most of them primarily focus on specific sectors or governance mechanisms and do not comprehensively examine the broader implications of conflicts of interest on public policy outcomes.⁴

This study differs from previous research by specifically analyzing the relationship between conflicts of interest and public policy within the broader framework of natural resource governance. Rather than focusing solely on environmental impacts or governance structures, this research explores how conflicts of interest influence policy formulation, implementation, and enforcement, as well as their consequences for sustainable development and public welfare. The novelty of this study lies in its integrated approach that connects conflict-of-interest practices with public policy implications in the natural resource sector.

The significance of this research is closely related to the increasing demand for transparent, accountable, and sustainable governance. Effective management of natural resources requires not only comprehensive legal frameworks but also mechanisms capable of preventing undue influence and ensuring that policy decisions are made in the public interest. Understanding

³ Primi Suharmadhi Putri, "Local Communities and Transparency in Indonesian Mining Legislation," *Journal of Energy and Natural Resources Law* 41, no. 4 (2023): 431–455, <https://doi.org/10.1080/02646811.2022.2136336>.

⁴ Bambang Slamet Riyadi, "Culture of Abuse of Power Due to Conflict of Interest to Corruption for Too Long on the Management of Oil and Gas Resources in Indonesia," *International Journal of Criminology and Sociology* 9 (2020): 247–254, <https://doi.org/10.6000/1929-4409.2020.09.23>.

the implications of conflicts of interest is therefore essential for strengthening governance institutions and improving policy outcomes.⁵

Based on the foregoing discussion, the legal issues addressed in this research concern the forms of conflicts of interest that arise in natural resource management and their implications for public policy. Accordingly, this study aims to analyze the occurrence of conflicts of interest within natural resource governance and examine their impact on public policy formulation and implementation in Indonesia. The findings of this research are expected to contribute to the development of legal and policy frameworks that promote transparency, accountability, and sustainable natural resource management.⁶

Methods

This research employs normative legal research focusing on the examination of legal norms, principles, doctrines, and regulations related to natural resource management and conflict of interest within public policy formulation. The study uses statutory, conceptual, and comparative approaches. The statutory approach examines relevant legal instruments governing natural resources and public governance in Indonesia. The conceptual approach is utilized to analyze theories concerning conflict of interest, public policy, good governance, and sustainable development. Meanwhile, the comparative approach is employed to compare conflict-of-interest regulations and governance practices in several jurisdictions.

The legal materials used in this research consist of primary, secondary, and tertiary legal materials. Primary legal materials include the 1945 Constitution of the Republic of Indonesia, laws and regulations concerning natural resource management, environmental protection, and public administration. Secondary legal materials comprise scientific journal articles, legal textbooks, research reports, and scholarly opinions related to conflicts of interest and natural resource governance. Tertiary legal materials include legal dictionaries and other supporting references.

The collected legal materials are analyzed qualitatively through legal interpretation and systematic analysis to identify legal issues, examine existing regulations, and formulate arguments regarding the implications of conflicts of interest on public policy in the natural resource sector. The analysis aims to provide a comprehensive understanding of the relationship

⁵ Wendy Y. Li, "Regulatory Capture's Third Face of Power," *Socio-Economic Review* 21, no. 2 (2023): 1217–1245, <https://doi.org/10.1093/ser/mwad002>.

⁶ Oran R. Young et al., "Identifying Untapped Legal Capacity to Promote Multi-Level and Cross-Sectoral Coordination of Natural Resource Governance," *Sustainability Science* 19 (2024): 325–346, <https://doi.org/10.1007/s11625-023-01424-y>.

between conflicts of interest and the effectiveness of natural resource governance in achieving public welfare and sustainable development.

Results and Discussion

Forms of Conflict of Interest in Natural Resource Management

Natural resource management involves various stakeholders, including government institutions, private corporations, local communities, indigenous peoples, and civil society organizations. The existence of diverse interests often creates challenges in ensuring that natural resources are managed fairly and sustainably. One of the most significant challenges is the occurrence of conflicts of interest, which can affect the objectivity of decision-making processes and ultimately influence public policies governing natural resources. A conflict of interest occurs when a public official or decision-maker has personal, political, or economic interests that may interfere with the performance of their official duties. In the natural resource sector, conflicts of interest frequently arise because the exploitation and utilization of natural resources generate substantial economic benefits. As a result, various actors may attempt to influence policy decisions, licensing procedures, and regulatory frameworks to advance their own interests.⁷

One common example of conflict of interest can be found in the licensing process. Government officials responsible for issuing permits may face pressure from business actors seeking access to natural resources. When decisions are influenced by personal relationships, political affiliations, or financial considerations, licensing procedures may no longer reflect the principles of transparency and accountability.⁸ This situation increases the risk of granting permits that overlook environmental impacts or community interests. Conflicts of interest may also occur during the formulation of laws and regulations. Policymakers who maintain close connections with industries operating in the natural resource sector may support policies that favor business interests. Consequently, regulations may become less effective in protecting environmental sustainability and public welfare. This phenomenon is often associated with regulatory capture, where regulatory

⁷ Tabah Arif Rahmani et al., "Reconciling Conflict of Interest in the Management of Forest Restoration Ecosystem: A Strategy to Incorporate Different Interests of Stakeholders in the Utilization of the Harapan Rainforest, Jambi, Indonesia," *Sustainability* 14, no. 21 (2022): 13924, <https://doi.org/10.3390/su142113924>.

⁸ Ega Rijal Mahardika and Muhammad Azhary Bayu, "Legal Politics of Indonesian Environmental Management: Discourse between Maintaining Environmental Sustainability and Economic Interests," *Indonesian Journal of Environmental Law and Sustainable Development* 1, no. 1 (2022): 1–15, <https://doi.org/10.15294/ijel.v1i1.21820>.

institutions become excessively influenced by the industries they are supposed to regulate.⁹

Furthermore, conflicts of interest can affect the effectiveness of supervision and law enforcement. Regulatory agencies may hesitate to impose sanctions on companies with strong political or economic influence. Such conditions can lead to selective law enforcement and weaken public trust in government institutions. Therefore, addressing conflicts of interest is essential to ensuring that natural resource governance remains transparent, accountable, and oriented toward public welfare.¹⁰

Implications of Conflict of Interest on Public Policy

Conflicts of interest in natural resource management have significant implications for public policy. Since public policies determine how natural resources are utilized, protected, and distributed, any influence from private interests can substantially affect policy outcomes. As a result, policies may fail to achieve their intended objectives of promoting public welfare and sustainable development.¹¹ One major implication is the emergence of policies that prioritize economic growth over environmental protection. Policymakers influenced by certain business interests may adopt regulations that facilitate resource extraction while weakening environmental safeguards. Although such policies may generate short-term economic benefits, they often create long-term environmental consequences, including deforestation, pollution, ecosystem degradation, and biodiversity loss.

Another implication concerns social justice and the distribution of benefits derived from natural resources. Ideally, natural resources should contribute to the welfare of all citizens. However, conflicts of interest may result in policies that disproportionately benefit specific groups while marginalizing local communities and indigenous peoples. In many cases, communities living near natural resource projects bear environmental and social burdens without receiving adequate economic benefits. Conflicts of interest also undermine public confidence in government institutions. Public trust is essential for effective governance and policy implementation. When citizens perceive that public officials are acting in the interests of private

⁹ Jun Xia et al., "How Do Political and Nonpolitical Ties Affect Corporate Regulatory Participation? A Regulatory Capture Perspective," *Business & Society* 63, no. 7 (2024): 1603–1640, <https://doi.org/10.1177/00076503231219687>

¹⁰ Santi Pratiwi and Nataly Juerges, "Advocacy Coalitions and Knowledge Transfer within Geothermal Policy Change in Indonesian Conservation Forests," *Policy Futures in Education* 31, no. 2 (2022): 218–236, <https://doi.org/10.1177/10704965211070244>.

¹¹ Rosiady H. Sayuti Markum et al., "The Dynamics of Spatial Utilization and Tenurial Conflict in Conservation Area of Moyo Island, West Nusa Tenggara," *Jurnal Pengelolaan Sumberdaya Alam dan Lingkungan* 12, no. 3 (2022): 445–455, <https://doi.org/10.29244/jpsl.12.3.445-455>.

actors rather than the public, confidence in governmental institutions decreases. This decline in trust may contribute to social unrest, public resistance to development projects, and increased conflict between communities, corporations, and government agencies.¹²

Furthermore, conflicts of interest may encourage the practice of regulatory capture. In such situations, regulatory institutions become more responsive to industry demands than to public concerns. As a consequence, regulations may fail to address environmental risks and social inequalities effectively. This condition weakens democratic governance and limits opportunities for meaningful public participation in decision-making processes. Ultimately, the presence of conflicts of interest can hinder the realization of sustainable development objectives. Sustainable development requires balancing economic growth, environmental protection, and social welfare. When policy decisions are influenced by private interests, achieving this balance becomes increasingly difficult, resulting in governance outcomes that are neither equitable nor sustainable.

Strengthening Governance Mechanisms to Prevent Conflict of Interest

Preventing conflicts of interest requires the implementation of effective governance mechanisms that promote transparency, accountability, and integrity. These principles are essential to ensuring that decisions concerning natural resource management are made in the public interest rather than for the benefit of specific individuals or groups.¹³ One important measure is strengthening transparency in policy-making and licensing processes. Public access to information regarding permits, contracts, environmental assessments, and policy decisions enables greater public oversight and reduces opportunities for misconduct. Transparency also allows civil society organizations and affected communities to monitor government actions and hold decision-makers accountable.

In addition, disclosure requirements for public officials can help prevent conflicts of interest. Officials involved in decision-making processes should be required to disclose financial interests, business relationships, and other affiliations that may influence their judgment. Such disclosure mechanisms promote accountability and help identify potential conflicts before they affect public decisions. Public participation is another essential component of

¹² Zikun Hu et al., "An Evolutionary Game Study on the Collaborative Governance of Environmental Pollution: From the Perspective of Regulatory Capture," *Frontiers in Public Health* 11 (2024), <https://doi.org/10.3389/fpubh.2023.1320072>.

¹³ Putri Rut Elok Kurniatin and Irfan Ridwan Maksum, "Rural Water Governance: Governance Model for Fulfilling Rural Drinking Water Needs in Indonesia," *Publikauma* 10, no. 1 (2022): 39–48, <https://doi.org/10.31289/publika.v10i1.7229>.

effective natural resource governance.¹⁴ Communities affected by natural resource projects should be given meaningful opportunities to participate in policy discussions and decision-making processes. Public participation not only enhances democratic legitimacy but also contributes valuable local knowledge that can improve policy outcomes.

Strengthening independent oversight institutions is equally important. Regulatory agencies, anti-corruption bodies, and auditing institutions should possess adequate authority and independence to investigate potential conflicts of interest and enforce relevant legal provisions. Effective oversight mechanisms can reduce opportunities for abuse of power and promote compliance with legal and ethical standards. Finally, promoting a culture of integrity within public institutions is crucial for preventing conflicts of interest. Ethical standards, professional training, and clear accountability mechanisms can encourage public officials to prioritize the public interest in carrying out their duties. Through these efforts, natural resource governance can better support sustainable development, environmental protection, and social justice.¹⁵

Conclusions

Conflicts of interest represent one of the major challenges in natural resource management and have significant implications for public policy. Such conflicts may arise in licensing processes, policy formulation, supervision, and law enforcement activities. The involvement of personal, political, or economic interests in public decision-making can reduce objectivity and lead to policies that prioritize specific interests rather than public welfare. Consequently, conflicts of interest may contribute to environmental degradation, social inequality, weak law enforcement, and declining public trust in government institutions.

Furthermore, conflicts of interest can facilitate regulatory capture, where regulatory institutions become more responsive to private interests than to public needs. This condition undermines the principles of transparency, accountability, and good governance that are essential for sustainable natural resource management. Therefore, preventing conflicts of interest requires stronger governance mechanisms, including transparency in decision-making, disclosure of interests by public officials, meaningful public

¹⁴ Donald Grasse, "Oil Crops and Social Conflict: Evidence from Indonesia," *Journal of Conflict Resolution* 66, no. 7-8 (2022): 1362-1388, <https://doi.org/10.1177/00220027221084826>.

¹⁵ Rijal Ramdani and Eko Priyo Purnomo, "Shifting Conflict into Collaboration: Peatland Fires Mitigation in the Biosphere Conservation Transition Zone in Sumatra, Indonesia," *International Journal of Wildland Fire* 31, no. 12 (2022): 1103-1113, <https://doi.org/10.1071/WF22066>.

participation, and effective oversight by independent institutions. Through these measures, natural resource governance can better support sustainable development, environmental protection, and social justice while ensuring that natural resources are utilized for the greatest prosperity of the people.

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