

# The Broken Promise of Eco-Cities: A Socio-Legal Analysis of Institutional Decoupling in Indonesian Real Estate Projects

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## Abstract

While global regulatory scrutiny on greenwashing has intensified in the energy sector, the real estate industry in emerging markets remains a critical "blind spot." This study investigates the systemic phenomenon of **"Institutional Decoupling"** in Indonesia, where property developers aggressively signal environmental virtues ("Eco-Cities") to justify premium pricing, yet legally sever these promises from contractual obligations. Adopting a socio-legal multi-case study approach, we analyze three high-profile conflicts: **Meikarta** (Visionary Decoupling), **Sentul City** (Operational Decoupling), and **Pluit Commercial Area** (Functional Decoupling). The findings expose a "Legal-Marketing Gap" where developers exploit standard contracts (*Perjanjian Baku*) and exoneration clauses to render marketing signals non-binding. We argue that without legal enforceability, green branding becomes a predatory mechanism that transfers business risk to consumers. The paper concludes by proposing a **"Binding Green Clause"** framework, recommending that environmental amenities be elevated from marketing illustrations to material contractual terms to restore trust and strategic legitimacy in the sector.

**Keywords:** Greenwashing, Institutional Decoupling, Real Estate Strategy, Consumer Protection Law, Indonesia, Strategic Management.

## 1. INTRODUCTION

The global crackdown on corporate greenwashing has reached an inflection point. In the energy sector, major entities such as Shell and TotalEnergies have faced aggressive regulatory scrutiny and litigation regarding misleading "net-zero" advertising campaigns (Bisnis.com, 2025; The Guardian, 2023). These cases signal a growing global intolerance for the discrepancy between corporate environmental claims and actual operational impact. However, while regulatory eyes are fixed on the energy sector, a more tangible and financially damaging form of greenwashing is proliferating within the real estate sector of emerging markets, specifically in Indonesia.

In the rapid urbanization of Southeast Asia, "Eco-Living," "Green Cities," and "Sustainable Superblocks" have become dominant marketing narratives used to justify premium pricing and attract middle-class investment. Theoretically, these narratives serve as "signals" of superior quality. However, this study argues that the Indonesian property sector is currently exhibiting a severe form of **"Institutional Decoupling"**—a strategic behavior where organizations ceremonially adopt popular structures (green branding) while decoupling them from their actual core activities and legal obligations (Meyer & Rowan, 1977).

Nowhere is this phenomenon more critical than in the disconnect between marketing brochures and binding legal contracts (*Perjanjian Pengikatan Jual Beli* or PPJB). Unlike consumer goods where greenwashing might result in minor dissatisfaction, deceptive environmental claims in real estate lead to significant financial loss and violation of consumer rights. This study examines this legal void through three distinct typologies of failure observed in recent high-profile Indonesian cases: the "Visionary Decoupling" of the Meikarta project, the "Operational Decoupling" of Sentul City, and the "Functional Decoupling" seen in Pluit.

## 2. LITERATURE REVIEW AND THEORETICAL FRAMEWORK

**2.1. Green Signaling in Asymmetric Markets** According to Signaling Theory (Spence, 1973), in markets with high information asymmetry—such as pre-project real estate sales—sellers must send credible "signals" to prove product quality. In the modern context, "Green Attributes" (e.g., eco-parks, flood-free guarantees) have become premium signals used to justify higher price points (Delmas & Burbano, 2011). However, a critical failure occurs when these signals are "cheap talk"—easy to produce in marketing materials but costly or impossible to implement. In the Indonesian property

sector, this asymmetry is exacerbated because consumers often purchase units based solely on conceptual images (*pre-selling*), years before physical verification is possible.

**2.2. The Indonesian Legal Paradox** The persistence of greenwashing in Indonesia is structurally supported by a conflict between statutory consumer protection and the practice of contract law. First, **Law No. 8 of 1999 on Consumer Protection (UUPK)** theoretically prohibits misleading representations. Article 8 explicitly forbids businesses from trading goods that do not align with the promises stated in labels or advertisements. However, these protections are frequently nullified by the **Civil Code (KUHPerdara)** regime, specifically under the principle of "Freedom of Contract" (*Asas Kebebasan Berkontrak*, Article 1338). Developers exploit this principle to draft one-sided **Standard Contracts (Perjanjian Baku)**. A critical mechanism of "Institutional Decoupling" found in this study is the rampant use of **Exoneration Clauses**. Although theoretically prohibited, developers insert disclaimers such as "*Images are for illustration purposes only*" or "*Site plans are subject to change without prior notice.*" These clauses effectively legally sever the marketing "signal" (the brochure) from the contractual obligation.

### 3. RESEARCH METHODOLOGY

**3.1. Research Design: A Socio-Legal Approach** This study employs a qualitative socio-legal methodology, utilizing a **multi-case study design** to investigate the phenomenon of "Institutional Decoupling." This approach is particularly suitable for exploring complex "how" and "why" questions regarding the gap between corporate marketing strategies and legal accountability.

**3.2. Data Selection: Purposive Sampling** Given the opacity of internal corporate decision-making, this study utilizes purposive sampling to select "Extreme Cases" based on three criteria: (1) High-Profile Green Branding, (2) Documented Legal Conflict, and (3) Verification by Tier-1 National Media (*Kompas*, *Tempo*, *Bisnis Indonesia*). The selected cases are: **Meikarta** (Visionary Decoupling), **Sentul City** (Operational Decoupling), and **Pluit Commercial Area** (Functional Decoupling).

**3.3. Data Collection and Analysis** Data was collected through **Triangulation** of three distinct sources:

- **Marketing Artifacts:** Digital brochures and advertisements from the launch period (The "Signal").
- **Legal Instruments:** Analysis of standard contracts (PPJB), relevant statutes (Spatial Planning Law), and court decisions (The "Binding Obligation").
- **Investigative Reports:** News archives detailing the physical reality and consumer grievances (The "Actual Execution").

### 4. RESULTS AND DISCUSSION

**4.1. Case Study 1: The "Meikarta" Mega-Project – Visionary Decoupling** *The Signal:* Launched in 2017, Meikarta was positioned as the "Shenzhen of Indonesia," promising a futuristic eco-city with a 100-hectare central park. The developer utilized an aggressive "Pre-Project Selling" strategy via the *Nomor Urut Pemesanan* (NUP) mechanism. *The Decoupling:* The project faced severe stagnation and entered Debt Payment Suspension (PKPU) proceedings. Investigations revealed that at the time of the massive sales launch, the project lacked complete environmental and building permits (*Kompas.com*, 2023). *Analysis:* This exemplifies "**Visionary Decoupling**"—where the vision sold to consumers is legally detached from the developer's actual capability. The NUP mechanism allowed the developer to collect public funds without fulfilling the strict construction progress requirements mandated by Housing Law (UU No. 1/2011), effectively transferring development risk to consumers.

**4.2. Case Study 2: Sentul City – Operational Decoupling** *The Signal:* Sentul City markets itself as a "City of Nature" and "Eco-City," leveraging its mountainous location to promise a sustainable

lifestyle. *The Decoupling*: Conflicts arose regarding the developer's management of the Environmental Maintenance Fee (*Biaya Pemeliharaan Lingkungan*) and clean water supply. Residents faced threats of water disconnection for disputing fees, leading to Supreme Court lawsuits (Tempo.co, 2021). *Analysis*: This case illustrates "**Operational Decoupling**." The green branding exists at the surface, but the underlying operational governance is extractive. Legally, the monetization of basic water rights violates the principle that essential public utilities should not be leveraged for private debt collection, contradicting the "harmonious living" brand promise (Supreme Court Decision No. 3415 K/Pdt/2018).

**4.3. Case Study 3: Pluit & Sukapura Commercial Areas – Functional Decoupling** *The Signal*: Commercial developments implying spatial order and compliance with city planning regulations. *The Decoupling*: Investigations revealed that dozens of commercial units (*Ruko*) had illegally extended their building footprints over public drainage channels and sidewalks, effectively annexing public assets (*Fasos/Fasum*) for private commercial gain (Kompas TV, 2023). *Analysis*: This represents "**Functional Decoupling**"—where the intended social function of the land (drainage/pedestrian access) is erased by its economic function (retail space). This highlights "Regulatory Dormancy," where spatial planning laws (UU No. 26/2007) are ignored until public viral pressure compels enforcement.

## 5. MANAGERIAL IMPLICATIONS

To restore trust and avoid the "Decoupling Trap," real estate executives must adopt three strategic shifts:

1. **The "Binding Green Clause" Strategy**: Move environmental promises from the brochure to the contract. Developers should explicitly list "Green Amenities" (e.g., exact size of parks, water management systems) as *Material Specifications* in the Sales Agreement (PPJB).
2. **Integrated Legal-Marketing Audit**: The Legal Department must have veto power over marketing materials. Before a "Green City" campaign is launched, Legal must verify that permits and land ownership are secured to prevent "Visionary Decoupling."
3. **Proactive Asset Handover**: Developers should accelerate the handover of Public Facilities (*Serah Terima Fasos/Fasum*) to the local government immediately upon completion to avoid conflicts over monopolistic management.

## 6. CONCLUSION

This study reveals that greenwashing in the Indonesian real estate sector is not merely a marketing issue, but a systemic "**Institutional Decoupling**" problem supported by legal loopholes. Through the analysis of Meikarta, Sentul City, and Pluit, we demonstrated how developers decouple their "Green Signals" from legal reality. The findings suggest that without stronger enforcement of Consumer Protection Laws and a shift in judicial interpretation—specifically, treating marketing brochures as binding contractual evidence—the promise of "Eco-Cities" in emerging markets will remain a broken one. For the industry to mature, the legal framework must evolve to ensure that the "Green" label carries the weight of a legal guarantee, not just a marketing gimmick.

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