

Joined-Up Government in the Prevention of Terrorist-Financing Offenses by Nonprofit Organizations: An Evidence-Based Approach

MALIKI SUKMANA*

Indonesian Financial Transaction Reports and Analysis Centre (PPATK)

Jl. Ir. H. Juanda No.35, Gambir, DKI Jakarta 10120

Indonesia

Email: muhammad.maliki@yahoo.com

ABSTRAK

Koordinasi antar-lembaga dalam penanganan pendanaan terorisme pada organisasi kemasyarakatan (ormas) di Indonesia memiliki beberapa kelemahan. Artikel berikut mengaplikasikan analisis tekstual dan pendekatan analisis kebijakan berbasis bukti untuk mendapatkan mekanisme koordinasi dari beberapa negara sehingga dapat digunakan untuk mendesain sebuah model koordinasi antar-lembaga. Model tersebut menjelaskan mekanisme yang dapat memberikan perubahan dan meminimalkan risiko pendanaan terorisme pada ormas. Dari analisis yang dilakukan atas beberapa negara yang di antaranya adalah Australia, Malaysia, Arab Saudi, dan Singapura, artikel ini beranggapan bahwa sebuah mekanisme koordinasi antarlembaga yang efektif mencakup di antaranya sinkronisasi atas kebijakan, tugas, fungsi, dan tanggung jawab seluruh lembaga yang terlibat. Kemudian, dengan adanya sinkronisasi tersebut maka lembaga-lembaga dapat menyusun prioritas intervensi dan alokasi sumber daya untuk faktor-faktor yang terdapat pada ormas yang rentan akan pendanaan terorisme. Penelitian ini bersifat preskriptif dengan mengusulkan sebuah model koordinasi antar-lembaga dengan empat mekanisme yaitu usaha kolaboratif untuk menciptakan satu *database* yang terintegrasi, penilaian risiko pada ormas, penentuan prioritas untuk pelaksanaan sosialisasi, edukasi, pemantauan, dan pengawasan, serta implementasi pendekatan *network-model* untuk meningkatkan pertukaran informasi secara sukarela.

Kata kunci: kebijakan berbasis bukti, koordinasi antar-lembaga, pendanaan terorisme, organisasi kemasyarakatan

ABSTRACT

Indonesian interagency coordination to prevent terrorist-financing offenses by nonprofit organizations has several drawbacks. This article applies textual analysis and an evidence-based approach to draw effective coordination mechanisms from several countries' experiences and to design a model of interagency coordination. The model illustrates mechanisms that can be the drivers of changes and minimize ineffective interagency coordination, which may lead to an increase in nonprofit vulnerabilities to terrorist-financing offenses. Evidence drawn from several countries that are contextually relevant to Indonesia, namely, Australia, Malaysia, Saudi Arabia, and Singapore, illustrates that effective interagency coordination potentially reduces the risks of terrorist financing and has synchronized policies,

*The author is a Financial Transaction Supervisor at Directorate of Compliance Supervision, PPATK.

objectives, functions, and responsibilities among authorities. Therefore, authorities can prioritize interventions and resources to address the most vulnerable factors. This article suggests improvements in four aspects: collaborative endeavors toward single integrated databases; comprehensive risk assessment of nonprofits; priority settings on socialization, education, monitoring, and supervision; and network model to improve voluntary information sharing.

Keywords: evidence-based policy making, joined-up government, terrorist financing, nonprofit organization

DOI: <https://doi.org/10.7454/jp.v5i2.264>

INTRODUCTION

In 2001, the intergovernmental Financial Action Task Force published its Special Recommendations (SRs), which illustrate the connections between nonprofit organizations or nonprofits (Casey 2016) and terrorist-financing offenses. Historically, the SRs have also observed the integration of money laundering countermeasures into terrorist-financing prevention approaches. In Indonesia, the integration is embodied within and implemented by a coordination framework, the National Coordination Committee (NCC; see Table 1).

Table 1
Policy and agencies within the National Coordination Committee (NCC)

Policy arrangements	Policy instruments	Members of NCC in the prevention of terrorist-financing offenses by nonprofits
Prevention and mitigation	Supervision and monitoring	Kemenumham (<i>Kementerian Hukum dan HAM</i> - Ministry of Law and Human Rights)
	Information sharing	Kemensos (<i>Kementerian Sosial</i> - Ministry of Social Affairs) – nonmember of NCC
	Socialization and education on terrorist financing to government authorities, financial institutions, and nonprofit organizations	Kemendagri (<i>Kementerian Dalam Negeri</i> - Ministry of Home Affairs) Kemenlu (<i>Kementerian Luar Negeri</i> - Ministry of Foreign Affairs) Kemenag (<i>Kementerian Agama</i> - Ministry of Religious Affairs)
Law enforcement	Investigation and prosecution	Densus 88 (<i>Detasemen Khusus 88 Anti Teror</i> - The Detachment 88 of the Indonesian National Police) BNPT (<i>Badan Nasional Penanggulangan Terorisme</i> - National Counterterrorism Agency) BIN (<i>Badan Intelijen Negara</i> - State Intelligence Agency) Kejagung (<i>Kejaksaan Agung</i> - Attorney General Office) PPATK (<i>Pusat Pelaporan dan Analisis Transaksi Keuangan</i> - Indonesian Financial Transaction Reports and Analysis Centre)

Sources: Asia/Pacific Group on Money Laundering (2018); the Presidential Regulation 18/2017; the Executive Regulation 58/2016; the Executive Regulation 59/2016

Indonesian nonprofits, foundations (*yayasan*) and associations (*perkumpulan*), are the most vulnerable sectors because of sectoral and regulatory vulnerabilities. Sectoral vulnerabilities are significantly high because of the nonprofits' low capacities to prevent and mitigate their operation from terrorist-financing risks (Australian Financial Transaction Reports and Analysis Centre 2017a, 27–29). During 2015–2017, 292 cases of terrorism or terrorist-financing offenses in Indonesia involved nonprofits; this was recorded as the highest among ASEAN, Australia, and New Zealand (Pusat Pelaporan dan Analisis Transaksi Keuangan 2015; Australian Financial Transaction Reports and Analysis Centre 2016; 2017a). However, the government's responses to that condition were slightly insufficient because they loosened their policy, as indicated by the Asia/Pacific Group on Money Laundering's (APG) report. The APG notes a policy taken by the Indonesian authorities in adjusting the nonprofits' risk levels from high to medium risk in 2018 which was followed by a relatively less comprehensive indication of the type of high-risk nonprofits (Asia/Pacific Group on Money Laundering 2008, 28).

Indonesian regulatory measures such as regulatory oversight, outreach to nonprofits, and national cooperation and coordination also have potential pitfalls that may contribute to nonprofits' vulnerability. First, in Table 2, some measures in the Civil Society Organization Law 17/2013 are considered repressive, discriminatory, and excessively bureaucratic, and this sentiment was the same for its predecessor, Law 8/1985 (The International Center for Not-for-Profit Law 2018). In this sense, government interventions to govern nonprofits may experience obstacles.

Another regulation, Presidential Regulation Number 18 of 2017 on donations to and from nonprofit organizations, is a progressive step because it requires nonprofits to perform activities commonly implemented within financial institutions. However, two critical instruments, mandatory reporting activities and the *suspicious donation* categories, are absent in the regulation's provision. The absence of these instruments may affect the effectiveness of the nonprofit's terrorist-financing countermeasures. Therefore, these pitfalls within the two nonprofit

regulations may be counterproductive for the anticipated nonprofit compliance levels that were considered the medium level (Australian Financial Transaction Reports and Analysis Centre 2017a).

Table 2
Provisions of Law 8/1985 and Law 17/2013

Measures	Descriptions
Types of nonprofits and organizational changes	Article 8 Law 8/1985 was nuanced with significant control on nonprofit activities by the government. Although Law 8/1985 did not regulate the types of nonprofits as did Law 17/2013, under the former regulation, nonprofits had been obliged to identify and to associate themselves into one group of nonprofits that had similar objectives and activities. By contrast, the control of the government within Law 17/2013 is under a provision that specifically classifies nonprofits into formal (foundation; <i>yayasan</i>) and associations (<i>perkumpulan</i>) and informal. Moreover, the Law obliges nonprofits to report within 30 days to either the national or local government any changes in management, personnel, and organization structures. Although that obligation has no legal consequences, it may potentially impose excessive bureaucratic control on civil society activities
Prohibitions and obligations	Article 7 Law 8/1985 and Article 21 and 59 Law 17/2013 regulate the ideological aspect of nonprofits that should be in accordance with Pancasila and UUD 1945. These provisions sound positive but they are potentially being abused by the government to dissolve any nonprofits critical of the government's policies. On the nonprofit operation level (financial), Law 17/2013 may create disputes over the prohibition of nonprofits to receive from and/or transfer any funds to any parties not in accordance with government policies

Source: *Compiled by author from related sources*

These regulatory challenges may create more drawbacks because the implementation of terrorist-financing regulations has resulted in disruptions of nonprofit activities. This disruption may lead to legal and reputational consequences for nonprofits unintentionally involved in terrorist financing (Bloodgood and Tremblay-Boire 2011; Othman and Ameer 2014; Shillito 2015; Australian Financial Transaction Reports and Analysis Centre 2017b, 60). Furthermore, a study indicated that counterterrorism interventions such as education programs, legislation, and punishment (e.g., sentencing) did not statistically illustrate effectiveness in reducing terrorism offenses across time, and in some cases, the interventions counterproductively increased the offenses (Lum, Kennedy, and Sherley 2006, 508).

Second, the findings of the Asia/Pacific Group on Money Laundering clearly demonstrated that the existing interagency coordination has not significantly improved since 2010, as documented in the NPO Domestic Review. The fundamental problems with this coordination

are as follows: (1) the registration and validation of nonprofits are spread across several ministries; (2) ineffective monitoring and supervision affect the sanctions that are not always imposed on the nonprofits linked to terrorist organizations; (3) nonintegrated databases and ineffective information sharing, as illustrated by the disagreement among agencies regarding the changes of nonprofits' risk levels from high to medium risk; and (4) limited partnerships between the competent authorities and nonprofit organizations limit the outreach of socialization and educational programs (Asia/Pacific Group on Money Laundering 2008; Pusat Pelaporan dan Analisis Transaksi Keuangan 2010).

This article assumes a reciprocal cause and effect between the coordination mechanisms in implementing the policy instruments (Table 1) and the provisions of two nonprofit regulations, Law 17/2013 and the Regulation 18/2017. The ineffective dissemination of information among authorities at strategic and operational levels may contribute to the regulations' vagueness and incomprehensiveness, and the regulations' requirements may result in a coordination mechanism without clear strategic and operational plans. For example, Presidential Regulation Number 18 of 2017 generally notes context differences between money laundering and terrorist-financing attempts to apply money laundering measures well established within the financial industry to nonprofits. However, the difference in organizational orientations between the two sectors may lead to the ineffectiveness of nonprofits' countermeasures. In that sense, such policies may become burdensome to authorities (Sinha 2013; Tofangsaz 2015; Hamin et al. 2016). The analysis and implementation of countermeasures from other sectors or countries against Indonesian nonprofits and terrorist-financing policies require an adaptation of their requirements. That contextual adaptation from one sector to another potentially creates an ideal condition that stimulates authorities to harmonize their various functions and responsibilities. However, ironically, these drawbacks of the coordination mechanisms are commonly experienced by authorities in the ASEAN, Australia, and New Zealand (Australian Financial Transaction Reports and Analysis Centre 2017a).

Despite that irony and given the global effort to combat terrorism and terrorist financing, in this article, we assume that countries can learn and adapt to others' policies and mechanisms. This article emphasizes that by drawing on the evidence of countries' coordination mechanisms, we can construct an improved model of interagency coordination that is contextually relevant to Indonesia's attempt to prevent terrorist funding through nonprofits. Relevant to that objective, we post the following question: *What can be learned from other countries' experiences of interagency coordination to prevent nonprofit organizations from committing terrorist-financing offenses?* The following analysis elaborates on evidence-based policy-making and joined-up government approaches to construct that coordination model.

EVIDENCE-BASED POLICY ANALYSIS AND JOINED-UP GOVERNMENT: AN ALTERNATIVE GOVERNANCE FOR PREVENTING TERRORIST-FINANCING OFFENSES

The transformation of public governance into so-called private sector practices was initiated by the new public management (NPM) in Anglo-Saxon countries by the late 1980s (Pollitt 2003). NPM had transformed the ideas of neoliberal government into a dominant, hegemonic ideology, rather than into other ideas, namely, those of the Weberian bureaucracy, which had been criticized as inefficient and irresponsive. The idea of the specialization of NPM was initially effective at improving the desired efficiency but was subsequently questioned when solving complex problems and to some extent was counterproductive to the achievement of overall policy objectives (Ling 2002; Fimreite, Christensen, and Læg Reid 2012). A study on the United Kingdom's specialization illustrates the phenomenon of *departmentalism* among ministers and government officials (Kavanagh and Richards 2001). In the context of specialization, the division of labor that was already established within the industrial sector has gained influence over various levels of government and transformed the latter to become more function specific.

One alternative to minimizing the effects of specialization is joined-up government. This alternative governance aims to inspire government actors to coordinate and harmonize their thinking and action toward common objectives (Ling 2002; Pollitt 2003; Fimreite, Christensen, and Læg Reid 2012). Within that context of harmonic thinking and action, joined-up government is not an entity of coordination but a long-term cooperative process and mechanism or an enabler that emphasizes a democratic, participative *political freedom* to ensure government organizations cooperate to create innovation (Ling 2002; Pollitt 2003; Davies 2009; Fimreite, Christensen, and Læg Reid 2012). However, joined-up government can transform into a form of *integration* (Martorell and Abergel 2018). Despite that contrast, the tenet of joined-up government either as an integration of policy or an enabler of collaboration is significantly similar because they both advocate for participative decision-making to reach common objectives.

As a democratic and participative mechanism, the joined-up government aims to overcome existing hierarchies of involved organizations and improve information flow (Agranoff and McGuire 2001; Kavanagh and Richards 2001; Pollitt 2003; Davies 2009; Carey and Crammond 2015). However, because nothing is solid, this alternative governance has limitations. First, the participative mechanisms advocated by joined-up government can be degraded if some parties are imposing their power and interests rather than working cooperatively (Davies 2009). Second, because joined-up government is a process rather than an entity, the concept requires a distinct means of performance measurement (Kavanagh and Richards 2001; Pollitt 2003; Fimreite, Christensen, and Læg Reid 2012).

Studies on joined-up government can produce an enormous amount of contextual knowledge and evidence from other jurisdictions' experiences about *what works* and *what does not*. These studies are significant because they inform policy analysts regarding future initiatives for planning and implementation (Carey and Crammond 2015). Although evidence hierarchies have ranked *hard evidence* or scientific evidence relatively higher than evidence produced from individual, communi-

ties, or countries' experiences (Wolf and Baehler 2017), the latter type of evidence has the function of predicting and projecting the expected results (Rose 2002; Head 2008; Ettelt, Mays, and Nolte 2012). In the context of preventing terrorist-financing offenses, evidence of joined-up government within various countries can be analyzed to design an interagency coordination model that is appropriate to apply in Indonesian policy settings.

Generating and adapting evidence from other countries' experiences is commonly referred to as knowledge utilization (Rose 2002), a concept with an integrated structure that comprises information pick-up, information interpretation, and information application (Ettelt, Mays, and Nolte 2012). A study applied the concepts of abduction and phronesis and demonstrated that the capacity to utilize and adapt that type of evidence to their policy settings stems, in part, from an analyst's subjective judgment developed through frequent policy experiences while comparing others' policy settings with their own (Wolf and Baehler 2017).

That comparative analysis and analogy-making are modeled through a *base scenario* (Wolf and Baehler 2017). The model focuses on comparisons between the existing problems (the base case-A) with the relevant policies from other cases (the exemplar-B) to create the intended results (the prospective case-A'). This comparison is a process in search of ideas relevant to an individual's problems (Bardach 2004, 2006). In a comparison of B to A, analysts will develop causal narratives (Rose 2002) on social mechanisms (Barzelay 2007) that explain the processes within B that successfully stimulate its outcomes. Furthermore, based on these narratives, the analysts simultaneously make analogical connections between B and A while considering A's context and policy objectives as they consider how lessons from B might lead to intended results in A. This base scenario emphasizes iterative processes that enable the analysts to rethink and redesign policy problems, performance indicators, or intended outcomes (Wolf and Baehler 2017).

RESEARCH METHOD

This article applies textual analysis (Thomas 2013) to draw on contextual evidence from four exemplar countries, namely, Australia, Malaysia, Saudi Arabia, and Singapore, that can be adapted to what might be an effective policy on Indonesian settings. The selection criteria applied to these countries are as follows: (1) their effectiveness and technical compliance ratings as documented by the FATF Consolidated Table (The Financial Action Task Force 2019) and (2) the context similarities between these countries and Indonesia that follow criteria such as psychological factors and countries' interdependence (Rose 2002).

The evidence is retrieved from primary and secondary sources published by governments and non-governmental organizations. The primary sources are four documents on the Mutual Evaluation Review of the four countries and two follow-up reports—one each—from Australia and Malaysia. In this article, we assume that the primary sources are relatively authoritative such that they can illustrate countries' current and ongoing policies. The secondary sources are nine peer-reviewed academic articles and other publications that have analyzed topics relevant to this paper and that are related to terrorist financing.

The evidence-generating process applies a cross-checking approach to primary and secondary sources with a focus on the comparative analysis of countries and analogy-making to project and predict the expected results (Wolf and Baehler 2017). In this analysis, evidence is categorized based on the policy instruments and coordination mechanisms as expounded in Table 1 and the theories of joined-up government. The finding categories is summarized in Table 3. Furthermore, we compared and interpreted that evidence to find the potential interagency coordination mechanisms that effectively prevent nonprofits from committing terrorist-financing offenses. The categories are as follows:

Table 3
The finding categories

Policy instruments	Coordination mechanisms
Integrated databases	Objective-setting processes
Information-sharing system	Functions and responsibilities arrangements
Risk-based approach	Synchronized individual policies

Socialization and education	Minimizing problems related to hierarchy
Monitoring and supervision	Performance measurement
Investigation and prosecution	
Immediate outcome is reducing nonprofits' vulnerabilities to terrorist-financing offenses	

Source: Compiled by the author from related sources

EVIDENCE FROM THE EXEMPLAR COUNTRIES' EXPERIENCES

Evidence drawn from the exemplar countries illustrates the manifestation of national strategies to enact terrorist-financing measures that can stimulate involved authorities to implement an effective coordination mechanism to prevent terrorist-financing offenses by nonprofits. The effects of these national strategies can be observed from two elements of the countries' coordination mechanisms. The first element is synchronizing actions, objectives, and policies, and the second is arranging the organizations' functions and responsibilities within an interagency coordination framework. However, despite these countries' effective coordination process, evidence indicates two strategic variations that can lead to different consequences.

The first strategic type is the *scaling-up* national strategy that mainstreams the discourse of money laundering and terrorist financing in a manner that benefits a country's national interests. To some extent, this scaling-up strategy has proven effective in influencing political leaders when directing their national agenda and particularly in developing transparency and accountability among public and private institutions. The second strategic type is the national strategy that does not mainstream the money laundering and terrorist financing discourse at the national level. This strategy requires accumulating performance indicators from various authorities who are working within a coordination framework. However, this type has a relatively small influence on reframing authorities' awareness of common objectives and potentially leads to departmentalism. Malaysia applies the first type of strategy, where the terrorist financing or money laundering system, in general, has hegemonic roles that have proven more effective in reframing the

actors' coordinated thinking and actions. Therefore, this scaled-up national strategy is favorable to synchronize policies, actions, objectives, and organizations' functions and responsibilities to prevent terrorist-financing offenses by nonprofits.

In policy and objective settings, regardless of their national strategy types, exemplar countries have synchronized and interlinked policy instruments. In this sense, each instrument has reciprocally affected one another. For example, the foremost instrument is a comprehensive risk assessment of terrorist financing and nonprofits. This risk assessment has functioned as the reference before formulating and implementing other instruments such as information-sharing systems, monitoring and supervision, or socialization and education. Some exemplar countries have detailed risk profiles on nonprofits' financial and managerial information or their typical financial transactions. To some extent, a comprehensive risk document must be beneficial to inform actors of the policy and operational levels. Furthermore, the evidence in the literature has emphasized that the absence of the document may result in various unstructured, fragmented instruments.

Two variations are common in organization arrangements: dual-function authorities act as an investigator and supervisor, and a group of authorities have specific functions in an ad hoc committee. Despite the differences, the two variations are the means to exercise power over the regulated parties. The advantage of having powerful or dual-function entities is minimizing the barrier related to hierarchical organizations. However, this type of authority, if not balanced with social control from other parties, may degrade collaborative thinking and actions such that one organization becomes dominant and politically imposes their power on nonprofits and other government institutions. By contrast, because the ad hoc type is typically case-driven, it has been more advisable for the operational rather than the policy level. However, the ad hoc is more favorable for an organization arrangement to prevent terrorist financing. This platform would potentially stimulate collaborative coordination instead of the polarization of powers within small parts of an interagency coordination framework.

The evidence drawn has illustrated two aspects: the mechanisms of coordination within exemplar countries and the effectiveness of the attempts to prevent terrorist-financing offenses by nonprofits that are driven by these existing mechanisms. Figure 1 shows a comparison between Indonesia and the four exemplar countries based on the evidence produced from the exemplar countries’ experiences and the Indonesian problems as described in the Introduction section. However, the classification has functioned as an illustration of Indonesia’s current policies and instruments and how they may be more likely to increase rather than decrease terrorist-financing risks. The proposed joined-up government adapted from the exemplar countries’ experience is proposed as a means to move Indonesia’s position to the top-right area in Figure 1.

Figure 1
Country comparison of the prevention of terrorist-financing offenses by nonprofits

		Reducing the risks of terrorist-financing offences	
Limited improvements in the inter-agency coordination both at policy and operation levels	Saudi Arabia	Coercive-persuasive instruments	Australia Malaysia Singapore
	Less-favorable inter-agency coordination mechanisms		Favorable inter-agency coordination mechanisms
		Increasing the risks of terrorist-financing offences	
		Less coercive-persuasive instruments	Indonesia
		Improvements in the inter-agency coordination both at policy and operation levels	

Source: *Compiled by author from related sources*

JOINED-UP GOVERNMENT MECHANISMS FOR PREVENTING TERRORIST-FINANCING OFFENSES BY NONPROFITS

The Indonesian authorities may apply several means to improve its inter-agency coordination. First, Kemendagri, Kemenkumham, Kemenlu,

Kemenag, and Kemensos must match, integrate, and post their databases on an online platform accessible to other authorities. Furthermore, the NCC must temporarily assign an ad hoc interministerial group to be responsible for the registration and validation of nonprofits before permanently transferring these processes to Kemendagri as the single registrar.

Second, Kemendagri, Kepolisian RI, PPATK, BNPT, and BIN must conduct and frequently evaluate risk assessment documents on nonprofits and terrorist financing to identify the vulnerabilities and the changing trends of terrorist-financing threats. This assessment must be democratic and deliberative with active participation from nonprofits as the regulated sector. As a response to the results of that assessment, Kemendagri and PPATK—through legal arrangements—may define nonprofits as reporting parties in the AMLCFT regime. Moreover, Kemendagri and PPATK must escalate the results to the NCC to obtain political commitments to ensure effective processes in resource allocation and policy synchronization.

Third, according to the risk assessment results, PPATK and Kemendagri must cooperate with nonprofits to formulate the means and priorities of socialization and education. This participative process is necessary to design the tailormade programs that are advisable for the nonprofit sector, for example, management of the reports on donations and the annual financial statement. Monitoring and supervision are set as the sequence of socialization and education to stimulate nonprofits' voluntary compliance. Fourth, this article strongly recommends the network model within ad hoc and case-based working groups as the voluntary information-sharing mechanism. This model potentially creates more flexibility and minimizes problems related to hierarchical structures.

CONCLUSION

The proposed model that has been drawn from the exemplar countries' experiences may not comprise ideal mechanisms to solve the drawbacks of Indonesia's interagency coordination in preventing terrorist-financing

offenses. Indonesia's coordination mechanisms are complex because they have involved different authorities to reach a common goal; moreover, the policies, functions, and responsibilities implemented to reach that common goal were fragmented and unstructured. Evidence from the four countries that we investigated illustrates that effective inter-agency coordination that is likely to reduce the risks of terrorist financing should first synchronize the policies, objectives, functions, and responsibilities among the authorities. Then, authorities can prioritize the allocation of interventions and resources to the most vulnerable factors. This article suggests four improvements: collaborative improvements toward single integrated databases; comprehensive risk assessments of nonprofits; prioritizing socialization, education, monitoring, and supervision; and a network model to improve voluntary information sharing.

ACKNOWLEDGMENTS

This article is a result of research conducted during the author's study at Victoria University of Wellington and fully funded by the New Zealand government. I want to express my gratitude to Dr. Amanda Wolf and the reviewers of *Jurnal Politik* for their constructive feedback. Any remaining errors are mine.

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