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Political Economy of Accountability in a Resource-Rich Region:

A Case Study of Bojonegoro

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Abstract

This study investigates the emergence of accountability in a natural resource-rich regency in Indonesia namely Bojonegoro. While it is widely acknowledged that natural resource-abundance tends to be associated with predatory states, Bojonegoro has promoted accountability and achieved a high level of economic growth in the last five years. This study employs theory of New Political Economy Perspective (NPEP) which focuses on the incentives of politicians to promote policies of good governance. This paper thus attempts to analyze the incentives that influence the local elites' decision to promote accountability in Bojonegoro. The study finds that electoral system and collective actions in Bojonegoro, rule of law at the national level and political promotion within the political party drive politicians to promote accountability in Bojonegoro. To my knowledge, this is the first study that discusses the emergence of accountability in resource-rich areas at the sub-national level. Therefore, this thesis advances the knowledge of resource curse theoretically and empirically.

Key words: Accountability, Indonesia, Local Politics, Natural resources, Political economy,

Words: 19,939

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List of Acronyms

| | |
|-----------------------|--|
| BANSOS | Dana Bantuan Sosial (Social Grants) |
| BUMD | Badan Usaha Miliki Daerah (Regional Government-Owned Enterprise) |
| DAK | Dana Alokasi Khusus (Specific Purpose Fund) |
| DAU | Dana Alokasi Umum (General Purpose Fund) |
| GDP | Gross Domestic Product |
| GOLKAR | Partai Golongan Karya (The Party of the Functional Groups) |
| GRDP | Gross Regional Domestic Product |
| HDI | Human Development Index |
| KPK | Komisi Pemberantasan Korupsi (Corruption Eradication Commission) |
| LKIP | Laporan Akuntabilitas Kinerja Instansi Pemerintah (Performance and Accountability Reports) |
| NGO | Non-governmental Organization |
| NPEP | New political economy perspective |
| NU | Nahdatul Ulama (NU) |
| OSF-LGI | Open Society Foundations Local and Government and Public Service Reform Initiative |
| PAN | Partai Amanat Nasional (National Mandate Party) |
| Partai Gerinda | Partai Gerakan Indonesia Raya (the Greater Indonesia Movement Party) |
| PATTIRO | Centre for Regional Information and Studies |
| PBR | Partai Bintang Reformasi (Reform Star Party) |
| PD | Partai Demokrat (Democrat Party) |

| | |
|---------------|--|
| PDI-P | Partai Demokrasi Indonesia-Perjuangan (Indonesian Democratic Party – Struggle) |
| PKB | Partai Kebangkitan Bangsa (National Awakening Party) |
| PKPB | Partai Karya Peduli Bangsa (Concern for the Nation Functional Party) |
| PKS | Partai Keadilan Sejahtera (Prosperous Justice Party) |
| PNBK | Partai Nasional Benteng Kerakyatan (Indonesian National Populist Fortress Party) |
| PPP | Partai Persatuan Pembangunan (United Development Party) |
| PT ADS | PT Asri Dharma Sejahtera |
| PT SER | PT Surya Energi Raya |
| RWI | Revenue Watch Institute |

1 Introduction

1. 1. Background

It is widely acknowledged that natural resource-abundance tends to be associated with predatory activities of the states and lower economic growth. This argument is known as resources curse hypothesis. A puzzling piece of empirical evidence has been able to confirm this hypothesis. A seminal work by Sachs and Warner (1995) was among the first paper to introduce and confirm resources curse. Using data from the period 1971-1989, they reveal that economies with a high ratio of natural resource export to Gross Domestic Product (GDP) tend to have low growth during the subsequent period, keeping other variables found to be important for economic growth constant such as initial per capita income, trade policy, government efficiency, and investment rate. Similarly, using broader indicator of development such as Human Development Index (HDI), life expectancy, water supply, and level undernourished population, Bulte and Damania (2005) find that resource-intensive countries tend to suffer from lower levels of human development. At the country level, Komarulzaman and Alisjahbana (2005) show that resource-rich regions in Indonesia dominated the regions with high level of poverty rate. Nevertheless, this hypothesis does not apply to one regency in Indonesia: Bojonegoro. Instead of being a predatory state, this regency has been able to achieve a high-level of economic growth over the last eight years (annual Gross Regional Domestic Product growth was 9.96%) and its annual Gross Regional Domestic product (GRDP) growth is higher than the national GDP growth.

Several scholars have already tried to find out why this exceptional case exists. Mehlum et al (2006) argue that the main reason for these diverging

experiences is differences in the quality of institutions. Since the 1990s, the role of institutions in economic development has re-gained momentum, including in the topic of resource curse. The variance of growth performance among resource rich countries is due to how resource rents are distributed through the institutional arrangement (Ibid). A study from Robinson et al (2006) shows that regions with accountability will tend to benefit from resource booms. Therefore, accountability is a key to explain diverging experiences in resource-abundant regions. In the case of Bojonegoro, accountability exists, which can explain why Bojonegoro is the exceptional case in Indonesia. A government can be argued promoting accountability if the government's performance of tasks or functions are subject to another's oversight, direction or request that they provide information or justification for their actions (Stapenhurst and O'Brien, 2009).

1. 2. Research Problem and Question

As mentioned before, accountability in Bojonegoro is pointed as the important factor that enable resources to become a blessing. However, accountability have not existed until 2008. Before 2008, the local government in Bojonegoro was considered as one of the worst regencies in Indonesia. In 2011, McCulloch analyzed economic characteristics and performance of Indonesia's districts between the years 2001 and 2007. His study shows that several governance indexes of Bojonegoro were among the worst in Indonesia (McCulloch, 2011). In addition, H.M Santoso who was regent of Bojonegoro from the period 2003-2008, was sentenced to 10 years in prison, for two corruption cases (Tribunnews, 2014). Taking this into account, it is important to investigate why accountability emerges in Bojonegoro after 2008.

The situation in Bojonegoro is contrast when it is compared to existing literatures. Several studies explain that natural resource-abundant countries tend to deteriorate transparency and accountability even deeper so the elites are able to engage in rent-seeking activities (Ades and Di Tella, 1999). Thus there are some

deficiencies on this topic that makes this problem needs to be addressed. This thesis seeks to remedy this problem by investigating why accountability came about in Bojonegoro. Consequently, this research seeks to address the main research question: **"Why did accountability emerge in Bojonegoro after 2008?"** While there are several studies that focus on good governance in resource-rich countries such as Norway, Canada, and Australia (See Frankel, 2010; Humphreys, 2007; Larsen, 2006; Mehlum et al, 2006; Robinson et al, 2006; Ross, 1999), to my knowledge, this is the first study that discusses the emergence of accountability in resource-rich areas at the sub-national level. Therefore, this thesis provides an important opportunity to advance the understanding of the resource curse.

1. 3. Literature Review

1. 3. 1. Debates on Natural Resources and Development

The relations between natural resources and development have been one major topic discussed since the beginning of modern economy. The traditional thinking about this topic is that resource abundance is a key engine for economic development of a country. According to Ginsburg (Higgins, 1968, p 222), the size and diversity of natural resource is a key for any country to achieve a high level economic growth. Several studies also support this argument, such as Viner (1952) and Lewis (1955). Stevens and Dietsche (2008, p 56) identify there are two basic mechanisms of traditional arguments concerning the relationship between natural resource abundance and development. The first mechanism states that countries with high natural resource endowments have opportunities to invest in projects and programmes that stimulate economic development from large revenue inflows following natural resource exports. The second mechanism states that revenue from natural resources exports will increase imported capital goods, which is important to promote development. Foreign exchange acquired from

national export is important for the imported capital goods. Similarly, several economists also emphasize the importance of natural resource for economic development due to its role in stimulating a country's industrial development (Drake, 1972; Krueger, 1980).

However, during the period 1990s several scholars started to counter this traditional wisdom. A seminal work by Sachs and Warner (1995) was among the first paper to challenge the tradition perspective. Using data of the period 1971-1989, they reveal that economies with a high ratio of natural resource export to GDP tend to have low growth during the subsequent period. They estimate that a 13% increase in primary exports to GDP leads to lower annual growth by 1%. Following the study from Sachs and Warner, a number of scholars have conducted studies supporting the theory that the more natural resources there are in a country, the higher the possibility of the country to experience underdevelopment (see: Leite and Weidmann, 1999; Auty, 2001; and Neumayer, 2004).

Moreover, several scholars have tried to investigate the impact of natural resource on other development indicators other than economic growth since they consider economic growth is not good enough to proxy the problem of development in developing countries. Using broader indicator of development including Human Development Index (HDI), life expectancy, water supply, and level undernourished population, Bulte and Damania (2005) find that resource-intensive countries tend to suffer from lower levels of human development.

While the traditional wisdom believes that large revenue inflows following natural resources exports is a blessing for economic development, the new conventional argues that a large export of natural resource is a curse for countries. This argument is related to the economic term: 'Dutch Disease'. It refers to an economic phenomena in which countries lose their competitiveness in the manufacturing and trade sector due to an overvalued real exchange rate compared to other countries. Large export volumes of natural resources leads to an appreciation of a country's currency that causes tradable products to become more expensive compared to other countries' products on the global market.

Consequently, the domestic manufacturing sector will experience a decline in competitiveness and productivity (Neumayer, 2004, p 1628). This problem will harm the domestic economy in the long-run since the manufacturing sector is regarded as the main engine of growth (Bulte et al, 2005, p 1030). In addition, Neumayer (2004, p 1628) also argues that crowded out entrepreneurship activities and policy makers, who are more interested in resource transfers than developing and modernizing the country's economy, are several factors that could lead to the resource curse.

Meanwhile, several scholars argue that the resource curse is attributed to political aspects. They believe that the economic aspects are not the only explanation of resource curse. Rossel (2006 p 14-17) has examined that there are five views of relations between political aspects and the resource curse. The first perspective is the behaviouralist perspective which suggests that natural resource abundance leads to various types of emotional or irrational behaviour on the part of political elites, in turn contributing to poor economic policy-making and institutional deterioration (Ibid). As quoted by Rossel (2006) from Mitra (1994), resource booms produce over-optimism in countries. Consequently, the booms lead to excessive government spending. The second perspective is the rational actor perspective. It argues that resource abundance provides political elites with an opportunity to engage in rent-seeking activities. Ascher (1999) suggests that political elites in resource-abundant countries have wasted their natural resources for various political objectives such as patronage spending. The third perspective is the state-centered, which focus on the ability of state to promote economic development. The policy mismanagement is seen as a major factor in this perspective (Rossel, 2006, p 16). The fourth perspective is the historico-structuralist perspective, which argues that resource curse happens due to the relative power of different social groups or classes. The last perspective is the social capital perspective. This perspective suggests that natural resource-rich countries undermine social cohesion. Several scholars are in this perspective such as Isham et al. (2002), Rodrik 1999 and Hausman 2003 (Rossel, 2006, p 17).

According to Kolstad & Søreide (2009, p 215) corruption is the main reason why resource-rich countries perform badly in economic terms. There are two forms of corruption in resource-rich countries: rent-seeking and patronage. The former refers to the rent-seeking as individuals compete for a share of the rents. The latter can be defined as the use of public resources to secure political power by providing government positions to political supporters (Kolstad & Søreide 2009, p 217). Robinson et al (2006, p 449) argue that both the rent-seeking and patronage activities imply the effort of politicians to gain political advantage and to stay in power. One example is politicians who distribute public jobs in exchange for electoral support since they believe that this activity influences voting behaviour (Robinson et al, 2006, p 449). In addition, Robinson et al (2006) argue that a resource boom increases the incentive for politicians to engage in rent-seeking activities. This incentive leads to a lower amount of productive activities in the economy (Ibid, p 451).

There are two reasons why these rent-seeking activities and patronage spending lead to lower economic growth. The first reason is because individuals and groups compete for a share of the resource rents so it will reduce their time and skills for productive activity. Secondly, patronage spending causes a low level of accountability and a worse allocation of public funds. Public funds that are used on patronage should alternatively be spent in more socially productive ways (Robinson, 2006, p 451). This will hamper economic growth since public resources are spent as a tool of patronage to bolster political support instead of pro-growth spending such as infrastructure, technology acquisition and human capital development (Williams et al, 2009, p 17).

However, the specific type of the resource also has an effect on the level of rent-seeking activities. Auty (2001) argues that countries which have the so-called “point resources” like oil fields, tend to be captured by political elites who seek for narrow sectional interests. They are expected to suffer from the rentier effects, repression effects, or policies that hamper the transition of the countries to industrialized countries (Bulte et al, 2005, p 1031). Petermann et al (2007) and Leite and Weidmann (1999) also argue that fuel-dependent countries are likely to

have a higher level of corruption than natural resource-rich countries that depend on ores, metals or agriculture.

1. 3. 2. Natural Resources and Development: Institutions Matter

If natural resources tend to increase the possibility of the countries to experience underdevelopment as observed in some countries, then how come developed countries such as Canada, Australia, and Norway are rich in natural resources? This is a fundamental question asked by Mehlum et al (2006). They argue that the main reason for these diverging experiences is differences in the quality of institutions. Since the 1990s, the role of institutions in economic development has re-gained momentum including in the topic of resource curse. The divergent experience in growth performance among resource-rich countries is due to how resource rents are distributed through the institutional arrangement (Ibid). Un and So (2010, p 124) argue that existing weak social and political institutions allow the elite to exploit the country's natural resources for political gain.

Mehlum et al (2006, p 3) classify there are two type of institutions in resource-rich countries namely producer friendly institutions and grabber friendly institutions. The former refers to situation where rent-seeking and production are complementary activities. Producer-friendly institutions attract entrepreneurs into production, implying higher growth. Meanwhile the later is a condition where rent-seeking and production are competing activities. In this situation, there are several indicators that exist such as corruption, weak rule of law, lack of transparency. This situation can be bad for growth since it attracts scarce entrepreneurial resources out of production and into unproductive activities (Ibid). In order to show the empirical evidence, they construct an institutional quality index based on data from Political Risk Services and suggest that resources have a positive effect on growth when institutions are good and vice versa (Mehlum et al, 2006).

In addition, there are several papers showing that poor institutions in resource rich countries lead to a slow economic growth. Lane and Tornell (1999)

show that lack of strong legal–political institutional infrastructure explains the disappointing economic performance after the oil windfalls in Nigeria, Venezuela, and Mexico. Similarly, a study from Jensen and Wantchekon (2004) try to investigate the link between the level of natural resource and type of political regime. They suggest a robust and negative correlation between the presence of a sizable natural resource sector and the level of democracy in Africa.

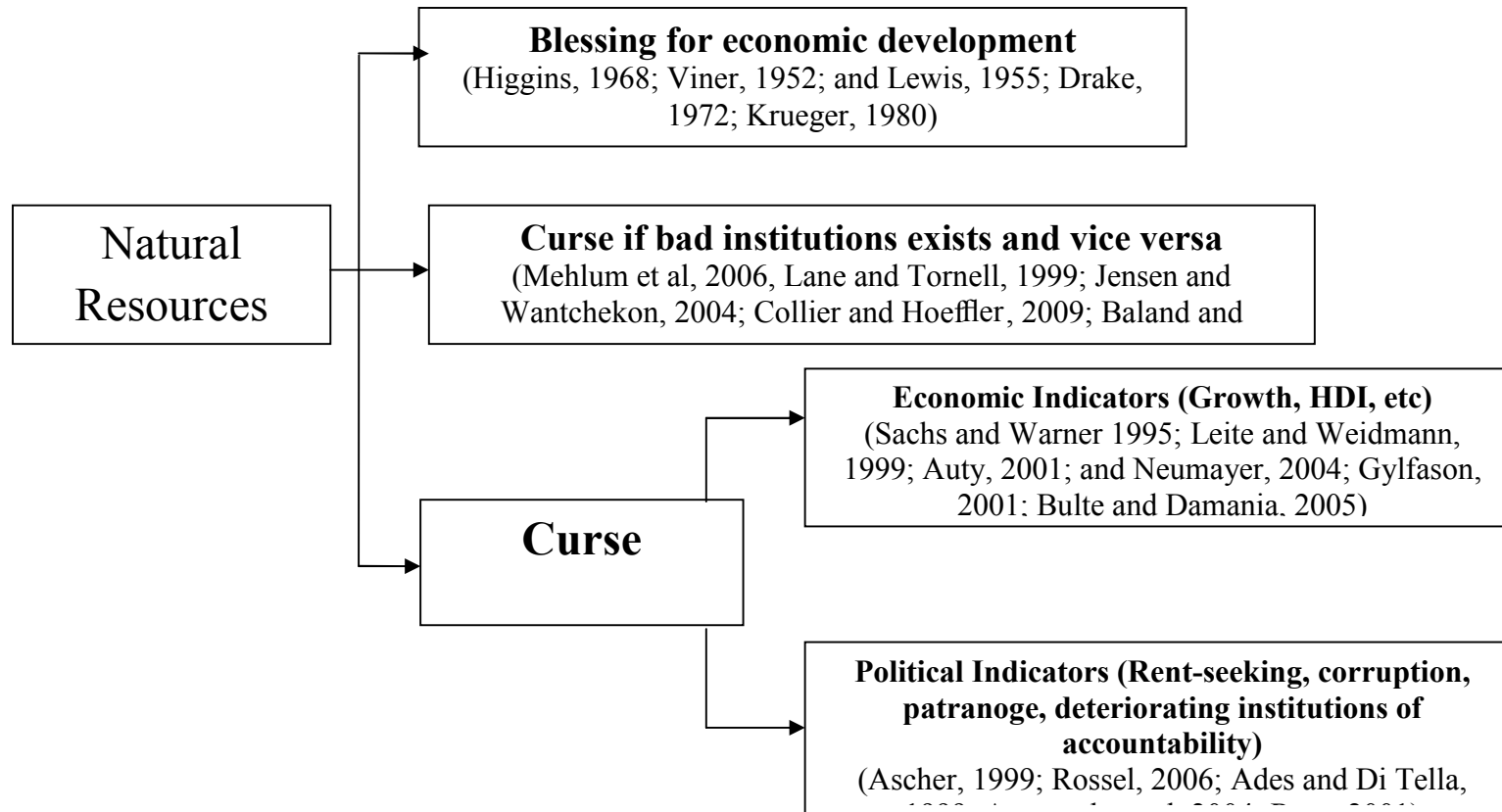
According to Mehlum et al (2006, p 3), natural resources put the institutional arrangements to a test, so that only countries with inferior institutions that are those that suffer from the resource curse. They claim that their hypothesis is consistent with observations from Botswana and Norway who both have remarkable performance in good institutions. Well functioning institutions enabled Botswana to experience the world’s highest growth rate since 1965 and changed Norway from one of Europe’s poorest countries in 1900 to one of the richest countries in Europe today (Ibid).

Meanwhile, Sachs and Warner (1995) do not consider institutions as a variable that determines the outcome. Instead, they argue that natural resources harm institutional quality which in turn lowers economic growth. They do not see institutions as a mediating factor but as the object that could be hampered by natural resources. Various studies also confirm Sachs and Warner's arguments. For example, Ales and Di Tella (1999) reveal that rents from natural resources may stimulate corruption among bureaucrats and politicians. Similarly, Acemoglu et al. (2004) argue that higher resource rents makes it easier for dictators to buy off political challengers. Resource abundance increases the political benefits of buying votes through inefficient redistribution. Ross (2001) shows that resource rents tend to undermine important political features such as checks and balances. Collier and Hoeffler (2009) find a similar result. By using a global panel dataset, they reveal that the combination of a high natural resource rent and an open democratic system has been growth-reducing since checks and balances are eroded by resource rents. In addition, Stevens and Dietsche (2008) also argue that government in resource-rich countries undertake unproductive redistributive spending to satisfy political constituencies and they can employ internal security

to control domestic opponents. Consequently, it undermines the social and cultural changes that have facilitated democratic transitions and consolidations. (Stevens & Dietsche, p57, 2008).

In sum, based on the literatures that have been discussed before, it can be argued that institutions matter in mediating the effect of natural resources on economic development. A high quality of institutions that promote accountability will constrain politicians to engage in these activities. Assuming that politicians are rational actors, well-functioning institutions will make such political calculation to engage in these activities become infeasible. Conversely, poor quality institutions will enable politician to engage in activities that undermines economic development such as corruption, patronage spending, and rent-seeking activities. Where corruption is widespread, e.g. at the start of oil extraction, the rent-seeking effect of resource revenues can be more negative (Baland and Francois, 2000). Moreover, not only do these activities hamper economic development but they also deteriorate institutions even deeper. In order to engage in rent-seeking and patronage activities, political elites will hamper institutions and actively try to prevent better accountability.

Figure 1.1. Literature Review



1. 4. Outline of the Study

After this chapter, a New Political Economy Perspective (NPEP) that is employed as the main theoretical framework will be discussed in the chapter 2. Then, methodology that is employed in this thesis is described in the chapter 3. Chapter 4 is devoted to discuss the current governance system in Indonesia and how the current systems enable local governments to have more authority to govern their own regions. The current governance system in Indonesia is presented in order to show the relevance and urgency of a sub-national level study. In chapter 5, story of Bojonegoro is presented in which it focuses on economic and governance situations in Bojonegoro before and after oil discovery. Section on governance situation explains the practice of accountability in Bojonegoro. Then in chapter 6 and 7, I discuss the dynamics at the local and national level that shape local politicians in Bojonegoro to promote accountability, respectively. This thesis is concluded by chapter 8 which consists of final reflection and the executive summary.

2 Theoretical Framework

It is important to establish theoretical framework in order to answer the question of why accountability emerges in Bojonegoro. Although this thesis is a case-centric study, developing theoretical framework is still important to guide data collection. In addition, the framework, which serves as an existing mechanism, is tested to see if it can account for the outcome. In this case, I use theoretical framework from New Political Economy Perspective (NPEP). The more detail about this framework and the reason why it is chosen will be elaborated in the following section. In addition to the NPEP, theoretical framework for this study is developed by incorporating several political-economy theories that fall within NPEP. I will elaborate these theories in the second section. The third section is devoted to describe final model analysis and operational framework for this study.

2. 1. New Political Economy Perspective (NPEP)

Selecting the most suited theories for the thesis could, to some extent, be problematic since there are a lot of factors that might contribute to the emergence of accountability. However, in this thesis, I select a New Political Economy Perspective (NPEP) as the main theoretical framework. NPEP argues that the explanation of why some governments practice good governance such as accountability and transparency is attributed to the incentives and interests faced by politicians (Landell-Mill et al, 2007; p 2). Consequently, political elites are the main actors in this perspective whereby their decision to promote accountability are largely driven by incentives and interests.

NPEP was firstly coined by Pierre Landell-Mills et al in 2007. This perspectives tries to answer the problem of underdevelopment in developing

countries that cannot be answered by other perspectives such as institutional economics. Institutional economics argue that the promotion of good institutions is a key to enable a country to achieve a high level of development. This perspective has been a major perspective in the last 20 years. One seminal work from Rodrik et al (2004) suggests that institutions matter more than other factors such as geography and international trade in explaining per capita income growth. The importance of institutions in economic growth was also revealed by the World Bank when they studied factors that drive economic growth in the world during the 1990s. They suggest that "good institutions" matter more for growth than "good policies" (World Bank, 2005). Hence, it is not surprising that the shift can be observed in the World Bank's policy. While during the period 1980s, the World Bank focus on promoting good market-friendly policies in developing countries, in the beginning of millennium, the World Bank focused on promoting 'good governance', which is considered as one crucial factor in stimulating economic growth (Lauridsen, 2012).

Nevertheless, Landell-Mills et al (2007) argue that although institutions are important in development, it does not answer the question of how institutions come about in different contexts. They explain that this discrepancy cause a problem when introducing the new institutions in certain regions since these new institutions threaten the interests of governing elites and other powerful interest groups. Therefore, the New Political Economy Perspective (NPEP) is intended to fill this remedy by arguing that incentives should be the main focus when promoting institutions. This perspective is based on the notion that the decision to promote accountability lies on politicians' hands. So it is important to put emphasize on incentives faced by politicians that drive them to introduce accountability.

Pierre Landell-Mills et al (2007) describe that NPEP is a more multi-disciplinary and seeks to combine the insights of political economy with the 'new institutional economics' and the study of social processes, cultural norms and ethnicity. Consequently, by combining these two perspectives, NPEP focuses on the incentives that shape the decisions of governing elites to promote institutions

favourable to development. In addition, since this perspective is combined with new institutional economics so they argue that incentives are influenced by both formal and informal institutions. All of them are shaped and perpetuated by historical, cultural and ethnic influences.

Incentives faced by politicians have been acknowledged as an important aspect in political-economics theories. Although there have been a bulk of researches that suggest that institutions of democracy is superior when it comes to promoting economic growth, democracy is not always a panacea for economic growth since even in democratic countries, politicians still have incentives to divert resources to political rents and private transfers that benefit a few citizens at the expense of many (Keefer and Khemani, 2005). A number of studies have found that incentives matter for economic development (Besley and Persson 2007; Jones and Olken 2005). In connection to the resource curse, Robinson et al (2006) also argue that the incentives to promote accountability are the key to enable natural resources to be a blessing.

Using NPEP in this thesis implies that political elites are the main actors and their decision to promote accountability are largely driven by incentives and interests. However, it is important to address the question of what are the incentives faced by politicians and how these incentives drive politicians to promote accountability. Therefore, the next section is devoted to elaborate theories that connect incentives faced by politicians with accountability.

2. 2. A Two-Level Framework

As mentioned before, this section discusses theories that connect incentives faced by politicians with accountability. However, it is worth to mention that I divide the theories and analysis into two levels of analysis (a two-level framework) namely the national level and the local level. There are two reasons why I choose to divide the theories and analysis into two levels. The first reason is because the unit of analysis in this thesis is a sub-national level. A study on sub-national level

requires me to investigate the local context and institutions that shape local politicians to promote accountability. However, it is also high of importance to investigate dynamics at the national level since the dynamics at the national level will affect the local level. Secondly, since this study uses the process tracing methods so it requires me to be sensitive to the possibility of equifinality (George Barnett, 2005 p 215). The following sub sections will elaborate theories within each level of analysis.

2. 2. 1. Local Level Analysis

The local level examines the ways in which local institutions and contexts create incentives for individual actions. In this case, I identify there are two theories that can be used to explain institutions and context at the local level that create incentives for local politicians to promote accountability, namely electoral theories of democracy and participatory theories. Both theories are related to a theory developed by Albert O. Hirschman called *Exit, Voice, and Loyalty* (1970). The basic idea of his theory is that when the costumers face the lack of quality of goods, the costumers have options either exit or to voice (Hircsman, 1974). It has been applied in numerous cases including in political science field where the politicians or public officials are considered as producers and the citizen act as costumers. When the consumers (citizens) perceive poor performances of the producers (the government), they have options to voice (lobby, social campaign, mass demonstration) or exit (they do not elect the incumbent in the elections).

The electoral theory of democracy suggests that elected governments are responsive and accountable to public demands since citizens are able to sanction bad politicians and give incentive good ones. Sanction refers to threat from citizens to remove them for poor performance and the reward means electing representatives who are competent, honest, and who share public's preferences (Cleary, 2007; p 285). Seabright (1996) argues that accountability of local officials is also related to the electoral mechanism to elect local larders -whether they are elected by local election or central authority. His study reveals that

elected local officials may be valuable in improving accountability of governments to their citizens compared to elected central officials. Hence, it is important to analyze the electoral system in Bojonegoro to understand how political institutions at the local level create incentives for local government to promote accountability.

The second theory is participatory theories or collective action which refer to the ability of local actors to organize themselves to call for accountability from their governments. Cleary (2007, p 284) argues that responsiveness of politicians may depend on a citizen's ability to articulate demands and pressure government through a wide range of political action beyond voting such as protest, public speech, lobbying, or direct contact with government officials. This theory is much related to collective action theory which was introduced by Mancur Olson (1965). One important relation between collective action and local politicians is in countries where citizens have ability to act collectively, local politicians have greater incentives to pursue public policies in the public interest (Keefer, 2011). Therefore, the politicians have greater incentives to promote accountability when the citizens have ability to organise themselves to lobby the politicians.

According to Williams et al (2009), there are four factors that shape the strength of collective action: the urgency and importance of the issue at stake, their internal divisions and conflicts of interest, their lobbying capacity and the likelihood that their actions will have an influence on government. Moreover, Williams et al (2009) explain that there are several types of organised group that commonly seek to apply pressure on political leadership namely business organization, civil-society organisation and media, organised labour, consumer groups, and independent research centres.

Nevertheless collective action does not necessarily mean positive for development since there is a case in which collective action could lead to extractive rent-seeking by small elite groups (Williams et al, 2009). From the original idea introduced by Olson, collective action would pose problem of free-rider in which the members of a large group rationally seek to maximize their personal welfare so they will not act to advance their common group objectives

unless there is coercion to force them to do so. Consequently, each member of the group prefers that another member pay the entire cost (Dasgupta and Beard, 2007).

2. 2. 2. National Level Analysis

The second level is national level analysis. According to Whiting (2006, p 265), analysis at the national level is still important for studies that use local level as the unit of analysis since policies and actions at the national level shape local politicians incentives through administrative hierarchy. She emphasizes the urgency to include investigation at the national level based on her study. Her study suggests that the incentives for local politicians to promote industrialization and property rights in China after Mao era are also driven by political dynamics at the national level. In addition, she states that political dynamics at the national level is exogenous factors for incentives and constraints at the local level.

Although decentralization has relocated power from central government to local government, it is believed that any change at the national level still affect the local level. According to Hadiz (2003 p 600), local political dynamics mirror those at the national level. In addition, Gibson (2010, p 4) emphasizes that local politics will be affected by political dynamic at national levels. Leaders at local level will be constrained in how visibly they can exercise their actions. Hence, it drives local level to create new policies or institutions that are compatible with national dynamics (Ibid). It is in line with argument from Aspinall (2010, p 27) that national politics came to determine local political dynamics. Therefore, in order to understand why accountability come about in Bojonegoro, it is also important to investigate political dynamics at national level. Since the dynamics at national level may shape local politicians' incentives and constraints. In this case, I identified there are two theories namely institution of rule of law and political promotion.

Rule of Law is the first variable within national level. Over the years, rule of law is widely acknowledged as one important institution that shape incentives and

constraint for the politicians. According to Groenewegen et al (2010), the rule of law is one crucial requirements for all institutions since it is the one that makes institutions credible. O'Donnell argues that only under a rule of law, the various agencies of electoral, societal, and horizontal accountability will work effectively (2004, p 32). The rule of law falls within the national level since the responsibility to enforce the law still in the hand of national government.

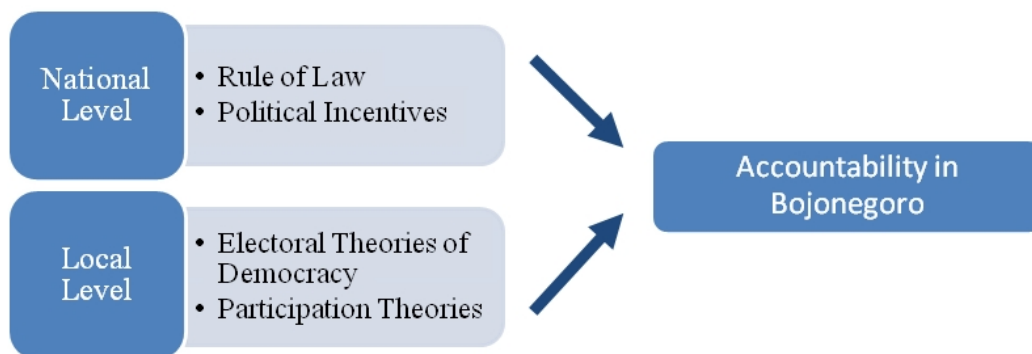
The second factor within national level is political promotion. The promotion system is argued by Knight (2012) as an important aspect in promoting accountability. According to Enikolopov and Zhuravskaya (2007) the political incentives are shaped by the promotion system and applied by political parties. If the party has a system to promote the local politicians to national government, it will increase the incentives for the politicians to promote accountability at the local level (Ibid). In addition, it can also be used as a mechanism to punish local politicians that fail to perform at the local level. National political parties will emphasize the performance of local politicians because national governing parties are evaluated by voters according to overall national performance. One example of how political promotion affects incentives can be seen from the case of China which exercise the cadre evaluation system. This system is argued to have massive impact in shaping local official behaviour by linking both the remuneration and advancement of local leaders to performance of politicians (Whiting, p 72, 2006). The cadre evaluation system allowed county officials to compare the performance on the full range of indicators of township leaders across locales. Cadre's performances were recorded in officials' personnel files and therefore helped identify the most competent cadres for promotion (Ibid, p 104).

2. 3. Model of Analysis and Operational Framework

After elaborating theories on the previous section, a model of analysis can be formulated as Figure 2.1. In order to understand why accountability comes about,

two level analysis will be conducted. The first level is local level and it examines the ways in which local institutions create incentives for and constraints on individual actions. Based on electoral and participatory theories discussed before, there are two aspects that will be explain namely electoral system in Bojonegoro and citizens' ability to articulate demands and pressure government. The second level is national level whereby investigation of political dynamics at national level is conducted. It focuses on rule of law and political promotion at the national level. This analysis is important since the dynamics at national level may shape local politicians' incentives and constraints, which contribute to the emergence of accountability in Bojonegoro.

Figure 2.1 Model of Analysis



Based on the framework and theories discussed before, the operational framework can be summarized by **Table 2.1** below.

Table 2.1. Operational Framework

| Variable | | Operationalisation | |
|--------------------|----------------|---|--|
| Dependent | | The regent of Bojonegoro promote accountability in Bojonegoro | |
| Independent | National Level | Rule of Law | Politicians will have greater incentives to promote accountability if there is rule of law. In addition, rule of law also constraints the politicians to engage in rent-seeking and patronage activities |
| | | Political Incentives | Politicians will have more incentives to promote accountability if there is decent political promotion system |
| | Local Level | Electoral Theories of Democracy | When the local leaders are elected through the election, they will be more responsive and more accountable. |
| | | Participation Theories | When citizen have ability to act collectively, governments have greater incentives to promote accountability |

3 Methodology

3. 1. A Single Case Study

This study analyzes why accountability emerges in Bojonegoro after the oil discovery. Considering the fact that only one case used in this study, so it can be argued that this a case study. Campbell (2010) explains that case studies can have either a quantitative focus or qualitative focus. Since this thesis aims to understand the case in depth, and in its natural setting while recognizing its complexity and its context, hence this thesis has a qualitative focus.

Resource curse has been discussed widely and most studies have employed quantitative methods whereby regression analysis using panel data or cross-sectional data were conducted. Kraska (2010) explains that this method is useful for establishing predictive validity, establishing reliability, and describing relationship. Nevertheless, as admitted by Stevens and Dietsche (2008, p 64), quantitative methods fail to capture changes in interests over time. In addition, they argue that further research should put greater efforts to explore the real conflicts of interests between domestic social groups in resource-rich countries. Therefore, this thesis offers an additional and richer insight on the topic of resource curse. This argument is also supported by George and Bennett (2005) who emphasize that one merit of case studies is the ability to examine the operation of causal mechanism in individual cases in details.

Beside the ability to explore the causal mechanism, they argue that there are two additional advantages of case studies. The first advantage is a high level of conceptual validity. Many social scientist are interested in case studies since they have ability to achieve a high level of conceptual validity. This is due to the fact that several variables used in the social sciences are difficult to measure. Another

advantage of case studies are heuristic identification of new variables during the study (George and Bannett, 2005).

These three advantages are well suited to this thesis. Firstly, its ability to explore the causal mechanism will allow me to find out a complex system that leads the emergence of accountability in Bojonegoro. Secondly, as discussed before, this approach will allow me to achieve high levels of conceptual validity. Lastly, although I have established theoretical framework to guide the analysis of relationship between these two variables, there is always a possibility that I find a new important variable during the study.

Nonetheless, there are several limitations of a case study design. The first limitation is the case study can make only tentative conclusions on how much particular variable contribute to the outcome in a particular case (George and Bannet, 2005). This limitation has been the source of debate on quantitative and qualitative approach and it can be seen as a trade-off when choosing quantitative or qualitative methods (George and McKeown, 1985). Nevertheless, as stressed by George and Bannet (2005), a case study design is still applicable when conducting research that focuses on finding the conditions under which specified outcomes occurs. Thus, I consider a case study still appropriate since I only focus on finding causal mechanism that lead to the emergence of accountability in Bojonegoro. The second limitation with case studies is the problem internal validity so I will not make any generalization to other cases based on this study. The third limitation is case selection bias. I will address this problem further in the "Case Selection" section.

Initially, a comparative case study was expected to be done in order to compare the practice of accountability in two resource-abundant regions. However, due to the difficulty to control variable and considering the fact that Bojonegoro is a special case so a single case study is preferred. In addition, according to Blatter and Haverland (2012, p 84), the decision to employ case study research is likely stimulated by rare events and desire to know how a specific social or political community (for example, a country or region) is able to be successful in a certain respect. Moreover, George and Barnett (2005, p 214)

argue that process-tracing, which will be discussed in more details in the next section, offers an alternative way for making causal inferences if it is impossible to find a controlled comparison. They argue that one or more of the several independent variables identified may have causal impact when it is not possible to find cases similar in every respect but one- (the basic requirement of controlled comparisons). Process tracing can help to assess whether each of the potential causal variables in the imperfectly matched cases can, or cannot, be ruled out as having causal significance (Ibid).

3. 2. Process-Tracing Methods

There are several alternative methods within case studies. One promising method is process-tracing method (Pedersen, 2013 p 2), which refers to a data analysis method for identifying, validating, and testing causal mechanisms in a theoretically informed way (Reilly, 2010). Blatter and Haverland (2012, p 80) explain that the process-tracing focuses on Y, which means that the researcher is interested multiple interaction or causal mechanism causes of a specific outcome (Y). I identify that process-tracing is the most suited approach for this thesis because the research question of this thesis focuses on Y (dependent variable). George and Barnett (2005, p 210) argue that process-tracing is an useful tool as a supplement in large-N statistical analyses, which are settling for a statement of a probabilistic finding regarding only one causal path at work and likely to overlook the possibility of equifinality. This is the advantage of using this approach due to its ability to discover whether the phenomenon being investigated is characterized by equifinality or multiple convergence.

The causal mechanism is the important feature of this method (Pedersen p 2), thus it is important to define causal mechanism. Glenan argues (1996, p 52 in Pedersen, 2013, p 1) that a causal mechanism is a complex system which produces an outcome by the interaction of a number of parts. So the process-

tracing method offers a mechanism to go beyond only identifying correlations between independent variables (Xs) and dependent variables (Ys).

According to Pedersen (2013, p 3) there are three variants of process tracing methods: theory testing, theory-building, and explaining-outcome. Theory testing process-tracing refers to methods to test whether that each part of a hypothesized causal mechanism, which is developed from existing theories, is present in a given case. Meanwhile, theory building process-tracing is a method that attempts to build a theoretical explanation from empirical evidence and that theory can be used for other cases. On the contrary, explaining-outcome process-tracing seeks to make a minimally sufficient explanation of a puzzling outcome in a specific case. The aim of explaining-outcome process-tracing is not to build or test more general theories but to craft a minimally sufficient explanation of the outcome of the case. Hence, the focus of this variant is more case centric than theory-oriented (Ibid). In this case, I identify that explaining-outcome process-tracing is the most suited variant of process-tracing methods for this thesis because the aim of this thesis is to explain a particular interesting and puzzling outcome: accountability in a resource-rich region. Hence, it is a case centric rather than theory-oriented.

There is a big difference between theory-centric and case-centric when it comes to the causal mechanism. According to Pedersen (2013, p 35) in the theory-centric variant, mechanisms are understood as mid-range theories of mechanisms that transmit causal forces from X to Y and are expected to be present in a population of cases, assuming that the context that allows them to operate is present. Conversely, in the case-centric study, a causal mechanism is developed by combining several mechanisms into an eclectic conglomerate mechanism to account for a particular outcome. Since the aim of case-centric studies is to craft a minimally sufficient explanation of a particular outcome so it is necessary to include non-systematic parts in the causal mechanism. In connection to this, case-centric studies use iterative research strategy that aims to trace the complex conglomerate of systematic and case specific causal mechanisms that produced the outcome in question (Ibid).

Explaining-outcome process-tracing can be done through deductive or inductive manner (Pedersen, 2013; p 19). However, in this thesis I use deductive path in which an existing mechanism is tested to see whether it explains the outcome. Therefore, the theoretical framework, which has been developed in the previous section, serves as the existing mechanism. Then this mechanism is tested to find out whether this mechanism can explain the outcome. However, it is likely that the existing mechanism will not be categorical for the final explanation since this method requires an iterative process where the model will be updated until it provides what can be thought of as the best possible explanation (Day and Kincaid 1994 in Pedersen, p 20). The process will be stopped when it has a minimally sufficient explanation. The decision to stop is based on an assessment of whether all of the relevant aspects of the outcome have been accounted while ensuring that the evidence is best explained by the developed explanation instead of plausible alternative explanations (Ibid, p 20-21).

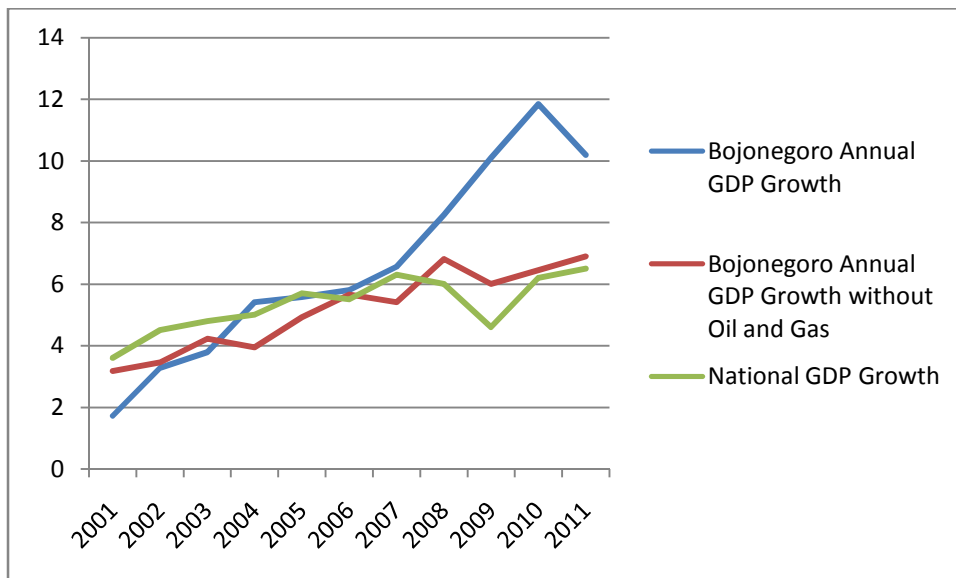
3. 3. Case Selection

Case selection can be very problematic in case studies but George and Bennett (2005 p 83) emphasize that the primary criterion for case selection should be relevance to the research objective. Since this study is a case-centric so it will focus in a particular interesting case. Consequently, the case that is selected for this study should reflect an interesting outcomes both substantively and theoretically (Pedersen, 2013; p 169). In this context, process-tracing approach offers advantage considering the fact that I investigate the deviant case of the existing theories on resource curse. George and Barnett (2005, p 215) emphasized that this approach is particularly useful for obtaining an explanation for deviant case, those that have outcomes not predicted or explained adequately by existing theories. This situation is often encountered in large-N studies and usually without an effort to explain why they are deviant. Therefore, process-tracing offers an opportunity to contribute to the development of a rich, differentiated theory about

deviant cases (ibid). Consequently, this section will be devoted to explain why Bojonegoro is an exceptional case.

I pick Bojonegoro as the case because it represents an exceptional case from current views of natural resources. Several existing theories argue that resource-rich regions tend to be associated with lower economic growth and lack of accountability. Nevertheless, this association does not apply with Bojonegoro. Over the last five years, Bojonegoro's annual Gross regional domestic product (GRDP) growth has been above the national GDP growth even if Oil and Gas sectors are excluded from its GDP (see figure 2).

Figure 3.1 GDP Growth in the Last 10 Years



Source: Central Bureau of Statistics (2013)

Another feature that makes Bojonegoro the exceptional case is accountability which has been promoted in Bojonegoro since 2008. The existing literature argues that resource-rich regions tend to undermine political institutions that promote accountability so the elites can engage in rent-seeking activities. Nevertheless, this general theory does not apply in Bojonegoro where the local governments promote accountability. In the last five years, the local government publishes "Performance and Accountability Reports" annually. In addition, the local government hold a forum known as *Forum Jumat* (Friday Dialogue) to

transfer information between citizens and local apparatus. More details about Bojonegoro will be discussed in the chapter five.

Beside its exceptional characteristic, Bojonegoro is also an interesting case to be explored since oil is the main natural resource. As argued by Auty (2001), types of resources also affect the level of rent-seeking activities. The so-called “point resources” like oil fields, tend to result in predatory oligarchic politics compared to other type of natural resources (Bulte et al, 2005, p 1031). Another fact that makes Bojonegoro a unique case is oil fields are located onshore, mostly on public lands. This causes conflict of interest between local governments and society. As emphasized by Stevens and Dietsche (2008, p 64), further research should put greater efforts to explore the real conflicts of interests between actors in natural resource-rich countries. Therefore, by picking Bojonegoro as the case, this thesis will contribute to the ongoing debate on the resource-curse topic.

3. 4. Data Collection and General Questions

Data for this thesis would be gathered through semi-structured interview and documentary data review. Semi-structured interviews are employed because it will allow me to probe beyond the respondent's answers. Although the unstructured interviews offers more flexible situation, the semi-structured interview is more preferred since this type of interview provide a greater structure for comparability than the unstructured interview so it is easier to make comparison with other respondents (May, 2011). Moser and Kalton (1983) explains that one requirement for a success interview is accessibility of information so it is important to select the respondents who have information that is needed. Thus, I select the informants through purposeful-sampling technique in which accessibility of information is the main consideration when choosing interviewees. Documentary data are used in conjunction with interviews. In this thesis, documents that will be analysed are government reports, minutes of

meeting, newspapers and previous studies. In addition, several existing literatures such as book, journals, and paper are used.

According to Pedersen (2013, p 123), the collection of empirical observations should be directed by theory and it aims to test if the predicted evidence for a hypothesized part of a mechanism is present in the empirical record. Consequently the strategy to gather data depends on the theoretical framework which has been discussed in the previous section. Here I explain methods of each variables and try to discuss how it relates to the dependent variables: accountability.

The first variable within local level analysis is electoral system in Bojonegoro. Since 1998, Indonesia has witnessed a gradual shift on governance system towards more decentralized authority. Therefore, I investigate differences on the local election system before and after 2008. Document reviews on national policies were conducted to find out the differences. In addition, interviews on local journalists and local political observers were conducted to investigate how electoral system affect incentives faced by politicians to promote accountability.

Citizens' ability to act collectively (collective action) is the second variable within local level analysis. The hypothesis of this variable is that governments have greater incentives to promote accountability when citizens have ability to act collectively. In order to investigate how collective actions drive local leaders to promote accountability, I interviewed two local journalists and one local political observer to get general picture of collective action in Bojonegoro. Based on these interviews, it is revealed that Bojonegoro Institute is the most active local Non-Government Organization and they lead several social movements in Bojonegoro including research on accountability in oil management. Therefore, I interviewed Bojonegoro Institute in order to get deeper understanding on citizens' ability to act collectively in Bojonegoro. In addition to the these interviews, I also conducted documentary reviews to capture the collective action of citizens in Bojonegoro. There were two sources that have been reviewed namely 'Bojonegoro in number' which also explains the current situation of local organizations in Bojonegoro and document entitled 'public reports to the local parliament.

The first variable at the national level is rule of law. This variable is reflected through the effort to combat corruption in Indonesia. One of major changes at national level is the establishment of KPK. Over the last several years, KPK has successfully prosecuted and imprisoned many high-level officials, including the current President's in-law. Hence it has been able to create a deterrent effect for national politicians (Setiyono and McLeod, 2010). So I investigate to what extent they involve in local corruption investigations and how it drives accountability. Interviews on local political observers and journalist were conducted to find out how KPK's performance constraints the local politicians to engage in rent-seeking activities.

The second variable within the national level is political incentives. This variable is related to career promotion of politicians. In this case, interviews on members of National Mandate Party - the party that nominated the current regent were done. The intention of the interviews are to try to find out the promotion system at the party and how the political nomination within the party is undertaken. I have interviewed leaders of the party at the provincial level and national level. Interviews on an independent political observer was also conducted to find second opinion. Document reviews on the party's statute and charter was also done to find out whether the promotion system at the party has been institutionalised and regulated.

All of data gathered from interviews and documentary data were tested with interviews on the current regent. However, it is high of importance to note that not all answers from the regent were taken for granted. Double checks were also done to check all contradictions answers.

4 Setting the Context: Indonesia and Decentralization Projects

In the last 20 years, decentralization has been a main policy experiment for local developments (Bardhan, 2002, p 185). Decentralization refers to the transfer of political, fiscal and administrative powers to sub-national governments (Hadiz, 2004, p 697). Manor (1999) estimates that 80% of the world's countries have shifted their governance towards more decentralized authority. Decentralization has been a global phenomenon, which happens in all of the world's regions regardless of the status of their economy, colonial histories and geographical locations (Faguet, 2014). There are three main arguments to support decentralisation. Firstly, decentralisation is believed to increase economic welfare by the tailoring level of consumption to the preferences of smaller, more homogeneous groups since the authority is closer to the citizens (Wallis and Oates, 1988). This argument is supported by economic theory such as the Tiebout model (1956), which suggests that decentralization will increase resource allocation that in turn will stimulate economic growth. The basic mechanism behind this idea is that local governments have informational advantages and a better knowledge of the local preferences, so they are more capable than national governments in the public goods provision (Tiebout, 1956; Klugman, 1994). Secondly, decentralization will enable competition between regions to attract firms and citizens. In a decentralized country, there is a risk faced by local governments that citizens and firms move to another location that can provide better public services. Consequently, local governments will have incentives to perform (Martinez-Vazquez and McNab 2003; Caldeira and Rota-Graziosi, 2012). In addition, Breton (1996) argues that with this competition, decentralization will lower the possibility of inefficiency, rent-seeking, and corruption. Thirdly,

decentralization is believed to increase participation, transparency and accountability in policy-making because of the increased link between governments and citizens. Decentralization will empower individuals and help to generate institutions, such as greater trust, interaction and networking, which, in turn, contribute to a reduction of transaction costs (Rodriguez-Pose, 2011, p 622).

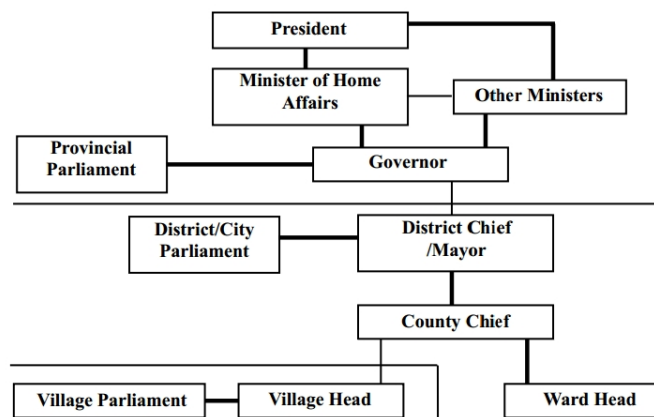
In the case of Indonesia, the fall of Suharto in 1998 was a turning point for the Indonesian governance system. The country had a very centralized government under Suharto's "new order" regime that governed Indonesia from 1965 until 1998. Even though Law 5/1974 provided a framework for decentralization that enacted the relationship between central and regional government based on the principles decentralization, deconcentration, and co-administration, in practice the central government dominated all level of governments (the central government, provinces, and city or regency) (Ahmad and Mansoor, 2000). The central government exercised significant control over the appointment of local officials and uses of funds by these officials (Shah, 1999 in Ahmad and Mansoor, 2002, p 3). After experiencing a centralized government during the 32 years of Suharto's regime, Indonesia witnessed a shift in the governance system towards more decentralized authority.

There are several factors that push for decentralization in Indonesia. first catalyst for decentralization was the 1997 Asian Financial Crisis. At that time, Indonesia experienced the drastic reversal of a long period of high GDP growth rates, from 7–8% annually to negative growth of close to 14%; a 50% cut in income per capita in dollar terms; a sizeable reversal in private capital flows (the estimates range between \$25 and \$40 billion); a jump in the inflation rate from single digits to 80%; and an 80% depreciation in the rupiah in less than 12 months (Djiawandono, 2000; p 51). This crisis lost the central government its bargaining power against outspoken students and resilient local elites. Amidst the crisis, regional leaders contested for autonomy (Kristiansen and Pratikno, 2006; 516). Secondly, the East Timor's secession signaled to the national politicians that decentralization was a solution to hold the country together. The fear of national

disintegration made the decentralization's initiative more urgent (Miller, 2006: 297)

Two laws were introduced in May 1999 as pillars for decentralization in Indonesia. The first law, Law 22/1999 on Local Government outlined a new hierarchical relation in the Indonesian governance system. It replaced the old system, which linked local governments to the centre, with a new one that granted local governments considerably greater autonomy. The law states that regional governments which consist of provinces, districts, and municipalities will have full autonomy to 'govern and administer the interest of the local people' within the boundary of the 'unitary state of the Republic of Indonesia'. Autonomy refers to authority for local governments to regulate everything but international politics, defence and security, the judicature, monetary matters, religion and other fields. In addition, it states that *kabupaten* (regency) and *kota* (municipality) are not in a hierarchical relation to the provincial and central government. This is also a consequence of changing the election system at the local level. Law 22/1999 also introduced the direct local election of Local Assemblies (DPRD) who had authority to elect head of municipalities (Mayor or *Walikota*) or head of regency (Regent or *Bupati*). The inter-governmental relationship is visualized by figure 4.1

Figure 4.1 Hierarchical relation in Indonesian governance system



Source: Matsui and Kuncoro (2003) in Suhendra (2006)

The second law, Law 25/1999 on Central and Local Fiscal Balance concerns fiscal and finance issues. It provides a framework to regulate the fiscal relations between the central government and local governments through an

intergovernmental transfers system. It enacts two new and important intergovernmental grants: the General Purpose Fund (*Dana Alokasi Umum* (DAU), an equalization grant over which sub-national governments have complete authority, and the Special Purpose Fund (*Dana Alokasi Khusus* (DAK)), a collection of specific-purpose grants. Through these two grants, local governments are given full autonomy to manage and spend the grant (Brodjonegoro, 2004). Besides inter-government grants, local governments also have the authority to collect their own regional revenues through local taxes and levies, local state owned enterprises' revenues, and other local revenues including revenues from natural resources. Through these two laws, powers were relocated from central government to regional governments. In 2001, both laws officially comes into force and it embarks one of the most ambitious programs of decentralization in the world (World Bank, 2007). The current local governments in Indonesia have more power to regulate their regions compared with 20 years ago.

However, 15 years after decentralization was introduced in Indonesia, some people argue that decentralization does not always work in the way it is supposed to. One such argument is decentralization has been captured by local elites that were nurtured and incubated under the old regime. As mentioned before, decentralization in Indonesia was pushed and demanded by local elites since they believed that the decentralization process would allow them to have greater direct access to a variety of material resources. There are, at least, two ways for local elites to capture the decentralization process. Firstly, decentralization, which enables local parliaments to exercise more authority, has made local parliaments become sites of corrupt deal-making in which legislators colludes with officials and businesspeople to siphon off money from the state budget to direct contracts and licenses to business allies (Aspinall, 2010 p 27). Secondly, decentralization has enabled predatory behaviour at the local level. In some out-of-the-way districts, decentralization has produced a phenomenon similar to the “local

bossism”¹ that characterizes neighbouring countries such as the Philippines and Thailand where local clans govern their districts. “Money politics,” in the form of vote-buying and bribery of electoral officials, has had particularly damaging effects on the integrity of electoral processes at the local level (Ibid, p 27). Hence, decentralization has moved not only power from central governments to local governments, but also corruption and patronage politics to the local level.

¹ Local Bossism is a term introduced by Sidel (1999) to express local people who have power to capture democracy and decentralization at the local level. There are several terms that have the same meaning such as local strongman or local gangster which have been used by Hadiz (2011)

5 Bojonegoro: Reversal of fortune

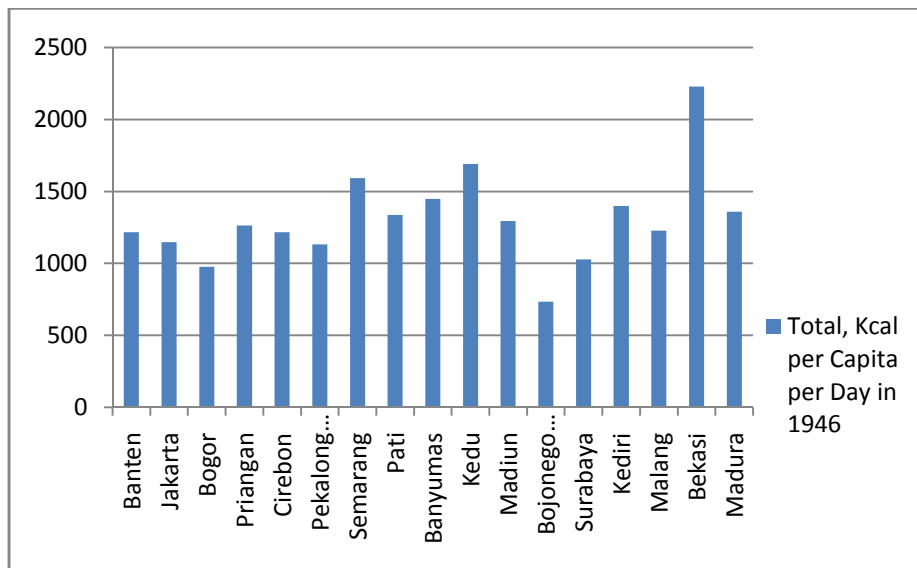
This chapter explains the current situations in Bojonegoro. The first section of this chapter discusses the situation in Bojonegoro from economic perspective. Meanwhile, the situation of Bojonegoro in the governance context is presented on the second section. The second section explains the practice of accountability in Bojonegoro which is the central phenomena of this thesis. This section uses time frame of before and after oil discovery.

5. 1. From a Poor Region To a New Texas

Bojonegoro is a regency located on the East Java, Indonesia. Before the oil discovery, this regency was regarded as one of the poorest region in Indonesia. In 1984, this regency received international attention when C.L.M Penders, an Australian researcher, published a book entitled *Bojonegoro 1900-1942. A Story of Endemic Poverty in North-East Java*. In this book, he describes the story of poverty in Bojonegoro during the colonialisation period. He explains that during that period, people in Bojonegoro suffered from severe malnutrition. Based on a dietary survey in five villages in Bojonegoro conducted by the National Nutrition Institute (Instituut voor Volksvoeding), they found that most families were receiving well below the stipulated minimum of 1,500 calories per day (see figure 5.1 to see calorie per capita in Bojonegoro and other regions in Indonesia). Poor diet made the population more prone to malaria, which in turn made hunger oedema more widespread (Penders in Booth, 2012). Due to its location on the banks of the Bengawan Solo river, the largest river in Java, flooding hit Bojonegoro every year and is still a recurring event. This routine disaster reduces

agriculture productivity and cause endemic poverty in Bojonegoro (Penders, 1984).

Figure 5. 1. Total, Kcal per Capita per Day in 1946²

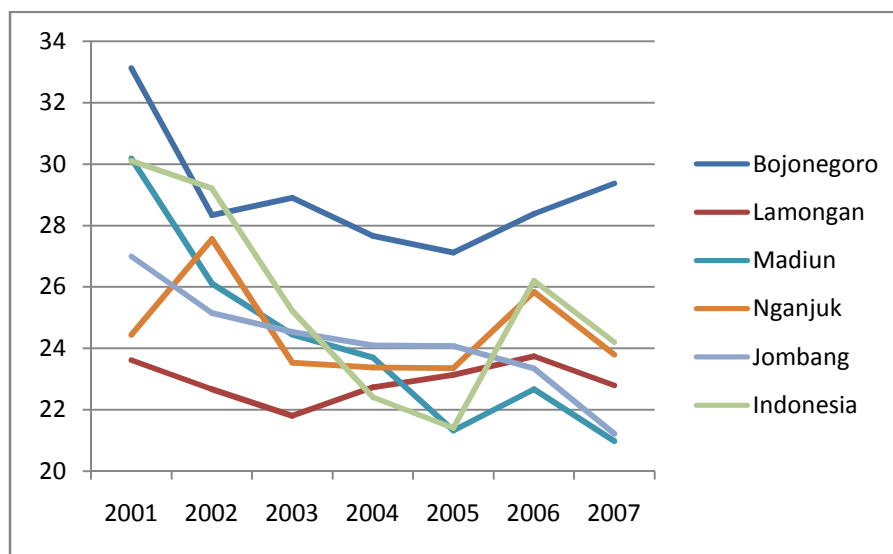


Source: Van der Eng, P. (2008)

Sixty years later, in the early 2000, poverty was still part of many people's lives in Bojonegoro. Figure 6.2 reveals the poverty line in Bojonegoro and other neighbouring regencies situated in East Java. It can be seen that Bojonegoro was among the poorest regions in East Java. While there has been a gradual decrease in the level of poverty since 2001, the number was still higher than other regencies and national poverty line.

² Calories is used as an indicator of poverty due to lack available data during colonialisation. However, it is valid to capture poverty as argued by Ahmed (2000). Ahmed, A. (2000) Trends in consumption, nutrition, and poverty. In *Out of the shadow of famine: Evolving food markets and food policy in Bangladesh*, ed. R. Ahmed, S. Haggblade, and T. E. Chowdury. Baltimore: Johns Hopkins University Press.

Figure 5. 2. Poverty Headcount in Bojonegoro and Other Neighbouring Regions (2001-2007)



Source: McCulloch (2007)

As economic theories predict, Bojonegoro suffers from poverty due to low productivity in the region. In 2004, Agriculture was the main sector in the region and accounted for 36% of their Gross Regional Domestic Product (GRDP). Sixty-six percent of Bojonegoro's citizens worked in the agriculture sector, but most of them were farm workers who did not have own land. They accounted for 48% of total population (Central Bureau of Statistic Bojonegoro Regency, 2013).

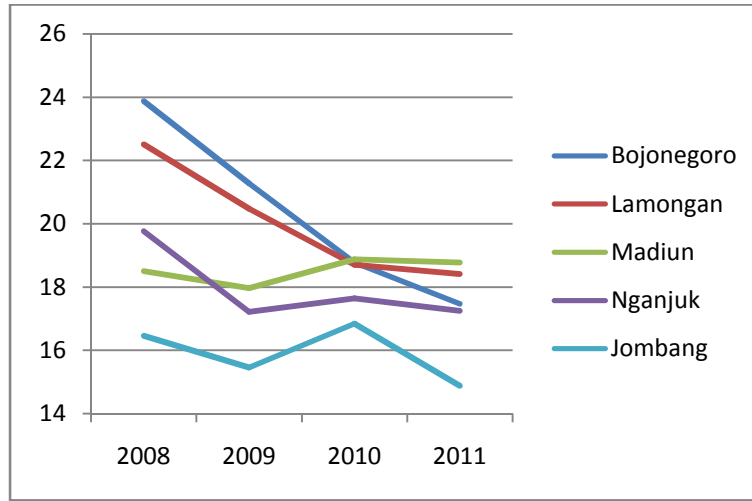
In April 2001, a new hope was raised as Exxon-Mobil discovered new oil fields in the Cepu Block. Administratively, the Cepu Block is located in two regencies namely Blora and Bojonegoro, but most of the oil fields are situated within Bojonegoro's jurisdiction. Hence, most of oil exploration activities are centralized in Bojonegoro. Exxon-Mobil estimated that this new oil field has proven oil reserves of over 600 million barrels, worth more than USD 24 billion on

the 2009 global markets. However, the estimation has been a source of debate as *Lembaga Minyak dan Gas* (Oil and Gas Organization), suggests different figures. They believe that the Cepu Block has 1,4 billion barrels. Cepu Block itself consist of several oil fields such as *Banyu Urip, Alas Dara, Alas Tua West, Alas Tua East, Jambaran, Cendana, and Sukowati*. Among these newly discovered oil fields, Banyu Urip is considered as the main oil field as it has a design production capacity of up to 165 thousand barrels of oil per day at peak production period (Huda, 2011).

With more than 600 million barrels of proven oil reserves, Cepu Block is regarded as the biggest oil discovery in Indonesia in decades, and one of biggest oil fields in Indonesia. In peak production, they contribute 20 percent of Indonesia's oil production. These oil fields are expected to give Bojonegoro \$88 million and increase Bojonegoro's budget by three times. Consequently, Bojonegoro will be one of richest regencies in Indonesia. Because of this, Reuters called Bojonegoro 'Indonesia's Texas' (Reuters, 2009). When Bojonegoro received massive media coverage as a new rich region, people in Bojonegoro started believing that the discovery would have a positive impact on their lives. This glimpse of hope became even higher among the people since Cepu Block is located in the poorest and most isolated sub-districts in Bojonegoro (Huda, 2011).

Ten years after the oil discovery, oil has started contributing to Bojonegoro's economy. In the last 5 years, Bojonegoro has enjoyed a high level of economic growth, 8,78% on average. Consequently, their GRDP has increased by more than 100% (Rp 8,2 trillion to Rp 17,7 trillion). The annual GRDP growth in the last 5 years have contributed to poverty reduction in Bojonegoro. The figure 6.3 reveals poverty line in Bojonegoro compared to other neighbouring regencies. While poverty line in Bojonegoro is still higher than Ngajuk and Jombang, the poverty line in Bojonegoro is declining.

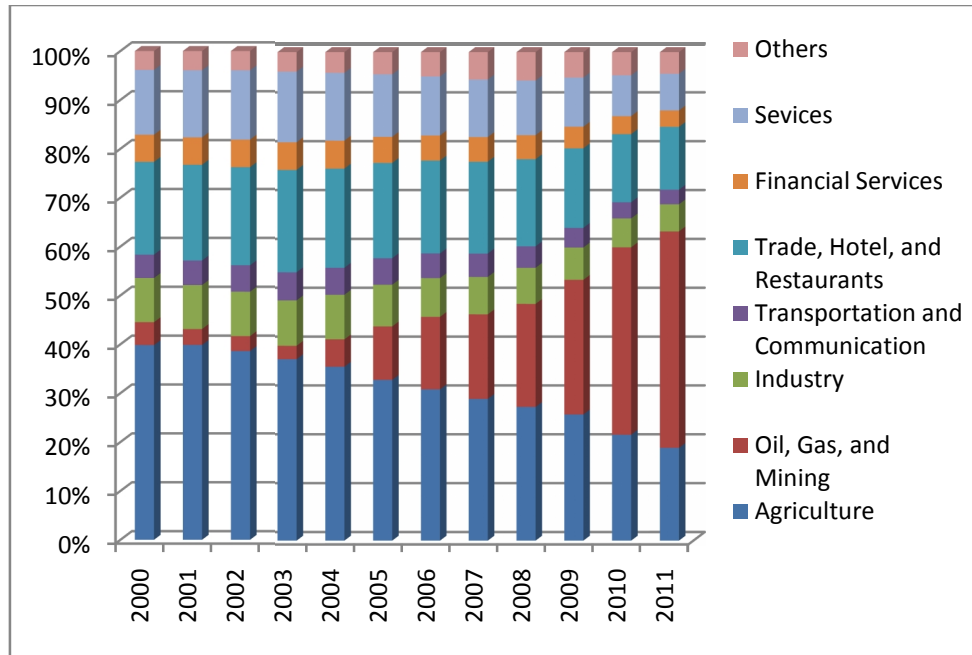
Figure 5.3. Poverty Headcount in Bojonegoro and Other Neighbouring Regions (2008-2011)



Source: World Bank (2014)

Looking closer at the structure of economy, it can be said that oil is the main contributor to this economic miracle. Once dominated by the agriculture sector, now oil is the cornerstone of Bojonegoro's economy and accounts for more than 44% of their GRDP.

Figure 5.4. Bojonegoro's Structure of the Economy



Source: Central Bureau of Statistic (2012)

5. 2. From Government 1.0 to Government 4.0

Over the years, Bojonegoro was not only recognized as one of the poorest regions but also one of the most incompetent and unaccountable governments in Indonesia. A study from McCulloch (2007) confirmed this presumption. He analyzed economic characteristics and performance of Indonesia's districts using data gathered by KPPOD/Asia Foundation survey of Local Economic Governance in 2007, which covers 243 regencies and cities in Indonesia. They surveyed around 50 firms in each regencies and cities and asked about nine major aspects of local economic governance. The aspects are: access to information, access to land and security of tenure, business licensing, local Government and business interaction, business development programs, capacity and integrity of the mayor/regent, local taxes, user charges and other transaction costs, local Infrastructure, and security and conflict resolution. Based on the survey, several governance indexes such as mayor/regents' integrity, opinion on local civil servants, access to information, licensing system in Bojonegoro were among the worst in Indonesia.

Nanang Fakhruddin, a local journalist also confirms the problem of unaccountable governments in Bojonegoro (Interview, NF 2014). One of the biggest scandals in Bojonegoro was participating interest in oil exploration and production. As enacted by the President Regulation Number 35 Year 2004, the contractors are required to offer a 10% participating interest to a Regional Government-Owned Enterprise (BUMD) after the first Plan of Development has been approved (Mahiddin and Aziz, 2013). This regulation was introduced to provide a legal framework for local governments to participate in oil exploration, development and production in their regions. In addition, this regulation was intended to enable local government to receive profit from oil production beside taxes and intergovernmental grants (Interview with Purwanto, 2014). However, in the case of Bojonegoro, PT Astri Dharma Sejahtera (PT ADS), which is a Regional Government-Owned Enterprise in Bojonegoro, share their stock with a

private investor namely PT Surya Energi Raya (PT SER), owned by Surya Paloh, a national politician and former Chief of Advisory Board of Golkar Party (Suharto's Party). This partnership set up the profit sharing 75% for PT SER and 25% for the local government through PT ADS (Huda, 2011).

The decision-making process to share the local government's stock to PT SER has drawn massive criticism from the local people. They accused the government of not being transparent and accountable during the process. Not only did the critics come from the local people but also from a member of local parliament, Qohar Mahmudi who admitted that the decision of local parliament to approve government's proposal on stock sharing was invalid. As reported by Huda (2011) Qohar described that most of the members at the local parliament accepted the proposal without any discussion among them about its details. Furthermore, he argued that the decision was invalid because there was an indication that several members of parliament accepted bribes from PT SER in favour of the local government's proposal (Ibid). A local informant and a national journalist also claimed this allegation. Rosnan, a local informant reported that one month before the proposal was approved by the local parliament, there was a meeting at Shangri-la Hotel in Surabaya between Surya Paloh (owner of PT SER), Taman Saifuddin (the Bojonegoro Local Parliament's Speaker) and H.M Santoso (the regent of Bojonegoro) to strategize in assuring PT SER to be chosen as the private partner of PT ADS (Ibid). This process shows how collaboration between local politicians, a local leader, and businessman to engage rent-seeking activities works. Both Surya Paloh and Taman Saifuddin are members of Golkar Party and although H.M Santoso is politically independent, he is retired general who was incubated during Suharto's regime. In addition, vice regent M. Thalhah was a local elite of Golkar Party hence it strengthened the position of PT SER and Surya Paloh (Ibid).

Nevertheless, there is a gradual increase of the local government's accountability in Bojonegoro. In 2009, Bojonegoro became centre of the spotlight when Otto Scharmer, a professor from Massachusetts Institute of Technology (MIT) wrote the local government's practice in Bojonegoro. He argues that the

local government in Bojonegoro practices something that he calls as a Government 4.0 which deepens democratic forms by making them more direct, distributed, dialogic, and digital. There are several improvements on governance system that have been made by the current local government:

1. *Dialog Jumat* (Friday Dialogue) is an institution created by the current regent to transfer information between citizens and local apparatus. Every Friday afternoon, a dialogue held in the Town Hall where all citizens are invited and which all top civil servants are required to attend. The dialogue goes both ways in which governments explain their works and anyone who attend can ask any question and complaint to the government. Most of the questions and complaints have to be solved immediately. Several local informants argue that this dialogue is very effective to solve the problem (KanalBojonegoro, 2014). One simple examples is when a citizen complains about the licensing system that is not free from illegal payment. Immediately, a person who was responsible for the licensing was asked to give money back to the citizen. This mechanism has been institutionalized formally as a local regulations on transparency and accountability introduced (Interview with Purwanto, 2014).
2. Every year the local government publishes "Performance and Accountability Reports" (*Laporan Akuntabilitas Kinerja Instansi Pemerintah* or LAKIP). Since 1999, all government institutions at all governance level are required to submit LAKIP as enacted by the Presidential Instruction number 7 year 1999. Nevertheless, the local government in Bojonegoro has published this report only since 2008. Suyoto argues that this one part of promoting accountability in Bojonegoro.

All of these mechanisms have moved Bojonegoro from Government 1.0 in which decisions were made centrally and without transparency and accountability to Government 4.0 with open and accountable policies-making process. In addition, these improvements have shows the promotion of accountability in Bojonegoro.

According to Staphenurst and O'Brien (2009), a government can be argued promoting accountability if the government's performance of tasks or functions are subject to another's oversight, direction or request that they provide information or justification for their actions. Through these two mechanisms, other actors including local people and national government have an opportunity to ask justification of the local government's policies and performance.

Once regarded as one of the most incompetent and unaccountable governments in Indonesia now Bojonegoro is a shining example of how a local government practices good governance. In 2011 and 2012, Bojonegoro was chosen as one of the ten best regencies nation-wide according to various quality assessments, and received multiple prestigious awards for low levels of corruption and high levels of service quality (Scharmer and Kaufert, 2013). Not only do the recognitions as a local government that practices transparency and accountability come from the national level but also from the international level as told by Joko Purwanto, Director of Bojonegoro Institute. He stated:

"Many scholars around the world said that there are several examples of accountability and transparency in oil management at the national level such as Norway but nothing at the local level. After hearing Bojonegoro's experiences, they said: "finally we got a success example at the local level". Now we are often invited to international conferences to share about practice of accountability and transparency in Bojonegoro."

Oil booms enjoyed by Bojonegoro do not lead to excessive government spending and patronage spending as predicted by several scholars such as Robinson et al (2006, p 449) and Stevens and Dietsche (2008, p 57). Instead of spending their revenue on unproductive spending to satisfy political interest, the local government spends oil revenues to sustainable projects such as trainings for local people (Interview with Purwanto 2014; Kanal Bojonegoro, 2014; Suara Bayu Urip, 2014).

6 Local level

6. 1. Electoral System in Bojonegoro

The first variable within local level analysis is the electoral system whereby electoral theories of democracy are the main argument of this factor. Electoral theories of democracy suggest that elected governments are responsive and accountable to public demand because the public can give rewards and punishments to the politicians through the elections. The elections enable citizens to remove politicians who fail to fulfil their promises during their tenures and elect good politicians who perform and promote accountability. The election system therefore becomes a very important institution in shaping politicians' behaviours. If the politicians want to be re-elected in the next election, they have to promote accountability and listen to citizens. This argument is similar to a theory that argues that democracy has a positive impact on accountability since rulers in democratic countries have incentives to listen to what people want if they seek the supports in the next elections (Sen, 1999). In addition, Seabright (1996) argues that accountability of local officials is also related to the electoral mechanism to elect local larders -whether they are elected by local election or central authority. His study reveals that elected local officials may be valuable in improving accountability of governments to their citizens compared to elected by central officials. Hence, it is important to analyze the electoral system in Bojonegoro to understand how political system at the local level creates incentives for the local government to promote accountability.

Looking at broader picture, regime transition from the New Order to the *Reformasi* has been a turning point in changing election systems in Indonesia. During the period of New Order, the President was elected by members of

parliament instead of by people. Since the parliament was dominated by *Golongan Karya* (GOLKAR), which was the Suharto's party, Suharto was able to receive majority votes during his 32 years' regime. The fall of Suharto in 1998 has given a momentum to change the electoral systems in Indonesia. However, the change did not happen overnight as the first election in the *Reformasi* era in 1999 only elected member of parliaments. President and Vice President for the period 1999-2004 were elected by the member of parliaments who were elected through General Election in 1999. Three years later, the People's Consultative Assembly modify the Constitution of Indonesia which enable the change in the President and Vice Presidential election. Therefore, it was the 2004 Presidential election that for very first time people elected the President and Vice President directly.

The change in electoral system also occurred at the local level. Law 22/1999 on Regional Government enacted that leaders of local government: Regents (*Bupati*), Mayor (*Walikota*), and Governors (*Gubernur*) were to be elected by local parliaments, with each party caucus allowed to nominate one candidate (Buehler, 2010). Consequently, it changed the mechanism in electing local leaders, whereby during Suharto's regime local leaders were appointed by central government. In the case of Bojonegoro, the first election was held in 2002. At that time, H.M Santoso, a retired general was elected as a Bojonegoro's regent by local parliaments. He was nominated by *Partai Kebangkitan Bangsa* (PKB) or National Awakening Party, which controlled 26% of total seats. Nevertheless, this mechanism has been criticized as the source of money politics at the local level. Buehler (2010) argues that local parliaments used their power for rent-seeking purposes by selling their vote in exchange for money from candidates aspiring to run for executive positions. It was also stated by a local informant that there was indication of money politics on election day in 2002 (Interview with Fakhruddin, 2014).

In 2004, a new regulation was introduced. Law 32/2004 on Local Government, which was enacted by the National Assembly in late 2004, has been a legal basis to hold local election (*Pilkada*) at provincial level and city or regency level. It outlined that regents and mayors were to be elected directly by the people

for the first time in 2005 (Buehler, 2010). This new electoral system, which enables citizens to elect regent directly, has been a very powerful tool to give reward and punishment to local leaders. The reward and punishment are reflected in the 2007 and the 2012 local election in Bojonegoro.

As mandated by national law, the regent and vice regent of Bojonegoro for the period 2008-2013 had to be elected directly by citizens of Bojonegoro through the 2007 local election. There were three candidates that ran for the regent and vice regent. The first candidate was M Thalhah and Tamam Syaifudin. They were nominated by Golkar Party and *Partai Kebangkitan Bangsa* (PKB), *Partai Karya Peduli Bangsa* (PKPB) dan *Partai Bintang Reformasi* (PBR). These parties had 25 seats (55%) in the local parliament. M.Thalhah was the vice regent of Bojonegoro from 2003–2008. He had held various positions within the Golkar party including as the chairman of the party at the regency level. The second candidate was H.M Santoso and Budi Irawanto who were nominated by *Partai Demokrasi Indonesia-Perjuangan* (PDI-P), *Partai Demokrat* (PD), *Partai Keadilan Sejahtera* (PKS). This coalition had 13 seats (28%) in local parliament. H.M Santoso was regent of Bojonegoro from the period 2003-2008. The last candidate was the eventual winner of the 2007 local election: Suyoto and Setyo Hartono. They were nominated by *Partai Amanat Nasional* (PAN), *Partai Persatuan Pembangunan* and *Partai Nasional Benteng Kerakyatan* (PNBK) who were relatively small parties in Bojonegoro with only 7 seats (17%) in the local parliament. Since the threshold to nominate a candidate was 6 seats so Suyoto and Setyo Hartana were still able to run in the election (Interview with Fakhruhin, 2014).

Table 6.1. Candidates for the 2007 Local Election

| No | Candidate | Party | Total Seats |
|----|-----------------------------|----------------|-------------|
| 1 | M Thalhah - Tamam Syaifudin | PKB, PKPB, PBR | 25 |
| 2 | H.M Santoso - Budi Irawanto | PDI-P, PD, PKS | 13 |
| 3 | Suyoto - Setyo Hartono | PAN, PPP, PNBK | 7 |

Source: Central Bureau of Statistic of Bojonegoro (2013)

At that time, many predicted that only the first and second candidate that competed in the election. There were three reasons behind this prediction. Firstly, both candidates were incumbent who were believed to have controls to influence local apparatus at the grass-roots level. Secondly, both candidates had strong political support in Bojonegoro. For instance, the first candidates were nominated by several big parties such as the Golkar and PKB. These two parties were the winning parties in the previous general election. The second candidate was still predicted to have a chance since he was the regent who was considered to have more power than the first candidate (the vice-regent). Although he was nominated by relatively smaller parties than the first candidates, he was still regarded as a tough contender for the first candidate. Thirdly, the popularity of the third candidate was very low in Bojonegoro. Although Suyoto was a native Bojonegoro, he spent almost his life outside Bojonegoro. The previous political position that he held was a member of province parliament, which was located in Surabaya (about 110 kilometres east of from Bojonegoro) (Interview with Anas, 2014).

Nevertheless, the third candidate, who was once considered as a 'consolation candidate', won the election with 279,296 (37%) popular vote and broke all predictions. One reason why he was able to win the election was because people perceived that the incumbent failed to improve the quality of life in Bojonegoro and failed to promote accountability during his tenure (Interview with Anas, Fakhrudin, Purwanto, 2014). At the same time, Suyoto offered programs that fit with local needs. Suyoto's campaign used the slogan: "Develop Bojonegoro more than Lamongan, (a neighbouring regency)". He argued that this slogan was used because there were many people who felt that living in Lamongan was much easier than in Bojonegoro. Instead of using posters and billboards, he used more direct communications with the voters. He admitted these strategies were more effective to express his program and listen the voters and also much cheaper than using posters and billboard (Interview with Suyoto, 2014). Thus, the 2007 local election has shown how politicians were punished through the election. The new election system which enables local people to

choose their regent directly has given the opportunity to a new politician to win the election. Suyoto admitted that if the old mechanism was used where the local parliament elected the regent, he might lose since he was not nominated by majority of parties that had seats at the local parliament (Interview with Suyoto, 2014).

Meanwhile, the 2012 local election was a moment when citizens gave rewards to a good politician. As a successful incumbent, Suyoto was re-elected by an even wider margin (320,536 popular votes or 44.38%). He won in 22 of 27 sub-districts in Bojonegoro even though other candidates were backed by powerful industrial interest (Scharmer and Kaufer, 2013). One major feature of the 2012 local election was all eligible citizens are able run in the local election. This is consequence of Constitutional Court's rule that candidacy for local government should be open to all eligible citizens, not just candidates supported by political parties. Thus, in the 2012 Bojonegoro local election, there were five candidates: three candidates were nominated by parties and the other two candidates were independent. This composition reflected the old political constellation which competed in the previous election. Beside Suyoto, Golkar Party and PDI-P were still two major powers in Bojonegoro who endorsed candidates. Meanwhile, the other parties decided to set up coalition with these two big parties. Golkar Party nominated M.Thalhah-Budiyanto and PDI-P supported M Choiri-Untung Basuki. Although Suyoto had the highest electability, these two old major powers in Bojonegoro still decided to nominated their own candidates because they wanted to take over power, including to engage in rent-seeking activities that were used to exercise before Suyoto's period (Interview with Riska, 2014).

The story of local election in Bojonegoro shows that direct election is the best way for the citizens to give punishments and rewards to politicians. According to Buehler (2010), voters are now more powerful than at any other time in Indonesian history, leading to significant improvements in the formal structures of accountability at the local level. This is in line with an argument from Cleary (2007) who argues that elections are best tools for producing

responsiveness and to promote accountability. Electoral theories of democracy use reward-punishment mechanism as a frame to argue that direct election is an effective institution in shaping politicians' incentives to promote accountability. In the case of Bojonegoro, the difference in electing the regent is one reason why the current regent promotes accountability. Suyoto admitted that the fact he was chosen directly by the people forces him to promote accountability (Interview with Suyoto, 2014).

However, there are also other factors of the electoral system that shape the incentives of the regent to promote accountability. Based on my fieldwork, I identified there are other factors that affect election system which in turn drive the regent to introduce accountability in Bojonegoro. The first factor is practice of money politics (vote-buying). Vicente and Wantchekon (2010) argues that the practice of vote-buying is major obstacle to accountability since the voters will vote based on the money they receive, not based on the performance of the candidates. In addition, another important impact of money politics is a high-cost politics in which the candidates have to spend a large amount of money to finance their campaigns. If such politicians are elected, they have to pay back money that has been spent during the election. In this situation, they tend to engage in rent-seeking activities and deteriorate institutions of accountability. Therefore, practice of vote-buying has negative correlations with politicians' incentives to promote accountability. As reported by Fakhrudin, there was only one case of money politics that was reported to the local agency of election control. However, this case never brought before a court since there was little evidence to support the case (Interview, Fakhrudin, 2014).

A second factor is a high level of political competition. This factor is also closely-related to the electoral theories because political competition is one feature of the election that affects incentives faced by politicians. One proposition in this topic is the connection between political competition and democracy. Democracy is considered superior to autocracy in promoting accountability due to a high political competition. Sen (1999) argued that the rulers in democratic countries have the incentive to listen to what people want if they seek supporters

in elections. However, political competitions can vary even across democratic regions, although they practice the same election system (Williams, 2009). Keefer and Khemain (2005) argue that different political competition affects the incentives.

In the case of Bojonegoro, Suyoto was nominated by PAN, which is the party of an Islamic organisation Muhammadiyah. Along with Nahdatul Ulama (NU), they are two biggest Islamic organisations in Indonesia. Nevertheless, the East Java province is widely known for having a strong domination of the NU (Lidle and Munjani, 2004, p 111). According to Haris (2005), the role of *Kiai* (religious leaders of NU) in East Java are very crucial. People who are *Kiai* descent with the title of *Gus* or *Ning* have a higher possibility of winning in a election. The role of *Kiai* is not only as a cultural broker but also as a interpreter of social-politic realities (Haris, 2005). The domination of NU in the local politics can be seen from the General Election in 1999, 2004, and 2014 whereby PKB, which is a party of NU, won the election at the provincial level with 36%, 24%, and 19% of total popular vote, respectively. At the district level, the figure was more striking whereby PKB dominated the local parliament seats with 12 seats (26%) in the period 1999-2004 and 14 seats (31%) in the period 2004-2009. Meanwhile, PAN only got 3 seats and 5 seats in the period 1999-2004 and 2004-2009, respectively (Central Bureau of Statistic, 2013).

The political constellation in Bojonegoro push Suyoto to obtain supports from other group beside traditional supporter that come from PAN and Muhammdiyah. As he stated that:

"If I only rely on PAN and Muhammadiyah, I will not be re-elected since these two organizations are relatively small. Therefore, in order to be re-elected, I have to promote accountability so I can obtain supports from the swing-voters."

This situation, to some extent, confirm arguments of Morrow et al (2001) who emphasizes that political leaders who obtain supports from more heterogeneous groups (large winning coalition) tend to promote accountability and provide

available resources in public goods. They argue that in order to stay at the office, the politicians have to maintain the loyalty of the winning coalition. When the winning coalition is small, a leader only needs the support of a few individuals to stay in office. Nevertheless, this option is no longer feasible when the winning coalition is large because each member's share of the private goods is shrinking compared to small winning coalition. At a certain point, the provision of private goods is no longer an efficient way to maintain the coalition. Consequently, it is better for leaders of large winning coalitions to maintain their supporters by investing a greater proportion of available resources in public goods and promoting accountability (Ibid, p 62).

6. 2. Collective Action in Bojonegoro

Collective actions are the second variables at the local level analysis. This variable is based on participatory theories which suggest that governments will promote accountability if the citizens have the ability to act collectively. Keefer (2011) argues that in countries where citizens have ability to act collectively, governments have greater incentives to pursue public policies in the public interest and face greater costs if they expropriate private investors. Among the literatures of decentralisation, collective action has been emphasized as a major feature of decentralisation. The transfer of power from central to local governments is one way to increase public participation. It is expected that citizens will actively participate in the different stages of policies: policy-making, policy-implementation, and policy-evaluation (Lane, 2003, p 360-361; Rodriguez-Pose, 2011, p 622). International agencies such as World Bank also relates decentralisation project with the citizens' participation in public policy. According to Hadiz (2010, p 32), the World Bank believes that a vibrant civil-society contributes to good governance and democratisation at the local level by ensuring greater public participation in development. Decentralisation is considered as one solution to enable local communities to have a better position to demand

accountability and adequate provision of services (Grindle 2007: 12). In addition, decentralization is helpful in setting the institutional environment for the nurturance of the social capital necessary for a vibrant civil society. Through this, local governments and local civil society can work together to promote good governance in their regions (Hadiz, 2010 p 31). The idea that decentralisation will increase public participation and build a vibrant civil society has been one major feature in decentralisation projects around the world. One example is Local Government Code which was introduced in Philippine in 1991. As argued by Shatkin, this regulation was expected to have a positive implication for civil society (Shatkin, 2004).

The idea of civil society as a major feature of a decentralisation's project has been spread all around the world. Indonesia is no exception. When decentralisation project was embarked in Indonesia in 1999, there was a big hope that decentralisation would promote a vibrant civil society that had been disorganized under Suharto's regime. The fall of Suharto in 1998 was a major event that enabled the emergence of collective action in Indonesia. The downfall of Suharto provided an opportunity for civil society to consolidate (Clarke, 1998). However, some people are sceptics of the growth of civil society in the post Suharto era. According to Hadiz (2011) the Suharto regime left legacy of a weak civil society and the complete absence of left-wing political or any other organizations. He argues that although decentralisation has enabled a greater scope for political participation, the result is very little discernible empowerment of people who had already been marginalised under centralised authoritarian. The marginalized working class still have not been able to overcome the legacy of Suharto's regime that imposed a highly state-centred authoritarian corporatist framework to prohibit independent sources of political power and systematic disorganization of civil society. (Hadiz, 2003; p 597).

Bojonegoro might be the expectation because a vibrant civil society has emerged in Bojonegoro in the last seven years. One important figure that reflects a vibrant civil society in Bojonegoro is the increasing number of social organisations registered in the local government. Prior to 2006, there were only 44

organisations were registered. In 2009, the number increases by more than 4 times in which 189 organisation were registered in the regency. Most of them are identified as a Non-Government Organisation (NGO) (Bakesbangpolinmas in Huda, 2011).

Table 6.2. Civil Society in Bojonegoro

| Number | Type of Organisation | Total |
|---------------|-------------------------------|--------------|
| 1. | Non-Governmental Organisation | 87 |
| 2. | Profesional Organization | 12 |
| 3. | Youth Organization | 22 |
| 4. | Religious Organization | 35 |
| 5. | Others | 33 |

Source: Bakesbangpolinmas in Huda (2011)

During the fieldwork, I worked closely with Director of Bojonegoro Institute, Joko Purwanto. He described their initiatives in Bojonegoro in pushing accountability. He argued that one important strategy in accountability promotion in Bojonegoro is by increasing demand from the citizen on the governments. Consequently, Bojonegoro Institute gives civic educations to local people about their rights. This is in line with what emphasized by Lewis (2010, p 649): "one solutions to improve accountability at the local level is by giving education to citizens about their rights and responsibilities vis-à-vis local public services". Joko Purwanto argues that this initiative has helped the people to realize their rights and they have started demanding for accountability from the local government. Several activities that aim to improve accountability of local government also have been initiated. One example is Bojonegoro Institute developed a tool that visualized the local government's budget and its distribution to the sub-district levels. Joko Purwanto argues that this tool enables local people to track government's spending channelled to their villages. He also stated that *Forum Jumat* (Friday Dialogue) is one institution of accountability that was initiated by the local NGOs and the local governments. He described that there was a fear among the people that the newly elected regent would fail to deliver his promises as the previous regent did. Therefore, some people asked Suyoto to create a

mechanism that enables them to demand Suyoto to fulfil his promises. Suyoto accepted this request and proposed a forum where everyone can attend and ask anything to the local government. Then, after Suyoto was elected in 2007, several NGOs including Bojonegoro Institute were invited to set up the forum. After holding several meetings, it was decided that the forum will be held every Friday after Friday Prayers in the town hall (See Chapter 5 for more details about Friday Dialogue) (Interview with Purwanto, 2014).

In addition, Bojonegoro also gave training for local civil servants in calculating income sharing from oil revenue. In the past, the calculation of income sharing was centralized in the central government. The local government did have prior knowledge to calculate lifting and revenue from oil. Consequently, they just accepted data from the national government. In more extreme situation, Joko Purwanto described that there were negotiations between the local government and national agency on oil revenue. If the local government wanted a higher income sharing, they had to bribe staffs in the national agency. In order to prevent this problem, Bojonegoro Institute trained 15 local civil servants on how to calculate income sharing based on cost recovery, lifting, domestic market obligations, tax, international price. Joko Purwanto argued that this knowledge has improved the local governments and prevented staffs from the national agency from engaging in rent-seeking activities (Interview with Purwanto, 2014).

However, it is also important to discuss factors that shape a vibrant civil society in Bojonegoro. In this case, one argument of Williams et al (2009) about the strength of collective action can be used. They argue that, there are four factors that strengthen collective action in Bojonegoro: the urgency and importance of the issue at stake, their internal divisions and conflicts of interest, their lobbying capacity and the likelihood that their actions will have an influence on government. In the case of Bojonegoro, all these factor appear and increase the strength of collective action.

The first factor is the urgency and importance of the issue at stake. The increased number of social organization in Bojonegoro is attributed to the discovery of oil in the beginning of century. As described in the previous section,

Bojonegoro was one of the poorest region in Indonesia. Nevertheless, the oil discovery raised the hope among local people that their lives would change. As argued by Lewis (2010), this rising expectation might in turn be anticipated to lead to increased demand for quality public services and, ultimately, induce pressure on local governments to supply improved services and promote accountability. Nevertheless, the failure of the previous regent to fulfil the local people's dreams encouraged some people to form NGOs to demand accountability from the local government. Joko Purwanto told that he formed Bojonegoro Institute with his friends due to lack of transparency and accountability from the local government. Participating interest's scandal that involved several local politicians was a catalyst for their initiative (see Chapter 5.2 for more details about the scandal). They believe that it is important to establish a NGO to control the local government's so that in the future similar scandals can be prevented (Interview with Purwanto, 2014).

The second factor is internal divisions and conflicts of interest of local organizations. Williams et al (2009) argue this problem will reduce the strength of collective action since it pose problem of free-rider in which the members of a large group rationally seek to maximize their personal welfare so they will not act to advance their common group objectives unless there is coercion to force them to do so. Consequently, each member of the group prefers that another member pay the entire cost (Dasgupta and Beard, 2007). Thus, collective action does not necessarily mean positive for development since it could also lead to extractive rent-seeking activities by small elite groups (Williams et al, 2009).

The internal division appears in Bojonegoro as Huda (2011) argues that the number of NGOs is increasing because they want to be a contractor for Exxon Mobile's community development projects. As one requirement to be a contractor is having registered at the local governments so a group of people starts registering their organisation. In addition, he also described that some people form NGOs in order to have access to BANSOS (*Bantuan Sosial* or social grants) from the local governments.

Although the motivations of the NGOs vary, Joko Purwanto believes this diversity is an advantage in calling for accountability from the local governments since it strengthens the social movement in Bojonegoro. In Bojonegoro, several coalitions have been formed with different fields and goals such coalition for budget transparency, coalition in oil and gas management, and women coalition. However, all coalitions have the same main purpose- namely better public services and accountability from the local governments (Interview, Purwanto, 2014). Therefore, it can be argued that the collective action in Bojonegoro more reflects what Putnam called as social capital instead of what Olson named as a distributional coalitions that harm societies and economies.

The third factor is the capability of local organization. In this case, it is important to emphasize the role of international NGOs. According to Hadiz et al (2003), one problem of civil society at the local level lies on their lack of capabilities due to centralized government during Suharto's regime that obstructed the rise of civil society in Indonesia. Therefore, several international NGOs gave trainings to national and local NGOs so they can act collectively and demand for accountability and transparency from the local government. Revenue Watch Institute (RWI) and Open Society Foundations Local and Government and Public Service Reform Initiative (OSF-LGI) are two international NGOs that trained national and local NGOs. Initially, they selected PATTIRO (Centre for Regional Information and Studies) as a partner at the national level for this project. PATTIRO then selected two local partners, the Bojonegoro Institute (BI) in Bojonegoro. RWI and LGI argue that the aim of training is to improve the capabilities of local NGO's to develop tools that enable people to demand for accountability. In addition, they also trained the local governments in order to improve the competencies of civil servants to manage revenue from natural resources. Promoting accountability mechanism and planning medium term development framework were two additional focuses of the trainings (Prijosusilo, 2012).

The last factor is the likelihood that their actions will have an influence on government. In this case, both Joko Purwanto and Nanang Fakhruddin (a local

journalist) argue that local NGOs' actions have an impact on the government. It is based on the facts that several projects and training, which were initiated by local NGOs, have been accepted and implemented by the local government (Interview Purwanto and Fakhrudin, 2014). This is in line with opinion from the current regent, who believes that NGOs have massive contribution in Bojonegoro. Hence, he argues that NGOs will always be partner of local governments (Interview with Suyoto, 2014).

7 National level

While local governments in Indonesia have more power to regulate their regions compared 20 years ago, political dynamics at the national level still affects the local level. As argued by Hadiz that after the fall of Suharto, the local political dynamics still reflect those at the national level. In this chapter, it will be explained two dynamics at the national level that have driven the regent to promote accountability in Bojonegoro.

7. 1. Corruption Eradication Commission (KPK)

The first political dynamics at the national level is the increasing effort to combat corruption in Indonesia. Corruption is widely known as a major problem in Indonesia. Based on the annual survey from Transparency International, entitled Corruption Perception Index, Indonesia is still ranked as one of the most corrupt countries in the world (Transparency International, 2013). Over the last ten years, however, there has been steady improvement in the reduction of corruption. This can be seen from two surveys namely Indonesia's corruption perception score that has slowly climbed from 2.0 to 2.8 in 2009 (out of a scale from 0 to 10; Transparency International, 2013) and the World Bank Institute's "corruption control" indicator which has improved from -0.91 to -0.71 (out of a scale from -2.5 to $+2.5$ with 0 being the worldwide average) over the same period (World Bank Institute, 2011).

The establishment of Corruption Eradication Commission (*Komisi Pemberantasan Korupsi*, or KPK) in 2003 is recognised as one factor that plays important part in improving Indonesia's corruption perception score (Schütte,

2012). KPK was formed on December 29, 2003, on the basis of Law. 30/2002 on the Commission to Eradicate Criminal Acts of Corruption (*Undang-Undang Nomor 30 Tahun 2002 Tentang Komisi Pemberantasan Tindak Pidana Korupsi*). KPK is an *ad hoc* institution that specializes only in anticorruption law enforcement. Article 6 of Law No. 30/2002 mandates KPK to carry out the following duties, authorities and obligations: “coordinate with institutions authorized to combat acts of corruption”; “supervise institutions authorized to combat acts of corruption”; “conduct (preliminary) investigations and prosecution against acts of corruption”; conduct corruption prevention activities”; and “conduct monitoring of state governance” (KPK in Choi, 2011, p 48).

Long prior to the foundation of KPK, there were several regulations and institutions that have been introduced by the government as a part of anti-corruption efforts. Choi (2011) notes that there were six anticorruption institutions at the national level prior to the KPK. The State Apparatus Reformation Committee (Paran), *Operasi Budhi* on the basis of Presidential Decree No. 275/1963, TPK (*Tim Pemberantasan Korupsi* or Corruption Eradication Team) in 1968, the Committee Four (*Komite Empat*) in 1970, the Clean Operation (Opstib) in 1977, and the Anti-Corruption Joint Team (*Tim Gabungan Pemberantasan Tindak Pidana Korupsi-TGPTPK*) in 2000 during President Abdurrahman Wahid’s term, were established to combat corruption. Nevertheless, all of these institutions were short-lived and ineffective due to political resistances. Opposition of political elites who themselves were not directly and indirectly free from corruption is another reason why these institutions failed to make substantial changes in Indonesia’s corrupt polity (Choi, 2011).

Although in quantitative indicator, the number of cases indicted by the KPK is lower compared to the case load of the police and the Attorney General’s Office (AGO or *Kejaksaan Agung*), the public has been more satisfied with the KPK’s performance because the number of actual guilty verdicts that resulted from the indictments made by the AGO and the KPK (Schütte, 2012; p 44). Indonesia Corruption Watch (ICW) noted that over the period 2005 until 2009, only 51% of total defendant indicted by AGO were found guilty while in contrast, 100% of the

defendants indicted by KPK have been found guilty by the Anti-corruption Court (Schütte, 2012; p 44).

In addition, since its establishment, KPK has been able to imprison many high-level officials among them are: Aulia Pohan, father in law of President Susilo Bambang Yudhoyono's son who was sentenced to four and a half years in jail for corruption in 2009 (Jakarta Post, 2009), Anas Urbaningrum, who was a chief of ruling party, was named a graft suspect for allegedly taking a bribe in relation with the construction of the Hambalang sports complex (Jakarta Post, 2013), and Ratu Atut, Banten Governor, who is widely known to have built one of the most powerful local political dynasties in Indonesia (Jakarta Globe, 2013).

In addition, KPK also conducts several preventive actions at the local level. Dedi Hartono from Research and Development Department at KPK argues that KPK has three main strategies to prevent corruption at the local level namely improving good governance, transparency, and Fraud Control Plan (FCP). Moreover, KPK also collaborates with other national and local agencies to increase integrity of civil servants at the local level.

The KPK's performance has resulted in two aspects. Firstly, KPK has gained public trust from citizens because of its performances in imprisoning many high-level officials. It can be seen from surveys conducted by national newspapers and independent research organizations. A survey conducted by national KOMPAS about local opinion on the performance of Indonesian law enforcement agencies reveals that that 57% of the respondents were satisfied with KPK's performance, as compared with only 19% with the Attorney General's Office and 22% with the National Police (Kompas in Schütte, 2012). In October 2010, Indonesian survey institute LSI (Lembaga Survei Indonesia) suggested a similar message when they studied about integrity of law enforcement agencies. On a scale from (- 100) to (+ 100), respondents rated only the KPK on the positive spectrum of the scale; the police, the Attorney General's Office (AGO), and the judiciary were found lacking integrity (LSI in Schütte, 2012). However, not only do KPK's performances shapes public satisfaction but also revokes the perception of impunity towards white collar crime in Indonesia (Schütte, 2012).

Secondly, KPK's ability to imprison many high-level officials has created deterrent effect. Despite the problem of consistency of the courts in Indonesia in determining the probability and the intensity of punishments across different groups of offenders as reported by Pradipto (2012), several scholars still argue that KPK's aggressive works have been able to create a deterrent effect for politicians (Setiyono and McLeod, 2010). Since its establishment, KPK has put deterrent effect as one of major approach in combating corruption in Indonesia. This approach was inspired from the success of corruption eradication in Hong Kong by The Independent Commission against Corruption (ICAC) which focused on legal action to create deterrent effect, preventive measures, and education (Husodo, 2008). Several respondents in Bojonegoro admit that KPK's activities have affected behaviour of local civil servants. There is a fear among the civil servants that they will be arrested by KPK if they do something wrong (Interviews with Purwanto, Fakhruddin, and Yudi, 2014). These two aspects have sent a massive message at the local level about the rule of law at the national level thus it constraints the politicians at local level to engage in rent-seeking activities and also shapes incentives for politicians to promote accountability.

7. 2. Political Promotion: The Recognition of Local Champions

The second national dynamics that drive accountability at the local levels is the recognition of local champions at the national levels. However, this recognition is something new in Indonesia because, over the years, the local elites failed to penetrate and compete at the national level. The supply and demand side problem explain why local champions failed to compete at the national level.

On the supply side, decentralization, which was initially considered as the way to supply new competent local leaders, failed to deliver its promise. According to Hadiz (2011, p 597), democratization in Indonesia has benefitted those who occupied the middle and lower rungs of the New Order's vast system

of patronage – including its local apparatchik and operators, and its henchmen and enforcers. Hence, local politics have been an area of political competition between small- and medium-scale businessmen who had always relied on political connections, middle-level civil servants who are no longer content with mere administrative power, and seek to wield direct political power by contesting local elections, gangsters that assisted the New Order's feared security apparatus in the task of intimidating opponents and maintaining order, professional politicians with links to the old New Order parties, and activists who had latched on to the mass and youth organizations from which the New Order regularly recruited new apparatchik and political operators (Hadiz, 2011, p 597-598). In addition, Mietzner argues that at the grass-roots level, political parties frequently did not have adequate, i.e. well-to-do, popular candidates. Hence, the local elections became an arena for well-connected bureaucrats and wealthy businessmen who both profited from candidacies auctioned off by weakened parties (Mietzner, 2007 in Ufen, 2006; p 27).

While on the demand side, the oligarchy's nature of political party is pointed out as the problem that disables such penetration. Parties with strong and charismatic leaders, in particular, often neglect the party organization including party (Dirk Tomsa, 2008). According to Anders Ufen (2006), party organisation was as centralised as the whole polity and intra-party decision-making as opaque and undemocratic as the authoritarian system in general. In most parties today, crucial decisions such as the nomination of candidates are made by some core executive members who are usually loyal to one charismatic leader (Haris 2005: 9). The decision-making process is almost fully orientated from the top down to the branches. Almost all parties have their power centre in Jakarta and chastise recalcitrant members. Several examples are Megawati still has the right to decide on vital matters without consulting the executive council (*hak prerogatif*) in the Indonesian Democratic Party of Struggle (PDI-P). By the same token, the Advisory Board (*Dewan Syuro*) in the PKB, who stands above the executive council (*Dewan Tanfidz*) in many respects. Even the candidates for the *Dewan Tanfidz* have to get the acknowledgement of the *Dewan Syuro* beforehand

(Notosusanto 2005). In 2005, Abdurrahman Wahid was elected chief patron of the *Dewan Syuro* by acclamation and not in accordance with party regulations and his nephew, Muhaimin Iskandar, was elected new party chairman— again by acclamation and without contender (Ufen, 2009, p 163).

However, in the last five years, the recognition of local champions has slowly risen. Several local leaders who have been able to deliver good service and promote accountability at the local level were promoted to the national level. The latest example is Joko Widodo, who is nominated by his party, the Indonesian Democratic Party of Struggle (PDI-P) to run in the 2014 presidential election. Considering the fact that this party is widely known for its oligarchic structure in which all decisions are centralized on the hand of Megawati (the daughter of Indonesia's first president, Sukarno), Joko Widodo's nomination has been regarded as a major breakthrough for the recognition of local champions. Joko Widodo gained massive public attention when he was mayor of Solo in Central Java province and widely reckoned to be Indonesia's best mayor (The Economist, 2012). In 2012, he won the governor of Jakarta election and defeated the incumbent governor Fauzi Bowo. Due to his performance during his term as a governor of Jakarta, he gained public trust from citizens and placed him as the most popular politician in Indonesia. Most opinion polls put support for the 52-year-old Jokowi at about 40%, twice that of his closest rival, Prabowo Subianto, a former special-forces commander, who is now patron of the Greater Indonesia Movement Party (Gerindra) to succeed Susilo Bambang Yudhoyono, who is coming to the end of his second and final term as president. (The Economist, 2014). While the result of the 2014 presidential election is still mystery since this thesis was written before the election, this phenomenon has sent a strong message that local champions can be promoted to national level and they can compete in political arena at the national level.

The phenomenon of local champions is very important in connection with the rise of accountability in local government. It is important since political promotion is an important factor in shaping politicians incentives. Theoretically, a decent political promotion can drive cadres in the political party to perform so

they could be promoted to a higher position. This theory assumes that politicians are a rational actors whose behaviours are driven and constrained by the rewards and punishments applied in their organization (Enikolopov and Zhuravskaya 2007).

However, it is high of importance to analyze in more detail at the individual context of the current regent although there is a rise of local champions in current political dynamics in Indonesia. The most important issue that has to be addressed in this case is the promotion system at the party that nominates him to run in previous regent election in Bojonegoro. The current regent, Suyoto, is a cadre of National Mandate Party which was established by several academicians just after Suharto was removed from the office in 1998. While many parties do not clearly regulate promotion and nomination (Notosusanto, 2005), National Mandate Party stated on their documents that there are rewards such as promotion for politicians (see Appendixes for more details). Based on interview on the chief party at the provincial level, he said that performance of a cadre is one of important aspects in political nomination and promotion. Thus, based on interviews and their documents, National Mandate Party implements the promotion system at their party. In addition, as I informed by several local respondents in Bojonegoro that the current regent has a career aspiration to be a minister, so it can be argued that he has to perform and promote accountability during his term as a regent in Bojonegoro in order to increase possibility to be chosen as a minister in the future.

8 Concluding Remarks

8. 1. Final Reflection

This thesis aims to explain why accountability emerges in the resource-rich region of Bojonegoro, Indonesia. This is a case-centric study in which process-tracing method is employed. Consequently, it is required to develop the existing mechanism to explain the outcome. Using NPEP as the theoretical framework implies that politicians are the important actors since the decision to promote accountability lies in their hand. In addition, incentives faced by politicians are regarded as the important factors that drive politicians to promote accountability. Based on this theoretical framework, the analysis consists of two level of analysis namely local level analysis and national level. Electoral system and collective actions are two factors within local level analysis while rule of law and political promotion are two factors at the national level. Since, I use deductive path, it is important to develop an existing mechanism and test the mechanism to see whether it can account for the outcome

After establishing this theoretical framework, the study started by gathering data. Data were gathered through the documentary reviews and interviews. All interviews were conducted when I did fieldwork in Jakarta and Bojonegoro, Indonesia from 7th April until 27 April 2014.

One strategy to develop sufficient explanation is eclectic theorization which refers to the combination of different mechanisms in a complex composite to craft a minimally sufficient explanation of a particular outcome. This is done by combining four variables: electoral system, collective actions, rule of law and political promotion into one grand model analysis to explain why accountability emerges in Bojonegoro. Based on empirical evidence collected during the study, I

can positively answer the research question that accountability emerges in Bojonegoro because of electoral system, collective actions, rule of law and political promotion, which all drive politicians to promote accountability.

Blatter and Haverland (2008) argues that the variables might have been able to provide strong explanation that this factors were necessary for producing the outcome in a specific case but this might be that this factor is not necessary in another case. In this case, all variables that are found to affect incentives faced by politicians to promote accountability in Bojonegoro work in the context. Figure 8. 1. reveals this mechanism. The figure shows the causal mechanism, which are very local context, that shape the independent variables. Electoral system and collective action are two variables that fit to explain this situation.

The first example is electoral system. It is important to analyze in details why the election system in Bojonegoro is able to shape incentives to promote accountability. In this case, political competition and level of money politics might have been important factors that make the nature of election in Bojonegoro is different compared to other regency although both regencies use the same election system.

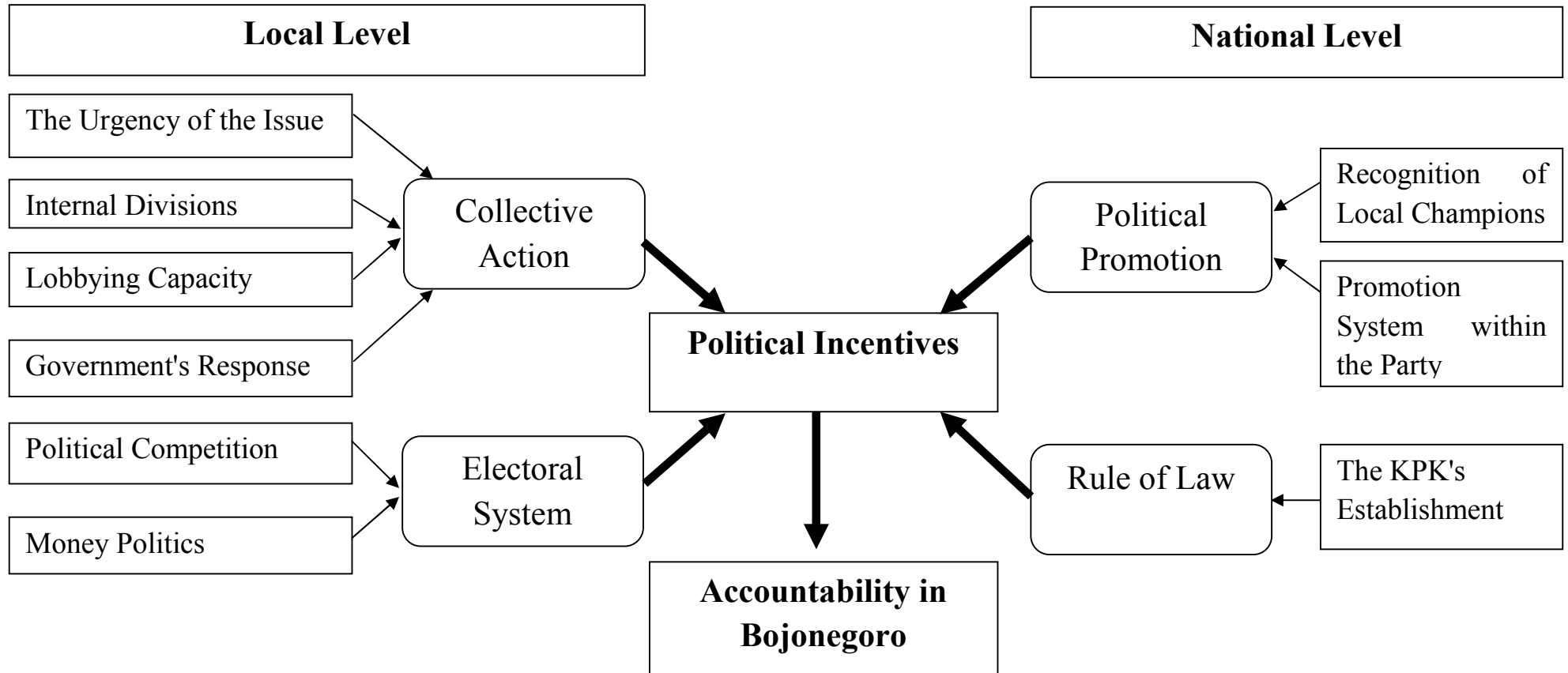
The second example can be seen from the collective action. Hadiz (2004) argues that the problem of collective action in Indonesia is not because of the absence of civil society. Civil society does exist but it practices predatory activities including political gangsters. So what makes collective action in Bojonegoro works in a different manner. Importance of the issue at stake, their internal divisions and conflicts of interest, their lobbying capacity and the likelihood that their actions will have an influence on government might be four factors that strengthen collective action in Bojonegoro to promote accountability.

The uniqueness of collective action and electoral system that have been discussed before can be used to assess the causal power of independent variables. While this study focuses on explaining the outcome, assessing the causal power of independent variables is still important since this assessment allows policymakers to manipulate the variables to ensure the same outcome in the future focus (George and Barnett, 2005; p 219). In this case, the Bayesian logic can be used to

assess the causal power. According to George and Barnett (Ibid), the more unique and unexpected the new evidence equals the greater its corroborative power.

As I stated on the methodology chapter, this study only makes a sufficient explanation for particularly puzzling outcomes. Factors that found to affect the outcome are extremely context specific. The complexity of social world makes the ambition of producing knowledge that can be generalized across many cases difficult (Beach and Pedersen, 2013). Consequently, the result of this study could not be accounted for other cases. This is the limitation of this study. In the future, future research fill can remedy this limitation by focusing on the quantitative study to measure the correlation between the independent variables, which are found important in the case of Bojonegoro, with good governance indicators in resource-rich regions using LargeN data. It also remedies the limitation of this study that can only make tentative conclusion on how much particular variable contribute to the outcome in a particular case.

Figure 8.1. Final Causal Mechanism



8. 2. Executive Summary

It is widely acknowledged that natural resource-abundance tends to be associated with lower economic growth. This argument is known as the resources curse hypothesis. Several studies have been able to confirm this hypothesis. Nevertheless, this hypothesis does not apply to one regency in Indonesia: Bojonegoro. Instead of being a predatory state, this district has been able to achieve a high-level of economic growth over the last eight years (annual GDP growth was 9.96%) and its annual GDP growth is higher than the national GDP growth. In addition, the local government in Bojonegoro is also able to promote accountability. However, accountability in Bojonegoro did not exist until 2008. Before 2008, the regency was considered as one of the worst regencies in Indonesia. Taking this fact into account, it is important to investigate why accountability emerges in Bojonegoro after 2008. Consequently, this thesis seeks to address the main question: "Why did accountability emerge in Bojonegoro after 2008?"

A New Political Economy Perspective (NPEP) is employed as the main theoretical framework. NPEP argues that the explanation of why some governments practice good governance such as accountability and transparency is attributed to the incentives and interests faced by politicians. Therefore, by using NPEP as the theoretical framework, I investigate the incentives that influence the decisions of local elites to promote accountability in Bojonegoro.

Process-tracing method is employed in order to answer this research question. This method requires the author to investigate multiple interaction of variable that cause a specific outcome. Therefore, a two-level framework is developed as the theoretical framework. This framework consists of the local level and national level analysis. The local level and national level analysis are preferred because the unit of analysis in this thesis is a sub-national level so it requires the authors to investigate the local context and institutions that shape

local politicians to promote accountability. Furthermore, it is also high of importance to investigate the dynamics at the national level since any changes at the national level will affect the local level. Several theories are incorporated so it allows the author to look the possibility of equifinality.

Based on data gathered from interviews and documentary review, it can be argued that variables in both local level and national level shape incentives to promote accountability in Bojonegoro. The first variable within the local level is electoral system. The hypothesis of this variable is that elected governments are responsive and accountable to public demand since the public can give rewards and punishment to the politicians through the elections. After conducting documents reviews, I found that there was a change in electoral system since 2004. This new electoral system enable citizens to give rewards and punishments for the politicians. The 2007 local election was the moment when the people punished the unperformed regent, HM Santoso. Suyoto, the current regent, won the election and defeat the incumbent. Suyoto admitted that the fact that he was chosen directly by citizens drive him to promote accountability. In addition, the level of political competition and money politics also contribute in shaping incentives to promote accountability. The second variable within the local level is participatory theories or collective action. It argues that citizens' ability to articulate demands and pressure government will drive more accountable government. In this case, it can be argued that citizens in Bojonegoro are able to organize themselves to call for accountability from their governments. Several initiatives such as Friday Dialogue was initiated between local NGOs and the local government. This forum becomes an important institutions that promote accountability in Bojonegoro. In addition, the strength of collective action in Bojonegoro also contributes to shape incentives to promote accountability.

At the national level, the author identified two dynamics that shape local incentives to promote accountability in Bojonegoro. The establishment of Corruption Eradication Commission (KPK) is the first political dynamics at the national level. In the last seven years, KPK has successfully prosecuted and imprisoned many high-level officials. It is thus regarded as the symbol of rule of

law that shape local politicians' incentives to promote accountability. The second dynamics is the recognition of local champions. Local leaders (mayors and regents) who have been able to deliver good service at the local level were promoted to the national level. This phenomenon is very important in connection with the rise of accountability in local government since it serves political promotion that shape politicians incentives to promote accountability at the local levels.

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Appendix 1: National Mandate Party's Statute

Article 7

Awards and Sanctions

- (1) Party may give an award to the cadres, members and sympathizers of the achievements, services, and actions which support the struggle of the party and (or) outstanding meritorious to the state and nation of Indonesia

Article 8

Principle, Form and Mechanisms for Awards

- (1) This award is made through an open, honest and fair process.
- (2) Awards can be a prize, promotion and placement of cadres in positions of political and other forms decided by the party.
- (3) This award is initiated from assessment through several stages of selection, since the making of the award guidelines to the selection mechanism as follows:
 - (a) The assessment criteria set out guidelines for the selection, assessment and determination of the stage of acceptance of the award.
 - (b) Determination stage of the selection of participants are taken through listing award recipients.
 - (c) Administrative selection is done by the nomination team in order to obtain candidates of eligible participants nomination selection process.
 - (d) Surveys are conducted to see and identify strategic factors that affect valuation.
 - (e) Assessment stage is a process when candidates that have been surveyed is assessed to get nomination and then selected the award recipients.

- (f) Meeting is used to determine the selection of the award recipients based on participants nominated candidate. Meetings conducted with the involvement of party leaders and experts who have expertise.
- (g) Decision of the award is made in the appraisal meeting based on the input of experts who have been invited.
- (h) The award stipulated in the party's decision.