

# Resource boom and the politics of accountability at the sub-national level: Insight from Indonesia

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## Abstract

A growing literature has investigated the relations between accountability and resource boom in developing economies. However, few studies focus on the emergence of political accountability in resource-rich regions at the local level. This article investigates accountability at the sub-national level in Indonesia's resource-rich areas. While natural resource abundance in developing countries is associated with predatory states, this article aims to show how some sub-national governments have encouraged the responsible management of resources. This article primarily examines the political incentives that influence local elites' promotion of accountability. Using the Bojonegoro Regency in East Java as a case study, we show that functioning local democracy and the existence of collective actions by local civil societies coupled with promotion from within parties drive politicians to promote accountability.

## Keywords

Decentralization, Indonesia, resource boom, politics of accountability, political incentives

## Introduction

Existing literature establishes that the implementation of good governance contributes to how natural resources positively affect economic development, especially in resource-rich countries. The disparity in growth performance among resource-rich countries can be attributed to how resource rents are distributed (Bulte et al., 2005; Mehlum et al., 2006). High-quality institutions that promote accountability curtail rent-seeking politicians by making such activities difficult or

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impractical for any rational actor to undertake. Conversely, poor-quality institutions enable politicians to undermine economic development through corruption, patronage spending and rent-seeking activities (Robinson et al., 2006; Zimelis, 2020). Thus, the accountability created by well-functioning political institutions could explain the diverging experiences of resource-abundant states.

However, such studies focus on the national level, ignoring similar interactions taking place at the sub-national level. The rapid decentralization and democratization of much of the developing world has led to a dynamic interaction between natural resource booms and developing economies at the sub-national level; an interesting pattern to investigate (Larson and Soto, 2008; Libman, 2013). Surprisingly few studies have focused on the emergence of political accountability at the regional level of new democracies.

Indonesia represents a good example for such analysis. As a resource-rich and rapidly decentralized democracy (Fitrani et al., 2005; Resosudarmo, 2004), Indonesia has seen the debate on local politics versus the emergence of accountability proliferate. Bojonegoro Regency in East Java exemplifies how accountability could emerge in Indonesia's resource-rich regions despite the resource curse hypothesis.

Since 2008, Bojonegoro Regency has been able to achieve a high level of economic growth. Its annual gross regional domestic product (GRDP) growth rate of 9.96% is higher than Indonesia's national GDP growth rate of 5%. Prior to 2008, Bojonegoro Regency was considered one of the worst-run in Indonesia, based on several governance indexes developed by the Indonesian central government (McCulloch and Malesky, 2011). It is thus perhaps not surprising that the 2003–2008 Regent of Bojonegoro, HM Santoso, was sentenced to 10 years in prison, for two different corruption cases (Surya, 2014). After 2008, however, accountability began to improve in Bojonegoro Regency, and the region's accountable use of natural resources can be pinpointed as one possible reason behind its economic development.

Given all the above, this article investigates the emerging accountability in Bojonegoro Regency. We examine the incentives that influenced the promotion of responsibility by local elites. Based mainly on field interviews, we contend that the electoral system and collective actions of local civil societies, combined with political promotion, have created sufficient incentives for politicians to promote accountability in Bojonegoro.

This article is organized as follows. The next section situates our article within the resource curse debate. We then proceed to argue that the emergence of accountability is the main factor that assists resource-rich regions in avoiding the resource curse. The final section elucidates the conceptual framework on the emergence of accountability in Bojonegoro Regency.

## **Understanding the resource curse**

Much mainstream literature shows that substantial exports of natural resources is a curse for many countries. This argument is widely known as the resource curse hypothesis (Atkinson and Hamilton, 2003; Mehlum et al., 2006). It refers to an economic phenomenon in which countries lose their competitiveness in the manufacturing and trade sectors due to an overvalued real exchange rate compared to other countries (Mehlum et al., 2006). Large export volumes of natural resources lead 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 (Insisienmay et al., 2015). Consequently, the domestic manufacturing sector experiences a decline in competitiveness and productivity (Neumayer, 2004: 1628). This problem will harm the domestic economy in the long run since manufacturing is regarded as the main engine of growth for developing countries (Bulte et al., 2005: 1030).

Several scholars further argue that the resource curse is affected by political elements (Libman, 2013; Robinson et al., 2006; Rodrik et al., 2004). They believe that the economic aspects are not the only explanation of the resource curse. Rosser (2006: 14–17) reviews five perspectives on 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. 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. The third perspective is the state-centred, which focuses on the ability of the state to promote economic development. The policy mismanagement is seen as a major factor in this perspective. The fourth perspective is the historico-structuralist perspective, which argues that the 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 countries rich in natural resources undermine social cohesion.

According to Kolstad and Søreide (2009: 2015), corruption is the main reason why resource-rich countries perform badly in economic terms. There are two primary forms of corruption in resource-rich countries: rent-seeking and patronage. Rent-seeking is when individuals compete for a share of existing wealth without contributing to improving productivity, while patronage can be defined as the use of public resources to secure political power by providing government positions to political supporters. Robinson et al. (2006: 449) argue that both rent-seeking and patronage activities imply efforts 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.

There are two reasons why rent-seeking and patronage lead to lower economic growth. First, individuals and groups compete for a share of resource rents, resulting in reduced time and skills for productive activity. Second, patronage spending causes a low level of accountability and poor allocation of public funds. Patronage hampers economic growth because 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., 2011: 17).

High-quality institutions that promote accountability will constrain politicians from engaging in such activities. Assuming that politicians are rational actors, well-functioning institutions will make political calculations that indicate engaging in rent-seeking and patronage becomes infeasible. Conversely, low-quality institutions enable politicians to engage in corrupt activities that undermine economic development. Where corruption is widespread, such as at the start of an oil extraction project, the rent-seeking effect of resource revenues can be even more negative.

Not only do these activities hamper economic development, they also deteriorate institutions even further. In engaging with rent-seeking and patronage activities, political elites hamper institutions' work and actively try to prevent better accountability. The next section will discuss how accountability could emerge at the sub-national level despite an abundance of natural resources. We show that the emergence of accountability is the main factor in assisting resource-rich regions to avoid the resource curse.

## **The political economy of accountability at the sub-national level**

It has been widely accepted within institutional economics literature that the promotion of good institutions, particularly accountable ones, is key to a country achieving a high level of development (Chang, 2011; Rodrik et al., 2004). One seminal work, by Rodrik et al. (2004), suggests that institutions matter more than geography and international trade when it comes to per capita income

growth. The importance of institutions in economic growth is reinforced by the World Bank's study of factors that drove economic growth in the 1990s, which also suggests that 'good institutions' have a greater effect than 'good policies'. Hence, it is not surprising that the World Bank has shifted its focus from promoting market-friendly policies to encouraging 'good governance' (Lauridsen, 2012).

There is an abundance of literature examining how to promote accountability, with subjects ranging from foreign aid development and democratization to improving bureaucratic governance (Knack, 2004; Robinson and Friedman, 2007). In this article, we intend to focus on the growing body of research on accountability promotion at the sub-national level. As argued by Hadiz (2010), the big bang of decentralization that occurred after the collapse of Suharto's authoritarian regime in 1998 has left space at the sub-national level for networks of predatory actors to usurp good governance reforms. Given this condition, we ask how accountability at the sub-national level flourishes in light of growing predatory networks in Indonesia.

We argue that political incentives should be the primary focus of examination, assuming that the decision to promote accountability belongs to politicians. Consequently, it is also essential to address what these incentives are and how they drive politicians. As argued by Rodan and Hughes (2014), the emergence of accountability in Southeast Asia can be differentiated into three ideological rationales: liberalism, democracy and morality. The emergence of accountability is a source of contestation between these three ideological frameworks. Furthermore, Rodan and Hughes (2014) argue that political accountability in Southeast Asia is more influenced by moral conservatism than democratic assertiveness. This article does not refute their framework, as they have convincingly captured the success and failure of this type of reform. However, we focus on the micro-processes that democratic institutions may, or may not, provide for the emergence of accountability. We aim to situate our research within the literature on democratic institutions and accountability.

In order to discuss the links between incentives for local politicians with accountability, we emphasize the influence of local institutions and political climates. However, we also investigate how national dynamics affect the local level.

### *The local level of analysis*

This analysis examines how local institutions and contexts create incentives for a politician's actions. We have identified two frameworks that arguably could explain the relations between political incentives for local politicians and the promotion of accountability, namely electoral theories and democratic participatory literature. Both are related to an exit-voice framework developed by Albert Hirschman (1970). The basic premise is that when customers face a lack of quality goods, they have the option to either exit or to voice their discontent. This framework has been applied to several fields, including in political science where public officials are producers and citizens act as customers. When the customers perceive the producer's (the government) performance as poor, they have options to voice (lobby, social campaign, mass demonstration) or exit (not reelect the incumbent).

Electoral democracy literature suggests that elected officials are responsive and accountable to public demands, since citizens can indict bad politicians and reward the good ones (Cleary, 2007; Weitz-Shapiro, 2012). In this situation, indictment means the threat of removal from office for poor performance, and reward refers to electing representatives who are competent, honest and share the public's preferences (Cleary, 2007: 285).

Seabright (1996) argues that the accountability of local officials is also related to the mechanism to elect local leaders – whether they are elected locally or by the central authority. His study reveals

that officials elected locally are an essential factor in improving the accountability of governments compared to those elected by central officials.

The second theory centres on democratic participatory or collective action, which refers to the ability of local actors to organize themselves in order to keep their local government accountable. Many studies have shown that a politician's responsiveness depends on citizens' abilities to articulate demands and pressure the government, using a wide range of actions beyond voting, such as protesting, public speaking, lobbying, or direct contact with government officials (Keefer, 2011; Olson, 2009; Williams et al., 2011). This theory is related to collective action theory, which was introduced by Mancur Olson (2009). The theory posits that politicians have a greater incentive to promote accountability when citizens have the ability to organize (Keefer, 2011). According to Williams et al. (2011), the four factors for transforming collective action into political incentives for politicians are: (a) the urgency and importance of the issue; (b) internal divisions and conflicts of interest; (c) lobbying capacity, and (d) the likelihood that the action will influence the government.

In the Indonesian context, it is essential to analyse how the post-authoritarian democratization process enabled the creation of a new electoral system as well as space for democratic participation. Analysing this helps us understand how political institutions create incentives for local government to promote accountability.

### *The national level of analysis*

The second level of analysis in this article is national. According to Whiting (2006: 265), analysis of political dynamics at the national level cannot be separated in studies that use local level as the unit of analysis, since the former shapes the latter. Although decentralization relocates power from the central government to local governments, any change at the national level still affects local political outcomes. Gibson (2010: 4) argues that local politics will always be affected by the national political dynamic, particularly how the authority of local leaders is constrained. In the case of Indonesia, many studies have confirmed that national politics determine local political dynamics (Aspinall, 2010; Karim, 2017, 2019). Thus, to understand why accountability emerged in Bojonegoro Regency, it is essential to investigate political dynamics at the national level.

Since the dynamics at the national level shape local politicians' constraints, in this case, we have identified promotion as the main incentives for local politicians to provide accountability. According to Enikolopov and Zhuravskaya (2007), the promotion system applied by political parties could provide political incentives for local politicians to enhance their careers as well as an incentive to champion accountability. Moreover, this system can be used to punish local politicians that fail to perform. National leadership within political parties emphasizes the performance of local politicians because voters evaluate national governing parties according to overall local performance.

One example of how political promotion affects incentives can be seen in China's cadre evaluation system. This method shapes local official behaviour by linking remuneration and advancement to performance (Whiting, 2006: 72). The cadre evaluation system allows central officials to compare the performance of the local officials across the nation. A cadre's performance is recorded in official personnel files and helps identify the most competent cadres for promotion (Whiting, 2006: 104).

Having discussed the theoretical framework of how political incentives could lead to the emergence of accountability at the local level, the next section applies such theoretical framework to our case in the Bojonegoro Regency of Indonesia.

## **The methodology and case study**

To further elaborate the theoretical discussion above, this article mobilizes Bojonegoro Regency as a single case study of emerging accountability at the sub-national level. Bojonegoro has been selected for analysis because it represents an exceptional case with regard to natural resources. The resource curse hypothesis argues that resource-rich regions tend to be associated with lower economic growth and lack of accountability. However, this association does not apply to Bojonegoro. Over the last five years, Bojonegoro's annual GRDP growth has been above national GDP growth even if the oil and gas sectors are excluded from GDP. Another feature that makes Bojonegoro an exceptional case is accountability, which has been promoted by local leaders in Bojonegoro since 2008. Second, the existing literature argues that resource-rich regions tend to undermine political institutions that promote accountability so that elites can engage in rent-seeking activities. This hypothesis also does not apply to Bojonegoro.

Data for this article was obtained through semi-structured interviews and media analysis. In order to investigate how collective actions drive local leaders to promote accountability, we interviewed local actors in Bojonegoro such as journalists from local newspapers as well as activists from local NGOs. Based on these interviews, we can conclude that Bojonegoro Institute is the most active local NGO; they lead several social movements in Bojonegoro including research on accountability in oil management. We interviewed Bojonegoro Institute in order to gain a deeper understanding of citizens' ability to act collectively in Bojonegoro. In addition, we also conducted media reviews to capture the collective action of citizens in Bojonegoro.

We also interviewed provincial and national leaders of the National Mandate Party (PAN), a party that nominated a candidate for Bojonegoro Regent who advocated increased accountability. The objective of these interviews was to determine the party's promotional and political nomination processes.

## **Resource boom, democratic institutions and accountability in Bojonegoro**

Bojonegoro is a regency located in East Java, Indonesia. Before the discovery of oil, Bojonegoro was regarded as one of the most impoverished regions in the country. According to Indonesian Statistics Agency data, in 2000, Bojonegoro was the poorest district in East Java, and in 2006 was still ranked the third poorest. In April 2001, a new hope rose as ExxonMobil discovered new oil fields in the Cepu Block. These fields are Southeast Asia's most significant new fields and are estimated to contain 350 million barrels of crude, worth more than US\$24 billion in the 2009 global market (Davies, 2009). Administratively, the oil fields are situated across two regencies, Blora and Bojonegoro, but fall mostly within Bojonegoro's jurisdiction, so the majority of exploration activities are centred there.

Roughly a decade after its discovery, oil is now contributing to Bojonegoro's economy. In the last five years, the regency has enjoyed a high level of economic growth, with a growth rate of 7.7% on average, and local GDP has increased significantly from IDR 33.29 trillion (US\$2.28 billion) in 2010 to IDR 78.04 trillion (US\$5.34 billion) in 2019 (Badan Pusat Statistik Bojonegoro, 2017). This has led to poverty reduction in Bojonegoro, from 23.87% in 2008 to 12.38% in 2019 (Badan Pusat Statistik Bojonegoro, 2020).

Once regarded as one of the most incompetent and unaccountable governments in Indonesia (McCulloch and Malesky, 2011), Bojonegoro is now a shining example of good local governance. With the right strategy, policy direction and the new openness from regional apparatus organizations to village governments, in 2011 and 2012, Bojonegoro was rated as one of the top ten

regencies in Indonesia for its low level of corruption and high level of service quality. The oil boom enjoyed by Bojonegoro has not led to excessive government patronage spending as predicted by the resource curse hypothesis. Instead of wasting their revenue to satisfy political interests, the local government supported sustainable projects and improved the quality of public services.

### *Functioning local democracy in Bojonegoro*

The first factor contributing to improved accountability at the local level in Bojonegoro is its functioning electoral system. Electoral theories of democracy suggest that elected governments are more responsive and accountable to public demand because the public can give rewards and punishments. Elections enable citizens to remove politicians who fail to fulfil their promises while electing good politicians who perform to standards and promote accountability. The election system, therefore, is vital in shaping politician behaviours. If officials want to be re-elected, they have to encourage accountability and listen to citizens. This argument is also put forward by Amartya Sen, who says that democracy has a positive impact on accountability since rulers in democratic countries have incentives to listen to what people want if they seek their support in the next elections (Sen, 2001). As suggested in the previous section, the accountability of local officials is related to the electoral mechanism to elect local leaders (Seabright, 1996). In his study, Seabright (1996) reveals that locally elected officials are important actors in improving the accountability of governments compared to local officials elected by the central government, even though those chosen by the central government have the benefit of improved policy coordination. Hence, it is essential to analyse the electoral system in Bojonegoro to understand how the local political system creates incentives for the promotion of accountability.

The transition from the authoritarian Suharto regime to *Reformasi* from 1998 onwards was the turning point for electoral systems in Indonesia. During the New Order period (1967–98), the president was elected by members of parliament and not by the people. Since the parliament was automatically dominated by Suharto's party, *Golongan Karya* (GOLKAR), Suharto was able to hold the majority of votes during his 32-year rule. The fall of Suharto in 1998 gave the momentum that changed the electoral systems in Indonesia. However, the change did not happen overnight; the first election in the *Reformasi* era was held in 1999 but was only for members of parliament. Presidents and vice presidents between 1999 and 2004 were elected by the members of parliament elected in the General Election in 1999. Three years later, the People's Consultative Assembly modified the Constitution of Indonesia, which enabled changes in the election process. In the 2004 election, for the very first time, the people directly elected the president and vice president. Changes also occurred at the local level, with Law 22/1999 on Regional Government stipulating that leaders of local governments – Regents (*Bupati*), Mayors (*Walikota*) and Governors (*Gubernur*) – were to be elected by local parliaments, with each party caucus allowed to nominate one candidate (Buehler, 2010). This was dramatically different from that of Suharto's regime, when all local leaders were appointed by the central government.

In the case of Bojonegoro, the first local election was held in 2002. That year, local parliament elected HM Santoso, a retired general, as Bojonegoro's regent. He was nominated by *Partai Kebangkitan Bangsa* (PKB/National Awakening Party), which controlled 26% of total seats (Bojonegoro Statistics Bureau, 2020). This mechanism, in which the local leader is elected by local members of parliament, has been criticized as a source of illicit income for parliamentarians. Buehler (2010) argues that local parliaments often used their power for rent-seeking purposes, selling their votes in exchange for money from candidates running for executive positions. A local informant for our research agreed, stating that there were indications of money politics in the 2002 local election.<sup>1</sup> In 2004, a new regulation was introduced: Law 32/2004 on Local Government,

which was enacted by the National Assembly and has since become the legal basis for holding local leadership elections (*pilkada*) at the provincial, city, or regency level. The law outlines that governors, regents and mayors are to be elected directly by the people; this took place for the first time in 2005.

This post-2004 electoral system is a powerful tool to reward and punish local leaders (Buehler, 2010). The 2007 and 2012 local elections in Bojonegoro give examples of how the system works. As mandated by national law, the regent and vice-regent of Bojonegoro for the term 2008–2013 were to be elected directly by citizens of Bojonegoro through the 2007 local election. Three candidate pairs ran for the two positions. The first candidate pair was M Thalhah and Tamam Syaifudin, who were nominated by Golkar, *Partai Kebangkitan Bangsa* (PKB), *Partai Karya Peduli Bangsa* (PKPB), and *Partai Bintang Reformasi* (PBR). These parties held 25 seats (55%) in the local parliament. M Thalhah was also the vice-regent of Bojonegoro from 2003 to 2008, and had held various positions within Golkar, including as chairman at the regency level. The second candidate pair was HM Santoso and Budi Irawanto, who were nominated by *Partai Demokrasi Indonesia-Perjuangan* (PDI-P), *Partai Demokrat* (PD), and *Partai Keadilan Sejahtera* (PKS). This coalition held 13 seats (28%) in the local parliament and HM Santoso was also the regent of Bojonegoro from 2003 to 2008. The third candidate pair was the eventual winner of the 2007 local election: Suyoto and Setyo Hartono. They were nominated by *Partai Amanat Nasional* (PAN), *Partai Persatuan Pembangunan* (PPP), and *Partai Nasional Benteng Kerakyatan* (PNBK), relatively small parties in Bojonegoro with only seven seats (17%) in the local parliament. Since the threshold to nominate a candidate was six seats, Suyoto and Setyo Hartana were able to run in the election.

At that time, many predicted that only the first and second candidate pairs would compete in the election. There were three reasons behind this.<sup>2</sup> First, both candidate pairs were incumbents whom many believed to have control over the local grassroots apparatus. Second, both candidate pairs had strong political support in Bojonegoro. For instance, the first candidate pair was nominated by several big parties like Golkar and PKB, the winners of the previous general election. As the incumbent, the second candidate for regent, Santoso, was thought to have a good chance, especially as he had more power than the first candidate (M Thalhah, the incumbent vice-regent). Although relatively smaller parties nominated Santoso, he was still regarded as a tough contender. Third, the third candidate pair was not especially popular in the lead-up to the polls. Although Suyoto was a native of Bojonegoro, he spent almost his whole life outside the regency. He was previously a member of the East Java provincial parliament, located in Surabaya, about 110 km east of Bojonegoro.

Nevertheless, the third candidate pair, who were once considered as ‘consolation candidates’, won the election with 279,296 votes, representing 37% of the popular vote, shattering all predictions (Tempo, 2007). One reason why Suyoto and Setyo Hartana were able to win was that people thought that the incumbent had failed to improve the quality of life and promote accountability in Bojonegoro.<sup>3</sup> Suyoto also offered programmes that fit local needs such as flood prevention strategies and roadworks. The campaign used the amusing slogan: ‘Develop Bojonegoro more than Lamongan’. Lamongan is a neighbouring regency. Suyoto said that this slogan was used because many people felt that life in Lamongan was better than in Bojonegoro. Instead of using posters and billboards, Suyoto preferred more direct communication with the voters such as *blusukan* or impromptu visits to markets, residential areas and other public areas. He admitted these strategies were useful to express his programme and listen to the citizens, as well as being much cheaper than posters and billboards.<sup>4</sup>

Thus, we can conclude that the 2007 local election in Bojonegoro showed how politicians could be punished through elections. The new system enables local people to choose their regent directly, with the possibility for supporting a new politician to win. Suyoto admitted that if the old mechanism

was used (where the local parliament elected the regent), he might not have won, as he was not nominated by parties holding the majority seats in local parliament.<sup>5</sup>

Meanwhile, in 2012, citizens rewarded a good politician during Bojonegoro's local elections. As a successful incumbent, Suyoto was re-elected by an even wider margin, obtaining 320,536 votes, or 44.38% (Winanti and Hanif, 2020). He won in 22 of 27 sub-districts in Bojonegoro, even though other candidates were backed by powerful industrial interests. One major feature of the 2012 local election was that all eligible citizens were able to run, even if they didn't have political party support. This is a consequence of the Constitutional Court's ruling that candidacy for local government should be open to all (Simandjuntak, 2012). Thus, in the 2012 Bojonegoro local elections, there were five candidates: three candidates nominated by parties and two independent candidates. This composition reflected the old political constellation in the previous election; besides Suyoto, Golkar and PDI-P were still the two major powers in Bojonegoro that endorsed candidates. Golkar nominated M Thalhah-Budiyanto and PDI-P supported M Choiri-Untung Basuki. Although Suyoto had the highest electability, Golkar and PDI-P decided to nominate their own candidates to regain power.<sup>6</sup>

The story of local elections in Bojonegoro shows that direct election is the best way for the citizens to punish and reward politicians. This is in line with an argument from Cleary (2007), who wrote that elections are the best tools for producing responsiveness and promoting accountability. Electoral theories of democracy use the reward-punishment mechanism as a frame to argue that direct election is an effective institution in shaping politicians' incentives. In the case of Bojonegoro, the difference between the systems is one reason why Suyoto as the current regent promotes accountability. Suyoto admitted that being chosen directly by the people forces him to promote accountability.<sup>7</sup>

However, there are also other elements of the electoral system that incentivize regents to promote accountability. Based on our fieldwork, we identified two other factors that drive accountability in Bojonegoro.

The first factor is the practice of money politics (vote-buying). Vicente and Wantchekon (2009) argue that the practice is a major obstacle to accountability since votes are based on the money received, not based on the performance of the candidates. In the context of Indonesia, it has been widely studied how vote-buying has become a permanent feature of politics. For instance, Aspinall et al. (2017) show that personal brokerage structures that drew on social networks are mobilized to identify voters and deliver payments to them. In line with Aspinall, Muhtadi (2019) further shows that while indeed vote-buying has become central to electoral mobilization in Indonesia, in reality, politicians are most likely to distribute benefits to voters who are politically indifferent, but who are embedded in personal networks connected to the candidate and their brokers.

However, one of the significant elements of money politics is a high financial cost, in which candidates must spend a significant amount of money to finance their campaigns. If these politicians are elected, they are more likely to 'refund' the campaign money by engaging in rent-seeking activities. Therefore, the practice of vote-buying has negative correlations with politicians' incentives to promote accountability (Vicente and Wantchekon, 2009).

Money politics also occur in Bojonegoro just like in any region of Indonesia. However, as stated by Fakhrudin,<sup>8</sup> it does not appear to affect the outcomes of local elections. This could be attributed to the second factor that incentivizes politicians to promote accountability: political competition. In the case of Bojonegoro, high-level political competition required Suyoto, who was nominated by PAN which has a close tie to the Islamic organization *Muhammadiyah*, to obtain support from other groups besides PAN and *Muhammadiyah*. This is because the East Java province is widely known for having a substantial population of members of rival Islamic organization *Nahdatul Ulama* (NU) (Hadiz, 2004). As Suyoto stated:

If I only rely on PAN and *Muhammadiyah*, I will not be re-elected since these two organizations are relatively small [in Bojonegoro]. Therefore, in order to be re-elected, I have to promote accountability so that I can obtain support from the swing-voters.<sup>9</sup>

This situation supports arguments made by de Mesquita et al. (2001) who emphasize that political leaders who obtain support from more heterogeneous groups (forming a large, winning coalition) tend to promote accountability and provide resources for the public good. They argue that, in order to stay in office, politicians must maintain the loyalty of the winning coalition. When the coalition is small, a leader only needs the support of a few individuals to stay in office.

### *Collective action at the sub-national level*

Collective action is the second factor in our local level of analysis. This factor is based on participatory theories which suggest that governments will promote accountability should the citizens have the ability to act collectively. Keefer (2011) argues that in countries where citizens are able to collaborate, governments have greater incentives to pursue public interests and will face greater costs if they prioritise private investors. Among the literature, collective action has been emphasized as a major feature of decentralization (Grindle, 2007; Michels and Graaf, 2017; Rodríguez-Pose and Ezcurra, 2011).

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 policy-making, policy implementation and policy evaluation (Rodríguez-Pose and Ezcurra, 2011: 622). Hence, decentralization enables local communities to demand accountability and adequate provision of services (Grindle, 2007: 12).

In addition, decentralization is helpful in priming the institutional environment to nurture the social capital necessary for a vibrant civil society. The idea that decentralization will increase public participation and build a vibrant civil society has been a major feature of decentralization projects around the world. As argued by Shatkin (2004), decentralization was expected to have a positive implication.

Indonesia is no exception. When decentralization began in Indonesia in 1999, there was much hope that it would promote a vibrant civil society that had been increasingly suppressed during Suharto's regime (Setiyono and McLeod, 2010). The fall of the authoritarian regime in 1998 was a major event that enabled the re-emergence of collective action in Indonesia, providing an opportunity for civil society to consolidate. However, some are sceptical about the growth of civil society in the post-Suharto era. According to Hadiz (2011), the regime left a legacy of weak civil society, including the complete absence of left-wing or any other political organizations. He argues that although decentralization has enabled a greater scope for political participation, the difference is hardly discernible, with minimal true empowerment of marginalized people.

We argue that in Bojonegoro, decentralization has provided political space for the emergence of a vibrant civil society in the last seven years. One important figure is the increasing number of social organizations registered with the local government. Prior to 2006, there were only 44 social organizations registered in Bojonegoro; by 2009, the number had increased four-fold to 189 organizations (see Table 1). Most identified as non-governmental organizations (NGOs).

During our fieldwork, we collaborated closely with the director of Bojonegoro Institute, Joko Purwanto, in order to understand how collective action enables the push for accountability. Purwanto argues that a critical strategy in accountability promotion in Bojonegoro was the increasing demands of citizens on the government. Consequently, the Bojonegoro Institute provides civic

**Table 1.** Civil society in Bojonegoro in 2009.

No.	Type of organization	Total
1	Non-governmental organization	87
2	Professional organization	12
3	Youth organization	22
4	Religious organization	35
5	Others	33

Source: Badan Kesatuan Bangsa dan Politik Kabupaten Bojonegoro.

education to local people to teach them about their rights. This is in line with Lewis's (2010: 649) argument that the solution 'to improve accountability at the local level is by giving education to citizens about their rights and responsibilities, vis-à-vis local public services'. Purwanto states that their civic education initiative has helped the people to realize their political rights.

Consequently, Bojonegoro citizens have begun demanding increased accountability from their local government. Several activities that aim to improve accountability have also been initiated. One example: the Bojonegoro Institute developed a tool that visualized the local government's budget and its distribution to the sub-districts. Purwanto argues that this tool enables local people to track the spending channelled to their villages. He also stated that *Forum Jumat* (Friday Dialogue), an institution initiated by the local NGOs and the local governments, promotes accountability. He describes that since Suyoto was inaugurated as regent in 2008, there was a concern among the people that he would fail to deliver his promises as the previous regent did. Therefore, some citizens asked Suyoto to create a mechanism that enabled them to demand fulfilment of promises. Suyoto accepted this request and proposed a forum where anyone can attend and ask anything to the local government, and after he was elected, several NGOs including the Bojonegoro Institute were invited to set it up. After holding several meetings, it was decided that the forum would take place every Friday after Friday prayers in the town hall.<sup>10</sup>

The Bojonegoro Institute has also trained local civil servants to calculate income sharing from local oil revenue. In the past, the calculation of income sharing was centralized, and the local government did not have the data to calculate oil extraction amounts and revenue. Consequently, the local government simply accepted the numbers from the national government. In a more extreme situation, Joko Purwanto described negotiations between local and national government agencies on oil revenue. If the local government wanted a higher income share, they had to negotiate with the national agency staff.<sup>11</sup> In order to prevent this problem, the Bojonegoro Institute trained 15 local civil servants on how to calculate income sharing based on cost recovery, lifting, domestic market obligations, tax and international price. Joko Purwanto believes that this has improved local government knowledge and prevented national agency staff from engaging in rent-seeking activities.

It is also essential to discuss the factors that shape a vibrant civil society in Bojonegoro. As argued in the previous theoretical section, there are four factors that strengthen collective action: the urgency and importance of the issue at stake; internal divisions and conflicts of interest; lobbying capacity; and the likelihood of influence on government (Williams et al., 2011). In the case of Bojonegoro, all these factors are present, increasing the strength of collective action.

The first factor is the urgency and importance of the issue at stake. The increased number of social organizations in Bojonegoro can be attributed to the discovery of oil in the early 2000s. As described in the previous section, Bojonegoro was one of the poorest regions in Indonesia until the oil discovery raised hope among local people that their lives would change. This expectation might, in turn, be anticipated to lead to increased demand for quality public services and, ultimately,

pressure local governments to supply improved services and promote accountability (Lewis, 2010). Nevertheless, the previous Bojonegoro regent failed to fulfil the local people's desires, resulting in the formation of NGOs. Joko Purwanto said that he and his colleagues formed the Bojonegoro Institute as a direct response to the lack of transparency and accountability from the local government. Corruption scandals that involved several local politicians were a catalyst for the Institute's establishment. The Institute believes that it is important to establish an NGO to keep local governments accountable so that in the future, similar scandals can be prevented.<sup>12</sup>

The second factor is internal division and conflict of interest. This situation reduces the strength of collective action since it poses the problem of 'free-riders', in which members of a large group rationally seek to maximize their personal benefit, rather than acting to advance their shared objectives. Consequently, each member of the group prefers that another member pay the entire cost (Dasgupta and Beard, 2007). Thus, collective action does not necessarily lead to the promotion of accountability since it could also lead to extractive rent-seeking activities by small elite groups (Williams et al., 2011). Indeed, internal division is an issue in Bojonegoro. As suggested by many interviewees during our fieldwork, the number of NGOs is increasing because they want ExxonMobil's community development projects. One requirement to be a contractor is being registered with the local governments.<sup>13</sup>

Although the motivations of some NGOs are financial, Joko Purwanto believes civil society diversity is an advantage in calling for accountability since it strengthens the overall social movement in Bojonegoro. Several coalitions have been formed across different fields, working towards goals such as budget transparency, oil and gas management and women's empowerment. However, all coalitions have the same primary purpose: to push for better public services and accountability. Therefore, it can be argued that the collective action in Bojonegoro reflects social capital rather than distributional coalitions that harm societies and economies.

The third factor is the capability of local organizations. In this case, it is essential to emphasize the role of international NGOs. According to Aspinall and Fealy (2003), one problem with civil society at the local level is the relative lack of capacity due to decades of centralized government during the Suharto regime. As a result, several international NGOs have trained national and local NGOs to collaborate and demand accountability and transparency. Revenue Watch Institute (RWI) and Open Society Foundations Local and Government and Public Service Reform Initiative (OSF-LGI) are two international NGOs that have done so in East Java. Initially, they selected PATTIRO (Centre for Regional Information and Studies) as a partner, which in turn selected a local partner, the Bojonegoro Institute. RWI and LGI argue that training aims to improve the capabilities of local NGOs to develop tools that enable people to demand accountability. In addition, they trained local government officials to help improve their competencies in managing revenue from natural resources. Promoting accountability mechanisms and planning medium-term development frameworks are two additional focuses (Prijosusilo, 2012).

The last factor is the likelihood that these actions will influence government. In this case, many local activists and journalists argue that their actions have an impact. This is based on the fact that several projects and training activities, which were initiated by NGOs, have been accepted and implemented by the local government. This is in line with the opinion of the current regent, who believes that NGOs will always be a partner of local governments and contribute to creating accountability in Bojonegoro.<sup>14</sup>

Arguably, the emergence of local collective action could stem from the rise of identity sentiment (Gotham, 1999). This is particularly true in the case of local movements where there is long-term oppression of the local community by the central state (Crabtree et al., 2018). In Bojonegoro's case, indeed there is a degree of identity sentiment that emerged in regard to increased awareness that revenue from natural resources could be used locally for the benefit of the community. Such identity sentiment is particularly confined within the nexus between the local community and outsiders

**Table 2.** Bojonegoro's annual growth (%).

Sectors	2011	2012	2013	2014	2015	2016	2017	2018	2019	Annual average
Household consumption	4.20	4.67	4.93	5.47	4.44	4.50	4.58	4.87	4.17	4.65
Government spending	1.10	3.03	4.27	2.68	0.49	-7.03	2.68	4.98	4.53	1.86
Investment	6.66	8.74	6.94	6.12	4.14	5.94	7.53	6.86	6.97	6.66

Source: Bojonegoro Statistics Bureau (2020).

particularly international and business actors operating in Bojonegoro. However, in Bojonegoro, there is no massive mobilization of identity politics in the making of collective action, particularly in the local demands over accountability.

In addition to relations between governments, political parties and civil society, there are also relationships with capital powers at the international level that directly or indirectly play roles in natural resource-based development. As a result of oil discovery in Bojonegoro, investment has increased substantially since 2011. The Bojonegoro Statistics Bureau reported that over the period 2011–2019, the annual average growth of investment in Bojonegoro reached 6.66%. The average was higher than other components in GRDP such as household and government spending that stood at 4.65% and 1.86%, respectively (see Table 2).

Investment inflow to Bojonegoro has contributed to local development in several ways. First, high investment has led to significant job creation in Bojonegoro. In 2002, the unemployment level in Bojonegoro reached 5.17%, higher than the provincial rate of 4.52%. However, in 2019, the unemployment level in Bojonegoro dropped to 3.7%, lower than the provincial rate (3.92%) (Badan Pusat Statistik Jawa Timur, 2020). Second, investment flow creates partnerships and linkages between foreign enterprises and domestic enterprises. Partnerships and linkages between firms are driven by the fact that oil firms require services during their operations, so many oil firms outsource services and inputs to local firms. This enables local firms to benefit from the foreign investment inflow to Bojonegoro.

Despite the fact that the investment inflow provides opportunities for local firms, questions on how they can capture higher rents remain. This is because many local firms can only provide low value-added activities such as catering and other non-core activities. This problem is observable in many resource-rich developing countries (Fessehaie and Morris, 2013; Hansen, 2013). As a result, it is important to facilitate technology and knowledge transfer between foreign firms and domestic firms.

To reach this objective, the local government has enacted the local content policy that requires foreign firms to outsource some activities to local companies. This can be seen from the issuance of Regional Regulation of Bojonegoro Regency No 23 of 2011. This local regulation requires that oil and gas companies operating in Bojonegoro use goods and services produced in Bojonegoro. Prior to the regulation, many oil and gas companies used goods and services from Jakarta or the provincial capital, Surabaya. Now, even the official cars of oil and gas companies operating in Bojonegoro are required to use Bojonegoro number plates to increase local revenue. But to have such a policy at the local level, an incentive is needed for regional heads to make breakthroughs in the regions. The next section elaborates the incentives for the emergence of local champions that promote accountability.

### *Political promotion: the recognition of local champions*

In the post-authoritarian period, local governments in Indonesia have more power to regulate their regions, yet political dynamics at the national level still affect the local level (Karim, 2019). This

is because local politicians are still predominantly selected at the national level and thus driven by national interests.

In this subsection, we will explain how the quest for political promotion has driven the regent to promote accountability in Bojonegoro. We argue that the primary factor that drives accountability is the recognition of local champions at the national levels. This recognition is something new in post-authoritarian Indonesia. Previously, local champions without connections to regime elites were unlikely to succeed at the national level. The supply and demand theory helps explain why locals failed to compete at higher levels. On the supply side, decentralization, which was initially considered as a way to supply new competent local leaders, failed to deliver on this promise. According to Hadiz (2011: 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 apparatus and operators, and its henchmen and enforcers. Hence, local politics have been an area of competition between small and medium-scale businessmen who have always relied on political connections, middle-level civil servants who want to wield direct political power by contesting local elections, or professional politicians with links to the old New Order parties.

Despite the decentralization boom after 1998, party organization was as centralized as the whole polity and intra-party decision-making as opaque and undemocratic as the authoritarian system in general (Ufen, 2009). In most parties today, crucial decisions such as the nomination of candidates are made by core executive members who are usually loyal to one charismatic leader (Haris, 2005: 9). The decision-making process is almost entirely orientated from the top down to the branches. In Indonesia, almost all parties have their power centre in Jakarta and chastise recalcitrant members. For example, Megawati Sukarnoputri 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 PKB stands above the executive council (*Dewan Tanfidz*) in many aspects. Even candidates for the *Dewan Tanfidz* must possess the acknowledgement of the *Dewan Syuro* before standing. In 2005, Abdurrahman Wahid was elected chief patron of the *Dewan Syuro* by acclamation and not in accordance with party regulations, as was his nephew, Muhaimin Iskandar, who was elected new party chairman without a contender (Ufen, 2009: 163).

However, in the last ten years, the recognition of local champions has slowly increased. Several politicians who have been able to deliver excellent services and promote accountability locally were promoted to the national level. The latest example is Joko 'Jokowi' Widodo, who was nominated by his party, PDI-P to run in the 2014 presidential election after several years as a popular mayor. The phenomenon of local champions is critical to the rise of accountability in local government. It is essential since political promotion is an important factor in shaping incentives. Theoretically, a decent political promotion system can drive cadres in the political party to perform. This theory assumes that politicians are rational actors whose behaviours are driven and constrained by the rewards and punishments applied within their organization (Enikolopov and Zhuravskaya, 2007).

In the case of Bojonegoro, we can observe how a functioning promotion system helps provide local champions with a platform. The current regent, Suyoto, is a cadre of the National Mandate Party (PAN), which was established by several academicians just after Suharto was removed from office in 1998. While many parties do not explicitly regulate promotion and nomination, PAN states in its official party documents that good politicians can be rewarded with promotion. Based on an interview with the chief of the party at the provincial level, the performance of a cadre is one of the important aspects of political nomination and promotion.<sup>15</sup> Moreover, as several local respondents informed us in Bojonegoro that the current regent has the career aspiration to be a national minister, it can be argued that he must perform and promote accountability during his term as regent in order to increase his chances of becoming a minister.

## Conclusion

This article shows how political incentives have become the main driver for local politicians to promote accountability in the resource-rich region of Bojonegoro. To understand these political incentives, our study focuses on three enabling factors: functioning local democracy, collective action and political promotion.

Elected governments are increasingly responsive and accountable to public demand, as the public can reward and punish the politicians through elections. In the case of Bojonegoro, the 2007 local election was the moment when the people punished the poorly performing regent, HM Santoso. Suyoto, the current regent, won the election and defeated the incumbent. Suyoto said that because he was chosen directly by citizens, he feels responsible for promoting accountability. In this article, we have argued that the degree of money politics and the level of political competition shape incentives to promote accountability. The level of political competition provides a condition where candidates are forced to obtain support from more heterogeneous groups (a large winning coalition) which eventually require him to provide available resources in public goods in order to maintain the coalition's loyalty.

The second factor that drives local politicians to promote accountability is functioning 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 as though they were also political gangsters. What makes collective action in Bojonegoro work is different. In Bojonegoro, civil society has been able to organize and successfully call for accountability from their government. Several initiatives, such as Friday Dialogue, have been created between local NGOs and the local government, becoming important institutions that promote accountability in Bojonegoro.

The last factor investigated in this article is the role of political promotion in the recognition of local champions. Local leaders (mayors and regents) who have been able to deliver excellent service are being promoted to the national level, providing rewards for their good work.

Our findings, while explaining the case of Bojonegoro, may not be sufficient to understand the emergence or the lack of accountability across local levels. Thus, we should note that this study only makes a sufficient explanation for a very specific context. The complexity of the social world makes the ambition of producing knowledge that can be generalized to many cases difficult.

Consequently, the result of this study cannot account for other cases. This is a limitation of this study. Future research can focus on quantitative study to measure the correlation between the independent variables, which were found to be important in the case of Bojonegoro, with good governance indicators in resource-rich regions using large-N data.

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## Notes

1. Interview, Bojonegoro, 16 April 2014.
2. Interview, Bojonegoro, 16 April 2014.
3. Interview, Bojonegoro, 16 April 2014.
4. Interview, Bojonegoro, 23 April 2014.
5. Interview, Bojonegoro, 23 April 2014.
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11. Interview, Bojonegoro, 15 April 2014.
12. Interview, Bojonegoro, 15 April 2014.
13. Interview, Bojonegoro, 15 April 2014.
14. Interview, Bojonegoro, 23 April 2014.
15. Interview, Jakarta, 20 April 2014.

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