



**Governance and Infrastructure
Development as Indonesia Decentralises:
Case Study of Industrial Estate and Port
Development in Bantaeng and
Banyuwangi Districts**

by

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*Thesis
Submitted to Flinders University
for fulfilment of the degree of*

Doctor of Philosophy
College of Business, Government and Law
January 2021

ABSTRACT

This research investigates the relationship between governance practices (voice and accountability, regulatory quality, and control of corruption) at local government level in Indonesia and investor interest to invest in infrastructure development in the region. It examines governance practices during the development process of industrial estates and ports in two districts, Bantaeng District in South Sulawesi Province and Banyuwangi District in East Java Province.

Existing research and literature on governance in Indonesia found that governance processes are problematic, complex, inefficient, complicated and unstable, and need to be improved, yet the research has not always focussed on the importance of good governance. This thesis investigates such matters and explores the impact on investor interest in the construction of four infrastructure projects.

The research demonstrates that how voice and accountability, regulatory quality, and control of corruption are implemented affects the infrastructure development process. It highlights differences between projects in Bantaeng District and Banyuwangi District. It shows that leadership and political will strongly affects outside investment, and finds that investor confidence is higher in Bantaeng District than in Banyuwangi District.

The primary conclusion of this thesis is that when local governments have good implementation of voice and accountability, regulatory quality and control of corruption, this strengthens investor's willingness to invest in the region, and attracts investors to engage and assist local governments in carrying out their mandated infrastructure development.

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GLOSSARY OF TERMS

ADB	Asian Development Bank
AMDAL	<i>Analisis Mengenai Dampak Lingkungan/Environmental Impact Analysis</i>
APBD	<i>Anggaran Pendapatan dan Belanja Daerah/Local Budget</i>
APBN	<i>Anggaran Pendapatan dan Belanja Negara/National Budget</i>
BAPPEDA	<i>Badan Perencanaan Pembangunan Daerah/Regional Development Planning Agency</i>
BAPPENAS	<i>Badan Perencanaan Pembangunan Nasional/National Development Planning Agency</i>
BIEW	Banyuwangi Industrial Estate Wongsorejo
BIP	Bantaeng Industrial Park
BKPM	<i>Badan Koordinasi Penanaman Modal/Investment Coordination Board</i>
BPJS	<i>Badan Penyelenggara Jaminan Sosial/Social Security Agency</i>
BPN	<i>Badan Pertanahan Nasional/National Land Agency</i>
BPPT	<i>Badan Pelayanan Perijinan Terpadu/Integrated Licensing Service Agency</i>
BPS	<i>Badan Pusat Statistik/Indonesian Bureau of Statistics</i>
BUMN	<i>Badan Usaha Milik Negara/State-owned Enterprise</i>
<i>Bupati</i>	District Head
CMEC	China Machinery Engineering Corporation (a Chinese State-owned Enterprise)
DED	Detailed Engineering Design
DPM-PTSP	<i>Dinas Penanaman Modal dan Pelayanan Terpadu Satu Pintu/Department of Investment and One-Stop Integrated Service</i>
DPR	<i>Dewan Perwakilan Rakyat/House of Representatives</i>
DPRD	<i>Dewan Perwakilan Rakyat Daerah/Local Legislature</i>
FIPO	Fajar Institute of Pro-Autonomy
FS	Feasibility Study
<i>Gerindra</i>	<i>Partai Gerakan Indonesia Raya/The Great Indonesia Movement Party</i>
<i>Golkar</i>	<i>Golongan Karya/The Party of Functional Groups</i>
HGB	<i>Hak Guna Bangunan/The right to build</i>
HGU	<i>Hak Guna Usaha/The right to commercial use</i>
HPS	<i>Harga Perkiraan Sendiri/Self-estimated Price</i>
ICT	Information and Communication Technology
IFC	International Finance Corporation (World Bank Group)
IPNU	<i>Ikatan Pelajar Nahdlatul Ulama/Nahdlatul Ulama Student Association</i>
IUIDP	Integrated Urban Infrastructure Development Program
KADIN	<i>Kamar Dagang Indonesia/Indonesian Chamber of Commerce</i>
<i>Kepbup</i>	<i>Keputusan Bupati/District Head Edict</i>
KILK	<i>Kemudahan Investasi Langsung Konstruksi/Ease of Investment, Direct Construction (Indonesia's Government program to ease the process of investment throughout Indonesia)</i>
KPIIP	<i>Komite Percepatan Penyediaan Infrastruktur Prioritas/Committee for Acceleration of Priority Infrastructure Delivery</i>
KPOD	<i>Komite Pemantau Pelaksanaan Otonomi Daerah/Regional Autonomy Monitoring Committee</i>
KPU	<i>Komisi Pemilihan Umum/General Election Commission</i>
KUHP	<i>Kitab Undang-undang Hukum Pidana/Criminal Code</i>
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
MIGA	Multilateral Investment Guarantee Agency (World Bank Group)
MMSCFD	Million Standard Cubic Feet per Day
MPR	<i>Majelis Permusyawaratan Rakyat/People's Consultative Assembly</i>
MoU	Memorandum of Understanding
MP3EI	<i>Master Plan Percepatan dan Perluasan Pembangunan Ekonomi Indonesia/Master Plan for Acceleration and Expansion of Indonesia's Economic Development</i>

<i>Nasdem</i>	<i>Partai Nasional Demokrat/The National Democratic Party</i>
NGO	Non-governmental Organisation
NU	<i>Nahdlatul Ulama/one of the two dominant Islamic social organisations in Indonesia (the other being Muhammadiyah)</i>
OECD	Organisation for Economic Co-operation and Development
OPWB	<i>Organisasi Petani Wongsorejo Banyuwangi/the Wongsorejo Banyuwangi Farmers' Organisation</i>
PAD	<i>Pendapatan Asli Daerah/Locally Sourced Revenue</i>
PAN	<i>Partai Amanat Nasional/The National Mandate Party</i>
PDAM	<i>Perusahaan Daerah Air Minum/Regional Drinking Water Company</i>
PDI-P	<i>Partai Demokrasi Indonesia-Perjuangan/The Indonesian Democratic Party of Struggle</i>
<i>Perbup</i>	<i>Peraturan Bupati/Head of the District Regulation</i>
<i>Perda</i>	<i>Peraturan Daerah/Regional Regulation</i>
<i>Perusda</i>	<i>Perusahaan Daerah/Local Company</i>
<i>Perum</i>	<i>Perusahaan Umum/Public Company</i>
PKB	<i>Partai Kebangkitan Bangsa/National Awakening Party</i>
PKI	<i>Partai Komunis Indonesia/Indonesian Communist Party</i>
PKNU	<i>Partai Kebangkitan Nasional Ulama/The Ulema National Awakening Party</i>
PKS	<i>Partai Keadilan Sejahtera/The Prosperous Justice Party</i>
PLN	<i>Perusahaan Listrik Negara/National Electricity Company</i>
PLTGU	<i>Pembangkit Listrik Tenaga Gas dan Uap/Gas and Steam Power Plant</i>
PLTU	<i>Pembangkit Listrik Tenaga Uap/Steam Power Plant</i>
PPAN	<i>Program Pembaruan Agraria Nasional/National Agrarian Reform Program</i>
PPP	<i>Partai Persatuan Pembangunan/The United Development Party</i>
PPP	Public-Private Partnership
PSN	<i>Proyek Strategis Nasional/National Strategic Project</i>
PT. BSE	<i>Perseroan Terbatas Bantaeng Sigma Energi (Indonesia's electricity company)</i>
PT. BTN	<i>Perseroan Terbatas Biidznillah Tambang Nusantara (a Malaysian power plant company)</i>
PT ENMP	<i>Perseroan Terbatas Energi Nusantara Merah Putih (Indonesia's power plant/LNG company)</i>
PT Pelindo III	<i>Perseroan Terbatas Pelabuhan Indonesia III/Indonesian Port III Company</i>
PT SMI	<i>Perseroan Terbatas Sarana Multi Infrastruktur/Indonesian state-owned infrastructure financing company</i>
PTSP	<i>Kantor Pelayanan Terpadu Satu Pintu/One-Stop Integrated Service Centre</i>
RAD-PPK	<i>Rencana Aksi Daerah untuk Pencegahan dan Pemberantasan Korupsi/ Regional Action Plan for Corruption Prevention and Eradication</i>
<i>Rencana Anggaran Biaya SKPD</i>	SKPD's Budget Plan
RIP Bonthain	<i>Rencana Induk Pelabuhan Bonthain/ Bonthain Port Master Plan</i>
RIPIN	<i>Rencana Induk Pembangunan Industri Nasional/National Industrial Development Master Plan</i>
RPJMD	<i>Rencana Pembangunan Jangka Menengah Daerah/Medium-Term Regional Development Plan</i>
RPJMN	<i>Rencana Pembangunan Jangka Menengah Nasional/Medium-Term National Development Plan</i>
RT	<i>Rukun Tetangga/Small community unit consisting of households that live in the same neighborhood or village</i>
RTRW	<i>Rencana Tata Ruang Wilayah/Spatial Planning</i>
RW	<i>Rukun Warga/Larger community unit consisting of several RTs</i>
SAKIP	<i>Sistem Akuntabilitas Kinerja Pemerintah/ Government Performance Accountability System</i>
<i>Satuan Tugas Sapu Bersih Pungutan</i>	Illegal Levy Eradication Task Force

<i>Liar/Satgas Saber Pungli</i>	
SKPD	<i>Satuan Kerja Perangkat Daerah/Regional Work Unit (sub-national government agency or unit)</i>
SOP	Standard Operating Procedures
TKPP	<i>Tim Koordinasi Pembangunan Perkotaan/ Urban Development Coordination Team</i>
ULP	<i>Unit Layanan Pengadaan/Procurement Services Unit</i>
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNICEF	United Nations International Children's Emergency Fund
UPP	<i>Unit Penyelenggara Pelabuhan/Port Operations Unit</i>
USAID	United States Agency for International Development
<i>Wakil Bupati</i>	Deputy District Head
WHO	World Health Organization
WTP	<i>Wajar Tanpa Pengecualian/an unqualified audit opinion</i>

DECLARATION

I certify that the whole thesis does not incorporate without acknowledgement any material previously submitted for any degree or diploma in any university; and that, to the best of my knowledge and belief, it does not contain any material previously published or written by another person except where due reference is made in the text.

Mohammad Yoga Pratama

19 January 2021

ACKNOWLEDGEMENTS

Every journey has an end,

Every struggle has a result,

Every prayer has an answer

All praise is due to Allah, the Lord of the worlds, the Almighty and the Great, who has given His grace, guidance and gifts, as well as blessings, knowledge and strength to complete my PhD thesis. There is no power and strength except with His permission.

In writing and completing this thesis, I am hugely indebted for the insight, inspiration, support, guidance, and encouragement of many people and institutions involved directly or indirectly during the completion of this thesis. Without it all, completion of this thesis will be something that is impossible to do. Therefore, it is very appropriate that on this occasion, I would like to thank all of them.

First of all, I would like to express my sincere gratitude to my principal supervisor, Professor Adam Graycar, who with his expertise, genuine guidance, and direct support has made this thesis possible. His experience and patience in directing me about how to write a good thesis has made this thesis writing journey not too heavy, although it cannot be said to be too easy either. I would also like to express my sincere gratitude to my associate supervisor, Associate Professor Noore Siddiquee, who has very carefully provided valuable input for completing this thesis, and helped me carry out editing tasks that were previously difficult for me to do. Also, Dr. Joshua Newman whose comments have made me more focused in completing chapter by chapter in this thesis. Of course, I am forever indebted to all of my research participants: the officials of the Regency Government of Bantaeng and Banyuwangi, DPRD members in both regencies, NGOs, activists, academics, local communities, and investors who have agreed to participate in research, as well as several central government officials who have willing to share data, information, views and insights for this research.

I am also indebted to the *Lembaga Pengelola Dana Pendidikan/LPDP* (Indonesia Endowment Fund for Education) whose scholarship has made this PhD no longer a dream, and my institution, the Ministry of Finance of the Republic of Indonesia, which has given me the opportunity to continue my PhD study in Australia. High appreciation I also convey to the College of Business, Government and Law (CBGL) of Flinders University for their remarkable support and

all of their administrative staff for their kindness and helpful assistance during my study at this university.

I have benefited greatly from everyone in the invaluable 'discussion network' through which I obtained a great deal of knowledge and input for this thesis. My gratitude goes to my colleagues: Raden Mas Suryo Guritno, Yadi Hadian, Mochamad Mustafa, Sukendar Sodik, Mujahiduddin, Jackwin Simbolon, Fajar Fadli, Sabilil Muttaqien, Arianta Nugraha, and Marpaleni, as well as Abby Sesterka for their generous support and fruitful discussions as I developed my PhD thesis. My gratitude also goes to the Indonesian community in Adelaide, especially *Kajian Islam Adelaide* (KIA) family for their warm welcome, love, and friendship. Prior to submission, I was assisted by Abby Sesterka and Liam Bulluss who provided editorial support.

Most importantly, I would like to express my immeasurable appreciation and deepest gratitude to those for whom I owe everything in my life: my beloved wife, Renata Padmandani and my two lovely children, Keira Anindya Kirana and Kaifa Rifky Azwani who accompanied me in Adelaide with patience, love and support that never stops; my father and mother, Syaiful Bahri and Entang Sri Mulyati who accompanied my journey in Australia with sincere thoughts and endless love and prayers; my father and mother-in-law, Riyanto and Hartiningsih who provided us with wise and valuable advice; as well as my four brothers and three of my brothers and sisters-in-law who always pray and give support to us. All of you have become my strength in living the life path of a PhD that is not always smooth and straight. May Allah always bless, preserve and protect us all.

CHAPTER 1 INTRODUCTION

1.1 Introduction

This research investigates governance practices among local governments in Indonesia. The investigation relates to infrastructure development which has been undertaken in the era of decentralisation. Decentralization can be briefly defined as 'the transfer of authority and responsibility for public functions from the central government to intermediate and local governments or independent government organizations and /or the private sector' (World Bank, 2003, in Green, 2005, p. 1). It can also be defined as 'the transfer of power away from the central authority to lower levels in the territorial hierarchy' (Crook and Manor, 1998, p. 6-7).

The thesis explores the relationship between local governance practices and the interest of investors to invest in infrastructure development in the region. It is argued that good and effective governance practices and their implementation are needed to convince investors to invest their capital in infrastructure development. This thesis explores and analyses governance conditions in two districts; Bantaeng District of South Sulawesi Province and Banyuwangi District of East Java Province.

Previous studies and literature discussing governance in Indonesia found that governance in Indonesia tends to be problematic, complex, inefficient, complicated, unstable, and in need of improvement. Some issues, such as lack of accountability and transparency, high levels of corruption, control by elites, inefficient bureaucracy, patronage and discrimination still persist and influence governance practices in Indonesia (see for example Hadiz 2004; Green 2005; Chowdhury, Yamauchi & Dewina 2009; Haryono & Khalil 2011; Mengistu & Adhikary 2011; Patunru, McCulloch & von Luebke 2012; Kuncoro 2012). In the economic context, factors such as land issues, business development programs, taxes, retributions, other transaction costs, security and local regulations contributed to poor governance conditions in Indonesia (Kuncoro 2012, p. 102).

These issues are not confined to Indonesia. There is a substantial literature which explores weaknesses in governance in many countries and proposes solutions. Some comes from the World Bank and other agencies like the anti-corruption NGO Transparency International (see, for example World Bank, 2020; Transparency International, 2014; United Nations Economic and Social Commission for Asia and the Pacific; Fukuyama, 2013; Rothstein, 2011; Soreide and Williams, 2014; Johnston, 2014). There is also a literature that criticises the World Bank approach and which argues that governance is not necessarily the key to optimum outcomes. The essence of these arguments is that outcomes are more important than the governance strictures that guide

development (see, for example Andrews, 2008; Andrews, 2012; Brinkerhoff and Goldsmith, 2012; Chang, 2010; Guhan, 1998; Head, 2008)

This thesis argues that weaknesses in governance and the existing problems have high potential to reduce the interest of investors to invest in infrastructure development in the region. Therefore, local governments in Indonesia have to implement their governance well, while continuing to develop and improve their governance practices, so that investors will be interested in investing their capital to develop infrastructure projects in Indonesia. This is important due to the enormous role of infrastructure in achieving pro-poor and long-term economic growth (Akanbi 2014, p. 113). This is explored further in Chapter 2.

The implementation of decentralisation in Indonesia has transferred the function of developing infrastructure from the central government to local governments. In this context, developing infrastructure, which was previously an obligation of the central government, with the implementation of decentralization, the authority has been given to local governments. Infrastructure, along with 10 other functions (health, education, agriculture, communications, industry and trade, cooperatives, administration and land zoning, capital investment, environment, and labor promotion), constitute 11 obligatory functions that must be performed by local governments under Law No. 22 of 1999, as the basis for implementing decentralization in Indonesia. Capacity of local government to carry out this function varies and relates to (1) the limited fiscal capacity or budget of local governments to develop infrastructure; (2) limited administrative capacity of local governments to allocate budget to develop infrastructure; (3) limited skills and abilities of local governments to develop infrastructure; (4) low levels of local government accountability; and (5) the high level of corruption in local governments (Bahl & Bird 2013, p. 12; Hamid 2013, p. 15; OECD 2013, pp. 138-142; Kannan & Morris 2014, p. 5; World Bank 2004, p. 36; Nasution 2016, p. 1; Usman 2001, in Hamid 2013, p. 15).

In view of the above conditions, local governments must seek investment and invite investors so that they can continue to carry out their functions and responsibilities in developing infrastructure. The question that arises then is: why should local governments seek investment and invite investors? Bahl and Bird's (2013, p. 2) research reveals the fact that when the new Decentralization Law was implemented, local governments often did not have sufficient budgets to carry out their responsibilities to develop infrastructure in the regions. In this regard, local governments basically have rights, authorities and obligations to regulate and manage their own government affairs in the interests of local communities. This is in accordance with statutory provisions (see Act 25/2007 concerning Investment, Article 1 Paragraph 11) including the right to invite investors to invest their

capital in infrastructure development, economic development and improving people's welfare (Edison 2013).

However, attracting investors, whether local or foreign, is not an easy job in practice. In the current era of the global economy, investors have become more prudent, vigilant and meticulous in making the decision to invest in a country or region. There are many factors considered by investors before deciding to invest in a country or region. One of the most important is the governance condition of the country or region concerned. According to Kaufmann (2005, p. 41), governance has become a top priority in the development circle. The findings of the Third Global Infrastructure Investment Index (GIII 2016) highlighted that the most attractive market for investors to invest in infrastructure remains the countries with the strongest growth potential and the most secure business environment, as well as countries that have stable political environments and excellent governance practices such as well-established legislative and regulatory systems (Arcadis 2016, p. 5). As a result, countries like Singapore, Canada, Qatar, the UAE, Norway, Sweden, Malaysia, UK, USA and the Netherlands remain the top 10 countries in the world to invest in infrastructure. Indonesia, is not among the top 10.

This research found that the decision of local governments in Indonesia to implement sound governance practices has a direct impact on infrastructure development in the regions. The examples used in this study show that when there is good governance, local governments find it easier to develop infrastructure in their areas. In this context, the budget for developing infrastructure will come from investors who value the good governance practices of the local government; who feel safe, comfortable and assisted with the services provided; and who are therefore not hesitant to invest their capital in infrastructure projects in the region. Conversely, when governance practices are not implemented well by local governments, the planned infrastructure development does not go as expected. Fewer investors may elect to be involved in infrastructure projects in the area and many of them may choose to wait until there is a better implementation of governance practices in the area to invest their capital.

In recent years, many local governments in Indonesia have carried out major reforms in governance practices which follow this trend. They are more aware of the practices of governance and strongly intend to implement good governance practices in their administration. Some heads of regions have successfully improved good governance practices in their administration and obtained high levels of appreciation and/or awards for their efforts. Hence, it is important to study governance processes, particularly voice and accountability, regulatory quality and control of corruption (Kaufmann, Kraay & Zoido-Lobaton 1999a), to obtain a broader and more up-to-date understanding of local

government practices of governance in developing infrastructure in Indonesia. Chapter 2 will explore why these three indicators are chosen.

In addition to implementing sound governance practices by local governments, this research also found that effective local leadership and strong political will play an important role in driving the success of infrastructure development in the regions. In the Bantaeng case, the leadership and strong political will from the regional head to implement accountability and transparency (elements of governance) as a form of mutual trust between the Bantaeng District Government and stakeholders have improved the relationship between the two which eventually led to the smooth process of infrastructure development in the area. On the other hand, leadership that is considered less in favour of the people affected by the development of industrial estates in Banyuwangi and less strong political will from regional head to support industrial estate development is alleged to be another important factor - apart from the implementation of less than optimal governance practices in the case of industrial estate development - which hinders this infrastructure development process in Banyuwangi. In relation to these matters, this research found that there is a strong relationship between governance practices, leadership, and political will in the success of a region in developing its infrastructure and economies.

To assess governance, this research utilizes the Worldwide Governance Indicators (WGI) developed by the World Bank Institute (Kaufmann, Kraay and Zoido-Lobaton 1999a). These comprise:

- voice and accountability;
- political stability and the absence of violence;
- government effectiveness;
- regulatory quality;
- rule of law; and
- control of corruption.

When the WGIs were first promulgated there were no internationally comparable measures of governance (Apaza, 2009, p. 139). The World Bank Institute developed an aggregation methodology to compare these six indicators across countries, and across time. The World Bank suggested that these could be worthwhile measures of effectiveness in distributing development aid.

The indicators were not universally acclaimed and a significant critical literature developed. Measures of governance are notoriously difficult, and these indicators, however, are not absolute measures of governance, but rather measures of relative ranking and comparisons among countries.

Thomas (2007) for example, argues that the indicators stand as an elaborate untested hypothesis about the nature of governance.

In reviewing the critiques, Apaza (2009) described three types of critique which relate to: aggregating methodology; independence of variables; and bias of the indicators. The debate about the methodology is complex, and Thomas (2007) maintains that it is virtually impossible to measure inherently unobservable constructs such as those in the indicators. The indicators were developed using 300 individual variables and these vary in quality and relevance. Overall the data may not necessarily be clean, and the biases that occur in development studies and in making judgements about what works and what does not are fraught. The developers (Kaufmann, Kraay & Mastruzzi, 2007a) prepared a response to the critiques in which they acknowledged the methodological issues, pointed out that there are no silver bullets for measuring governance, and that the links from governance to development outcomes are complex.

The use of the indicators can be justified here for in this thesis there are no international comparisons with other countries, and there are no judgements about effectiveness of development aid. Furthermore, this is not a quantitative thesis. The indicators are a useful tool for understanding governance processes in two regencies in Indonesia. For example, it is proposed that where there is no voice and accountability, political and bureaucratic leadership might not be sufficiently accountable or responsive to the public. Where regulatory quality is diminished, there is uncertainty for investors. Where corruption is not controlled outcomes are distorted.

The corruption issue leads into another argument proposed by the detractors of the good governance approach. This relates to whether corruption is a good or a bad thing. Does corruption grease the wheels of development and facilitate business, particularly when bureaucracy is difficult and rent seeking. There is a literature on corruption being a good mechanism for greasing the wheels. Writing in the Philippines, Mendoza, Lim and Lopez (2015) find evidence that corruption greases the wheels of commerce for local SMEs, particularly in cities with poor business environments.

This approach notes that “it overcomes governmental impediments. It is said to help firms overcome burdensome government regulations, hedge against capricious bureaucrats, reduce business risks, attract better talent to the civil service, constrain the “Leviathan” nature of government, and even promote innovation” (Nur-tegin & Jakee, 2020, p. 20). Nur-tegin and Jakee quote Dreher and Gassebner (2013) who argue that corruption helps new firms overcome bureaucratic obstacles (also see Méon & Sekkat, 2005; Méon & Weill, 2010; Mendoza, Lim, & Lopez, 2015; and Bologna & Ross, 2015)

However, there is overwhelming evidence that rather than greasing the wheels, corruption puts sand in the wheels of good business practice. Numerous studies (reviewed in Nur-tegin & Jakee, 2019; Meon & Sekkat, 2005; Cooray & Schneider 2018) conclude that corruption harms rather than promotes business. Many international instruments such as the United Nations Convention against Corruption and the OECD Anti-Bribery Convention, are built on the basis of reducing corruption, and in so doing promoting community well-being and economic prosperity.

As explained in Chapter 2, the three chosen indicators have low scores for Indonesia, and this is why they are used in this thesis. By using the cases of industrial estates and ports in Bantaeng and Banyuwangi Districts where the development process requires private investment, this research attempts to investigate the impact of good implementation of voice and accountability and regulatory quality on investment inflows to the two districts. Meanwhile, the selection of control of corruption as the third governance indicator in this thesis, is based on the assumption that if Indonesia, or one of the regions in Indonesia, can reduce the level of corruption and/or make efforts to reduce or even eliminate corruption in the public and civil sector, investment will flow into that region.

The impact of these three governance indicators have not been tested separately to assess their impact on the inflow of investment and infrastructure development at the local government level in Indonesia. Therefore this research was conducted to make this assessment and to complement previous studies, such as those conducted by Peterson and Muzzini (2005), Chowdury and Futoshi (2010), Winters, Karim and Martawardaya (2014), Mukhopadhyay (2016), Chong et al (2016), and Guritno (2018), which focused more on the impact of the implementation of other governance indicators such as transparency and participation in local infrastructure development in Indonesia.

This thesis will use the two locations, Bantaeng and Banyuwangi Districts to investigate the differences between two sites with respect to the development process of infrastructure projects. The development process of BIP and BIEW should follow the phases in the Industrial Estate Development Program set by the Ministry of Industry through the National Industrial Development Master Plan (*Rencana Induk Pembangunan Industri Nasional/RIPIN*). Meanwhile, the development process of Port of Bonthain and Port of Tanjung Wangi follows the phases of the development of Port of Bonthain and Port of Tanjung Wangi set by the Environmental Impact Analysis (*Analisis Mengenai Dampak Lingkungan/AMDAL*) document issued by the Department of Transportation of Bantaeng District and PT Pelindo III.

It is through these phases that the practice and implementation of the three governance indicators will be investigated and their impact on investor's interest to invest in the development of industrial

estates and ports in Bantaeng and Banyuwangi districts will be observed. The analysis also explores the literature related to decentralisation, governance indicators and infrastructure development to see if the findings in Bantaeng and Banyuwangi are in accordance or in contrast with what is found in the broader literature.

1.2 Aim

The objective of this research is to investigate how governance practices of local governments create conditions for investors to invest in infrastructure development in the region. According to Rodrik, Subramanian and Trebbi's (2004) study, the quality of governance/institutions surpasses other determinants in promoting economic growth. The challenge in this thesis is to explain how the implementation of governance in one region can impact infrastructure development in that region.

Two locations were chosen for investigation, Bantaeng District of South Sulawesi Province and Banyuwangi District of East Java Province. The research will focus on four cases of infrastructure projects; namely the development of Bantaeng Industrial Park (BIP) and Port Bonthain in Bantaeng District, and the development of Banyuwangi Industrial Estate Wongsorejo (BIEW) and Port Tanjung Wangi in Banyuwangi District. The research sites of two local governments are shown in the Figure 1.1 below.

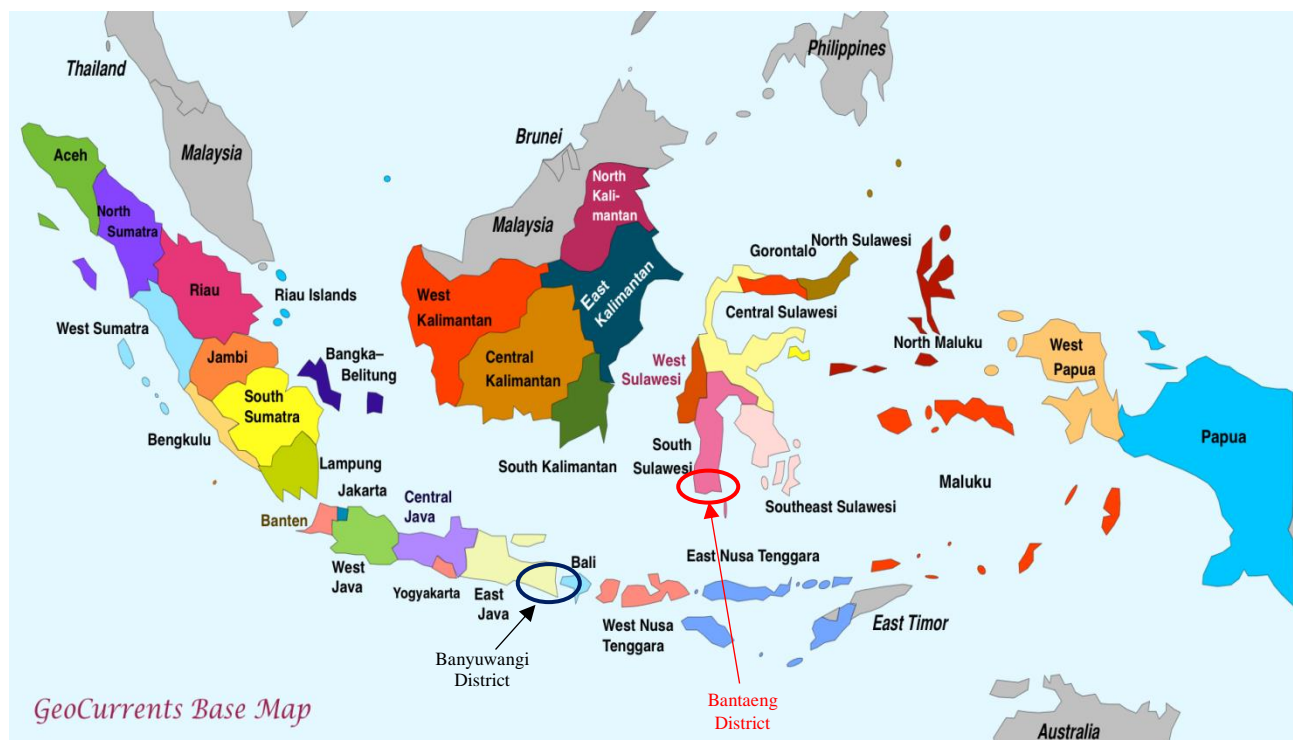


Figure 1.1: Research Site (Bantaeng District and Banyuwangi District)

Source: Geocurrents.info (2017).

The current research proposes to contribute to the body of knowledge through examination of the following questions:

1. How do local governments practice and implement voice and accountability, regulatory quality and control of corruption in the development process of industrial estates and ports?
2. How do these local governments differ in terms of the implementation of voice and accountability, regulatory quality and control of corruption for these specific infrastructure projects?
3. What factors influence the difference?

1.3 Research Methodology

By employing existing theories or assumptions on governance and infrastructure development, this thesis attempts to determine whether there are some similarities and/or differences between selected cases in Bantaeng and Banyuwangi District, and what those theories or assumptions argue. Despite caution with making generalisations, a case study approach is an appropriate design to conduct research on governance and infrastructure development as it may contribute general hypotheses and assumptions about governance and infrastructure. Noting that no two cases will be the same, a case study approach is particularly useful to employ when there is a need to obtain an in-depth appreciation of an issue, event or phenomenon of interest in its natural, real-life context. It is used commonly to generate multi-faceted understanding of a complex issue and is used extensively in a wide variety of disciplines, particularly in the social sciences (Crowe et al., 2011, p.1). This thesis uses a multiple case study method to best answer the research questions.

As a case study, the thesis attempts to answer its research question using qualitative methods. Documentary evidence has been obtained through the examination of many written documents such as books, journals, government reports and briefing sheets, NGO reports, investor reports, as well as laws and regulations to assess the practice and implementation of governance indicators in Bantaeng and Banyuwangi Districts. Preparation for this is done through intensive library research in Australia prior to the gathering of more valuable information through fieldwork. During the fieldwork, I conducted interviews with 44 Indonesians including central and local government officials, NGO activists, local community leaders and wider society, academics, and businesspeople/investors to assess their perceptions about governance practices and implementation, and their main rationale to invest in infrastructure development in Indonesia, especially in those two selected sites.

Forty-four in-depth interviews provided a great deal of the data. Semi-structured interviews were employed to explore perceptions of participants regarding the practice and implementation of governance in local governments in Indonesia. Interviews explored the participants' view and assessment on the needs of infrastructure development in the region. Interviews were mostly conducted at participants' places of work and were recorded by using digital voice recorder. An interview schedule was developed to ensure that all participants were interviewed in line with the chosen methodology, and that the set sequence of questions was followed. Interviewees were given guarantees of confidentiality and identities of participants are not revealed in the thesis. For the purpose of collecting data and information from participants, final approval notice from the Social and Behavioural Research Ethics Committee (SBREC) at Flinders University was received on December 2nd, 2016 (Project Number 7484).

1.4 Significance of the Study

This study contributes to knowledge and to the governance discourse by adding examples and empirical evidence on the impact of the implementation of voice and accountability, regulatory quality and control of corruption by local governments in Indonesia (the district governments of Bantaeng and Banyuwangi) on the inflow of investment and infrastructure development in their regions. In this context, this study complements a previous study conducted by Mengistu and Adhikary (2011) that did not include voice and accountability and regulatory quality as playing a significant role in attracting investment.

In the context of policy process and development in the regions, the contribution of this study is in the form of giving examples and providing new insights and perspectives to other local governments in Indonesia regarding how implementing voice and accountability, regulatory quality, and control of corruption properly can be an effective way of attracting investors to invest in infrastructure development in their respective regions, besides successfully implementing other governance indicators such as political stability and the absence of violence, government effectiveness and rule of law.

Generalisations from this study can be applied to other local governments in Indonesia and from this study they may obtain clear images and information supporting the idea that listening to the voices and aspirations of the people, implementing high accountability, establishing good policies and regulations and enforcing strict controls on corruption will greatly help their efforts in attracting investors to invest in infrastructure development in their respective regions.

1.5 Structure of the Thesis

This thesis comprises nine chapters. Chapter 2 defines key terms used in the dissertation (decentralisation, governance, and infrastructure development) and explores the relationship between them. It also explores literature on governance used in this dissertation, in particular related to voice and accountability, regulatory quality and control of corruption. Furthermore, this chapter also aims to provide an overview of Indonesia's experience in practicing governance and its relationship with infrastructure development.

Chapter 3 discusses decentralisation and infrastructure development in Indonesia: the conditions of infrastructure development before and after decentralisation is implemented, the current status of infrastructure development in Indonesia, the measures and strategic actions taken by the government to accelerate infrastructure development in Indonesia and the problems, obstacles and challenges that the government must face in building infrastructure in Indonesia. It touches briefly on infrastructure challenges faced under each of the post-Suharto presidents. But this is not a historical thesis and does not focus in detail on the history. That would have required a different thesis.

In more detail, this chapter explores the development of industrial estates and ports in Indonesia, including the status of Bantaeng Industrial Park, Banyuwangi Industrial Estate Wongsorejo, Port Bonthain and Port Tanjung Wangi and the phases of development for these infrastructures. Discussion in this chapter guides readers through an exploration of the research findings at both sites, with this further discussed in Chapters 6 and 7.

Chapter 4 outlines the research methods used to investigate the implementation of voice and accountability, regulatory quality and control of corruption during the development of industrial estates and ports. This chapter also discusses the research framework that focuses on the efforts of local governments to implement these three governance indicators to attract the interest of investors to invest in infrastructure development in the region.

Chapter 5 explores the general background of Bantaeng and Banyuwangi Districts, covering the geographical, historical, socio-cultural and political background of the districts, as well as the local governance and local politics that might influence the implementation of voice and accountability, regulatory quality and control of corruption during the development process of industrial estates and ports at these two sites, and the way the two local governments implement these three governance indicators to attract investors to invest in industrial estate and port development. This exploration also leads to the fieldwork results discussed in Chapter 6 and 7.

Chapter 6 highlights findings on how voice and accountability, regulatory quality and control of corruption are implemented in the process of developing industrial estates and ports in Bantaeng District. This chapter shows that voice and accountability, regulatory quality and control of corruption are well-implemented in the process of developing industrial estates and ports in Bantaeng District.

Chapter 7 presents findings from fieldwork in Banyuwangi District during the process of developing industrial estates and ports. This chapter shows that voice and accountability and regulatory quality are not well-implemented in the process of developing industrial estates and ports in Banyuwangi District. For control of corruption, however, there is a higher possibility of successful implementation given that Banyuwangi District is the champion in the regional action plan for the prevention and eradication of corruption.

Chapter 8 provides analysis and discussion based on the major themes derived from research findings on Bantaeng District (Chapter 6) and Banyuwangi District (Chapter 7). The working definitions of voice and accountability, regulatory quality and control of corruption are used to explain the governance implementation at both sites. In addition, this chapter addresses the research questions on the implementation of governance, the difference in the practices of governance during the development phases of industrial estates and ports in the two case studies and how the governance indicators of voice and accountability, regulatory quality and control of corruption have successfully attracted the interest of investors to invest in infrastructure development in the region.

Finally, Chapter 9 discusses the research's major findings. It also presents the implications of this research and its limitations as well as recommendations for future research.

CHAPTER 2 LITERATURE REVIEW

2.1 Introduction

The aim of this chapter is to define key terms used in the dissertation (decentralisation, governance and infrastructure development) and explore the relationship between them. It also explores literature on governance used in this dissertation, in particular related to voice and accountability, regulatory quality and control of corruption. This chapter incorporates Indonesia's experience with decentralization and governance. In this respect, it further discusses findings from the literature on the impact of decentralization on governance reform and infrastructure development.

This chapter is organized into four sections. Section 2.2 discusses the literatures on decentralisation, governance and infrastructure development. This section also discusses literatures that explain the three governance indicators used in this thesis - voice and accountability, regulatory quality, and control of corruption – in order to provide readers with an understanding of the three indicators, the reasons why they were selected and how these indicators will be used to describe the implementation of governance in relation to infrastructure development by two regional governments. In Section 2.3, the relationship between decentralisation, governance and infrastructure development is discussed. Section 2.4 is the conclusion of this chapter.

2.2 Key Terms

In this sub-section, I define three key terms used in this dissertation: decentralisation, governance and infrastructure development. Further, I describe literature on governance related to voice and accountability, regulatory quality and control of corruption.

2.2.1 Decentralisation

Decentralization is an ambiguous term. Differences in approaches regarding how to define decentralisation and how to divide it into categories (Hamid 2013, p. 7) and differences in disciplines of scholars who use this concept (in the field of Public Administration, Political Science and Economics) (Ryan & Woods 2015, p. 1) are two of the factors that cause this ambiguity. To a certain degree, a method chosen by a country or nation to correct its mistakes in terms of governance (centralized government) in the past and to make it better often interpreted as decentralization. As Kim (2008, pp. 4-7) said, many countries have begun implementing decentralization as a response to "government failure" and as a way to make government more efficient, responsive and accountable.

In academic life, one can find a wide variety of definitions of decentralisation (Green 2005; Sharma 2006; Kim 2008; Dubois & Fattore 2009). Dubois and Fattore (2009, pp. 707-711) conducted an analysis on the 40 definitions of decentralisation and found that the concept of decentralisation (1) refers to two things, namely structure and process; (2) focuses on issues regarding authority, responsibility and power, as well as functions and resources; and (3) pays attention to the transferring entity (central government) and the receiving entity (local government). The following definitions of decentralization illustrate the results of the Dubois and Fattore's analysis and were chosen by the author because they provide a comprehensive picture of decentralization and the dynamics that occur within it.

The World Bank (2003, in Green 2005, p. 1) defines decentralisation as 'the transfer of authority and responsibility for public functions from the central government to intermediate and local governments or independent government organizations and/or the private sector'. Martinez-Vazquez and McNab (2003) see decentralization as a process for transferring decision-making power to sub-national governments. Crook and Manor (1998, pp. 6-7), on the other hand, view decentralisation as 'the transfer of power away from the central authority to lower levels in territorial hierarchy'. In a more formal way, Rondinelli, Nellis and Cheema (1983, p. 13) define decentralisation as 'the transfer of responsibility for planning, management, and resource raising and allocation from the central government or agencies to (a) field units of central government ministries or agencies, (b) subordinate units or levels of government, (c) semi-autonomous public authorities and corporations, (d) area-wide, regional or functional authorities, non-governmental private or voluntary organizations'. The four definitions above indicate conformity to the analysis of Dubois and Fattore and show clearly that the dynamics of decentralization process vary widely including structures and processes, issues that are closely related to the function of government, and the existence of entities that form the structure of a country or nation.

To further understand decentralization, we can see it from two sides; the actual reasons for countries to implement it; and its benefits. For the first, the World Bank (2003, cited in Green, 2005, p. 2) notes that the decision to implement decentralization by countries in the world can arise from several conditions. Mozambique and Uganda for example, implemented decentralization to end the civil war that occurred in both countries. Ethiopia adopted decentralization in response to regional or ethnic desires to have greater participation in the country's political process. South Africa and Indonesia, on the other hand, decided to implement decentralization with the aim of ending the political crisis that struck the two countries. Green (2005, p. 2), meanwhile, says that the most common reason for implementing decentralization was the desire to improve the delivery of public services.

Specifically for Indonesia, Green (2005, p. 3) notes that this country's decision to implement decentralization was prompted by several factors. First, a sharp criticism that could not be resisted by Habibie (who served as president in 1998 replacing Suharto) which blamed the central government for the financial problems arising from the economic crisis and the enormous pressure to decentralize his government. Second, the strong support from local officials at the provincial and district/city level that encourages decentralization to gain greater control over local resources and activities. Third, pressure from international financial institutions such as the IMF and World Bank which were calling for decentralization as part of governance reform. However, there is another reason, in my view, underlying the Indonesian Government's decision under Habibie to implement decentralization. The reason was the desire of the government to maintain the integrity of the country on the face of threats from several local governments to secede from Indonesia. By implementing decentralization, the Indonesian Government hoped to maintain territorial integrity of Indonesia after reluctantly allowing the East Timorese people to conduct a referendum and to vote to determine whether they receive special autonomy status or choose to be independent from Indonesia (Permission to vote was given on January, 27, 1999; an independence referendum was held on August, 30, 1999; and East Timor independence achieved in June 2002).

For the second, the benefits of decentralization, Furtado (2001, p. 4 in Hamid, 2013, p. 1) considers that decentralization will maximize public sector productivity by allowing local governments to have better decision-making control in terms of allocation. According to Bardhan (2002), Oates (2008) and Faguet (2011), a productive public sector is very likely to materialize with the consideration that local governments have better knowledge of local priorities compared to the central government. Meanwhile, Robinson (2003, p. 8, in Hamid, 2013, p. 1) believes that decentralization will ensure the efficiency and quality of public service delivery in line with the transfer of resources and decision-making powers to local governments. Robinson in this regard also believes that local governments can be more accountable in terms of resource allocation, because they are directly elected by the local people (Rondinelli, Nellis, & Chema, 1983).

Schneider (2003, p. 12) advances another benefit of decentralization. According to him, decentralization can be a solution to the problem of inefficient central bureaucracy that has been a serious problem in many developing countries. Furthermore, it will help to improve public service delivery, promote good governance, foster development, reduce regional disparities, and enhance national stability. With regard to development planning, Grindle (2007, p. 2) asserts that decentralization will work to overcome many of the limitations of the central planning and will lead to accelerated local development through enhanced accountability and public participation in the policy process. Tiebout (1956) and Oates (1972) also have asserted that decentralization can create

allocation efficiency in dealing with local preferences for public goods. Robinson (2007, p. 8), finally, expresses the benefit of decentralization where it can help generate financial, efficiency, and quality gains by devolving resources and decision-making powers to local governments for the delivery of services. Once the decision-making powers are devolved to local governments, Agrawal and Ribot (1999, p. 4) believe that there will be greater participation in public decision making, which can improve efficiency, equity, development, and resource management.

In the Indonesian context, scholarly research finds evidence that the decentralization program introduced since early 2000s in the country has benefited local governments and has a positive impact on local governance, at least in the form of increased political and administrative power at the local level. Eckardt and Shah (2007, pp. 269-271) argue that the implementation of decentralization in Indonesia has created a clear regulatory framework, built robust coordination between different levels of government, and strengthened institutional capacity. The improvement in the legal system in which the judiciary is becoming increasingly independent is also an example of the benefits derived from the implementation of decentralization in this country (Green, 2005, p. 4).

With all the benefits mentioned above, it appears that decentralization promises many virtues to countries that have and will implement it. The question then is: does decentralization always produce these benefits? The author's search of other decentralization literature shows different results.

Decentralization in its development does not always produce benefits as mentioned above. Cheema and Rondinelli (2007, p. 8) revealed that the evidence from the implementation of decentralization in various countries shows that the results of decentralization may vary from one country to another. On the one hand, it is true that decentralization has encouraged citizen participation and representation, as demonstrated by Manor and Sverrisson's (1999) study which shows a real increase in government revenue, employment growth, economic activity, and overall human development in several districts in Philippines, India and Uganda. But on the other hand, Manor and Sverrisson's (1999) research in Bangladesh, Chile, Mexico, and Nigeria turned out to show different results where decentralization did not produce benefits as happened in the Philippines, India and Uganda.

Robinson (2007, pp. 3-4) also said that he rarely found improvements in efficiency and equity as a result of decentralization. Likewise, Conyers (2007) and Koelble and Siddle (2013) who conducted research in Sub-Saharan Africa found no improvement in the quality of service delivery as a result

of decentralization. On the contrary, decentralization actually encourages corrupt behaviour as happened in South Africa (Koelble & Siddle, 2013) and Pakistan (Iqbal, Din & Ghani, 2013, p. 21).

In the Indonesian context, the implementation of decentralization, based on the study of von Luebke (2009), Patunru and Wardhani (2008), Pepinsky and Wihardja (2011), Bunnell et al. (2013), Rosser, Wilson and Sulistyanto (2011), and Rosser and Sulistyanto (2013) also showed mixed results of governance reform at the local level. In addition to several benefits as mentioned by Eckardt and Shah (2007, pp. 269-271) and Green (2005, p. 4) above, much analysis of decentralisation in Indonesia often finds that decentralisation contributes little to improving the quality of local governance. In this context, there are a number of factors that continue to prevent local governments from improving their quality of governance and providing better services. The low fiscal capacity and the lack of quality human resources in the regions are two common impediments that regularly limit the efforts of local governments to improve the quality of their governance and provide better services; conditions where decentralization sometimes cannot contribute much to overcome this problem.

In the context of relationships between levels of government, Seymour and Turner (2002), Firman (2009) and Hutchinson (2015) note that decentralisation has made it difficult for provincial governments to properly control local government. This can be considered correct since the implementation of decentralization in Indonesia has made local governments (districts/cities) more independent in making decisions and determining policies for their respective regions and are no longer bound by provincial government decisions/policies, although for certain conditions they still have to coordinate with the provincial government. For Simanjuntak (2015), this was primarily because the district/city government felt that they were no longer subordinate to the Governor (Provincial Head). However, the transfer of authority from the central or provincial government to the regional government cannot be interpreted as something that will hamper the development of decentralization in Indonesia. Instead, it will make local governments more confident to develop their respective regions and have enough space to explore policies that were previously the domain of the central or provincial government. Based on Law No. 22 of 1999 concerning Regional Government, which is the basis of the implementation of decentralization in Indonesia, the provincial government can no longer monitor the local government in exercising government authority in the fields of public works, health, education and culture, agriculture, transportation, industry and trade, investment, environment, land, cooperatives, and labour because of these authorities since Law No. 22 of 1999 enacted it has been transferred to the local government.

Regarding the transfer of authority, the study of Hofman and Kaiser (2002), Hofman et al. (2006) and Butt (2010) conclude that decentralization has presented ambiguity around the distribution of roles, power and resources between and within different levels of government. Return of the authorities to (1) issue *Izin Usaha Pertambangan/IUP* (mining permit), (2) manage the sea area as far as 0-4 miles, and (3) carry out secondary education to the provincial government after previously held by the district/city government through the issuance of Law No. 23 of 2014 (amended again by Law No. 9 of 2015) concerning Regional Government which replaces Law No. 32 of 2004 (Ismail et al., 2018, p. 22; Puryono, 2016, p. 102; Republika.co.id, 2016) serves as a good example to illustrate ambiguity in the distribution of roles, power and resources between and within different levels of government, while at the same time the decision has also led to many pros and cons of district/city leaders. In the field, solving this problem requires wisdom from all parties involved. The regional government must be able to understand the reasons behind the return of these authorities while continuing to encourage implementation at the provincial level as good as when the authority was still in the hands of the regional government.

Other scholars found decentralization in Indonesia to be lacking in terms of transparency and accountability and weak in applying checks and balance mechanisms (Hofman & Kaiser 2002; Sujarwoto 2011). Guritno's (2018) study highlights the lack of transparency and accountability, as well as the weak checks and balance mechanism of the South Sulawesi Provincial Government in implementing the construction of road infrastructure in the province. Furthermore, Kurniawan's (2012) study found that decentralization was also weak in its efforts to ensure public participation in local decision making and overseeing policies made by local governments. The lack of public participation and the very limited public involvement, especially those directly affected (traditional market chicken traders) from the process of drafting *Peraturan Daerah/Perda* (Regional Regulation) of DKI Jakarta Province No. 4 of 2007 (Milwan & Rachman, no year) is one example that illustrates how the implementation of decentralization in practice does not always guarantee public participation.

Finally, and perhaps most importantly, decentralisation implemented in Indonesia, according to many scholars, is not strong enough to address the prevalent corruption within Indonesian governance. The study by Azis (2003), Turner et al. (2003), and Sumarto, Suryahadi and Arifianto (2003) found that corruption is a major problem, flourishing at the local government level (provinces, districts and cities) throughout Indonesia, and it has become the biggest challenge for the government and other stakeholders. In Indonesia, corruption has occurred systemically, and that has significantly weakened the fundamental requirements of good governance. Silitonga (2018, p. 10) said that corruption goes against the principles of the rule of law, destroys public trust, and

negatively impacts political stability, governance accountability, effectiveness, and transparency. Jemadu (2017) and Pradiptyo (2012) stated that combating corruption is one of the most important issues which must be addressed at all levels of the government.

Blunt, Turner and Lindroth (2012) states that corrupt practices are very prevalent in Indonesia and found at all studied provincial public services. In general, corruption is closely related to the patronage system and involves illegal payments. These practices, in addition to having a negative impact on the quantity and quality of service delivery, also pose challenges for the implementation of social justice in the country. In government in Indonesia, Blunt, Turner and Lindroth (2012, p. 215) clearly stated that “*one of the main currencies of patronage is the corruption of human resource management (HRM) practices which is manifested in the purchase of jobs, promotions, exam results, transfers and placement, and in favoritism to family, friends, and the highest bidders*”.

What the scholars said above regarding the rampant corruption practices in Indonesia is largely justified if we look at the report by the Ministry of Home Affairs of Indonesia and the Corruption Eradication Commission (KPK). The Ministry of Home Affairs of Indonesia reports that during 2014 to 2019, there were 105 cases of corruption involving regional officials in 22 (out of 34) provinces in Indonesia; 90 of them involved regents or mayors, and 15 other cases involved governors. The entrance to corruption cases mostly began during budget planning between the Regional Government and the DPRD (Tribunnews.com, 2019). For high-ranking officials from the legislature, data compiled by KPK noted that there were 247 DPR/DPRD members who were entangled in corruption cases from 2004-2018. While for the last 5 years from 2015-2019, the KPK noted that there were 131 DPR/DPRD members who were entangled in corruption cases and handled by the KPK (Triyasni, 2019).

The implementation of decentralization in Indonesia, in the author view, also has several weaknesses. Here are three of them. First, the local leaders (*Bupati* [Regent] or *Walikota* [Mayor]) think themselves as ‘*Raja Kecil*’ (little kings) where they feel they have more power and authority in their area as a result of decentralization, and therefore do not want to be intervened by the central government. These little kings emerged as a result of the lack of knowledge of regional heads of the rules and ways of behaving in the bureaucracy (Watra, 2019). Because they feel they have the autonomy power of their own government, they assume they can do anything when it should not be like that. The local government also seems to be able to choose their own way regardless of the difference with the central government. The dispute between the Mayor of Tangerang - who did not want to provide services (public street lighting, drainage improvement, and transportation of

rubbish) on land owned by the Ministry of Justice and Human Rights - and the Minister of Justice and Human Rights, which was triggered by a statement by the Minister of Justice and Human Rights who said that the Government of the City of Tangerang, Banten, inhibited permits on land owned by the Ministry of Justice; and the attitude of the Governor of East Kalimantan who did not want to appoint a Regional Secretary without a clear basis even though the decision to appoint a regional secretary was determined through a Presidential Decree (Watra, 2019), are two examples of this first weakness.

Second, decentralization gave birth to a new dynastic political phenomenon which hampered the growth of democracy. In some regions, key posts in the government were controlled by the closest network of regional heads who were leading the area (such as children, sons-in-law, siblings, nephews, cousins, and other relatives) in an effort to maintain power so that it remained in the hands of the regional leaders concerned or their family members. This pattern, known as 'Cendanaisasi' and refers to the Cendana Family during the 32-year leadership of President Soeharto who was very powerful in Indonesia's political economy, is actually being developed and emulated by the families of local elites. In this context, the local democratic process can be circumvented by placing relatives in strategic positions in the region (Jati, 2013, in Fachruddin, 2019). Jati (2013) called the dynastic political phenomenon and the emergence of local elites with the term 'reorganization of power', which can be interpreted as the return of the influence of local political power to the democratic era. The local elites used regional autonomy policy to dominate their respective regions. The political dynasty of the Ratu Atut Family in Banten Province; Syaokani Hassan's family in Kutai Kartanegara Regency, East Kalimantan; Atty Suharti's family in Cimahi City, West Java; Fuad Amin's family in Bangkalan Regency, East Java; Sri Hartini's family in Klaten Regency, Central Java; and the Yan Anton Ferdian Family in Banyuasin District, South Sumatra, are six examples of dynastic politics born in the era of decentralization in Indonesia.

Third, decentralization has expensive political costs, especially in relation to the capital owned by prospective regional leaders and their supporting parties. An individual to be able to compete for the post of regional head, must at least have support from political parties that get 20 percent of seats in the DPRD or 25 percent of the vote. With the opening of space to gain maximum support, each candidate for regional head competes to get support from all parties in the region, thus making the 'price' of each seat expensive. Here, political dowry plays in the nomination (Fachruddin, 2019). The Minister of Home Affairs, Tito Karnavian, stated that the cost to become a regent in the era of decentralization could reach IDR 30 billion (AUD 3 million). To become a governor, the costs incurred could be even greater (CNN Indonesia, 2019).

This phenomenon is influenced one of them by the existence of candidates for regional heads who do not have the quality but have a lot of money. Simply, they use the money to influence political parties to nominate them even though they do not have adequate quality. In this context, political parties play a role in creating expensive political costs because they are not consistent in choosing qualified candidates. For political parties to be consistent, they should choose qualified regional head candidates, even though these candidates do not have money. Capability, integrity, and acceptability are the three aspects that must be considered by political parties when nominating someone as regional head, and not whether the candidate has a lot of money to finance his candidacy (CNN Indonesia, 2019).

However, in view of debates about whether decentralization provides benefits or not; and the discussion of the weaknesses in the implementation of decentralization in Indonesia, this thesis believes that decentralization has the potential to benefit the countries that apply it, and that the existing weaknesses, efforts to overcome them can continue to be carried out by the Government of Indonesia or the governments of any country in world. The fact that decentralization continues to be applied in Indonesia to date shows that this form of government is still considered better for the Government of Indonesia in running its government. Decentralization, the whole process continues to develop following the dynamics of a country's development. In the next sub-section, the author will define the concept of governance followed by discussion of the three indicators of governance that are applied within this research.

2.2.2 Governance

Governance has become an important concept and one of the most important manifestations of the rise of Neo-institutionalism in the social sciences. Neo-institutionalism is identified with Douglass North as the founder of this perspective (Bates, Sened & Galiani, 2014)). This is an economic perspective that seeks to expand the economy by focusing on institutions (i.e. social and legal norms and rules) that underlie economic activity. The neo-institutionalism developed by North is influential in the policy-making community where his work serves the pragmatic needs of development institutions, in this case providing a means to bridge the professional differences within these development institutions and reorienting their programs from promoting "market fundamentalism" to promotion "good governance". The relationship between economic growth (markets, institutions) and good governance is related to the theory of "state failure" and described by proponents of Neo-institutionalism as follows: *"The state is having a sovereign role and being a welfare state. Economically, the proper functioning of markets is correlated to the proper functioning of institutions through efficient practice of state governance, what is commonly called "good governance"* (Mira & Hammadache, 2017, p. 108). Good governance can be interpreted as a

connecting bridge between the proper functioning of markets and the proper functioning of institutions that can transform a state into a welfare state. The state failure caused by its failure to practice good governance (which is indicated by increased corruption, instability in property rights, market distortion, and lack of democracy) can be explained through the state's conditions which generally experience underdevelopment and low performance of economic growth. From here, good governance obtains its high place in the perspective of Neo-institutionalism.

Governance becomes an important concept in the social sciences, another reason according to March and Olsen (1984) is because it carries the image and meaning of change. Rhodes (2012, p. 33) states that with respect to novelty and its relationship with change, governance signifies "*a change in the meaning of government, referring to new processes of governing; or changed conditions of ordered rule; or new methods by which society is governed*". In the author's view, the change brought by governance is certainly in the form of a change for better direction, in this case changing or improving the meaning of governance, improving the process of governing, and producing new methods that are better in managing society. As an important concept bringing about change, the word 'governance' has spread rapidly. According to Bevir and Rhodes (2016), this is because changing social theories have made people see the world differently and because the world itself has changed. In this context, new theories and practices of governance no longer focus on the central institutions of the state. The focus has actually shifted to governing activities, which currently involve many private and voluntary organizations, as well as public organizations. This shift in focus is evident in public action and public organizations, which in turn form a new meaning of governance. A study by Bevir and Rhodes (2016) reveals that since the 1980s, states and state actors have become more dependent on various non-state actors, such as the private sector and voluntary organizations to design, manage and deliver policies and services. The state has increasingly committed itself to these non-state actors and is not reluctant to make contracts with other organizations.

Apart from spreading rapidly, governance is widely recognized as an important prerequisite for political, social and economic development. Due to this, the concept such as governance capacity has emerged which is used as a theoretical tool to assess governance. Dang, Visseren-Hamakers and Arts (2016, p. 1155) explain governance capacity as the ability of community actors to work together in solving collective problems. The institutions of individual actors and broader institutional and structural arrangements shape this capacity, and influence prospects for collaboration. When discussing governance capacity, it will include the potentials arising from the cooperation of actors and their performance in solving collective problems. These two things are the result of the interactions of the actors. Governance capacity in short is the cooperation of actors.

Actors are those who initiate and make shifts in governing. They frame collective problems and implement strategies to solve problems. In general, they are affected by these actions. Dang, Visseren-Hamakers and Arts's (2016, p. 1159) research found that allowing the rules of the game for a group of actors to act in relation to others, converging discourse to support collaboration through goals and strategies that are deemed appropriate by the actors involved, and facilitating the resources needed by actors to carry out activities in order to solve problems and carry out social cooperation is an essential element of governance capacity.

To further understand 'governance', rather than looking for the meaning of this increasingly used word, Colebatch (2014, p. 308) provides a more useful alternative for investigating the origin of this concept. Citing the distinction made by Offe (2008, 2009) for the concept of 'governance', namely as a way to distinguish one governing mode from another (*Gegenbegriff*), or a way to cover all governing modes (*Oberbegriff*), Colebatch (2014, p.308) explained that governance is a term that was originally *Gegenbegriff*, but later developed in general and is used as a comprehensive *Oberbegriff*. In essence, there has been a change in the concept of governance from initially being only a differentiator from other governing modes, then developing into it as a governing mode that becomes an umbrella for all governing modes. Globally, in its development governance can be understood as a concept that includes all things such as complex formal and informal institutions, mechanisms, relationships and processes between and among countries, markets, citizens and organizations (intergovernmental and non-governmental), through which collective interests are articulated, rights and obligations are defined, and differences are mediated.

Hyden et al. (2004, p. 12) stated that there is no single agreed upon definition of governance. The following definitions were chosen by the author to define governance because they provide a way to understand governance broadly that includes management of society; the exercise of authority, control and power; system of interactions; a country's affairs, economic and social resources; and traditions and institutions.

In the contemporary world, governance has been variously defined as (1) the management of society by the people (Albrow 2001); (2) the exercise of authority or control to manage a country's affairs and resources (Schneider 1999); or as (3) a complex system of interactions among structures, traditions, functions (responsibilities) and processes (practices) characterized by three key values of accountability, transparency and participation (Punyaratabandhu 2004). Kaufmann, Kraay and Zoido-Lobaton (1999b, p. 1), on the other hand, defined governance as "*the traditions and institutions by which authority in a country is exercised*". Bovaird & Loffler (2003, p. 9),

meanwhile, considered that governance may refer to how different organizations interact in order to achieve better outcome for the citizens and stakeholders.

In more practical use, the World Bank (1994, p. xiv) defined governance as *“the manner in which power is exercised in the management of a country’s economic and social resources”*, with three distinct aspects including: (i) the form of political regime; (ii) the process by which authority is exercised in the management of a country’s economic and social resources for development; and (iii) the capacity of governments to design, formulate and implement policies and discharge functions. This definition basically compiled in accordance with the objectives of this institution that wants to help emerging market countries to reduce poverty. Ending extreme poverty is the first goal of the World Bank, where it wants no more than 3% of people to live on income of \$ 1.90 per day or less by 2030. The second goal is to promote shared prosperity through increasing the income of the bottom 40% of the population in each country. For ADB, the World Bank's definition of governance is the most appropriate to their viewpoint as a development bank or institution, because the concept concerns directly with the management of the development process and involves the public and private sectors. In broad terms, ADB (1995, p. 3) considers governance as the institutional environment in which citizens interact among themselves and with government agencies/officials. Meanwhile, OECD (1995, p.14) sees governance as a concept that denotes the use of political authority and exercise of control in a society in relation to the management of its resources for social and economic development. For the Institute of Governance Ottawa, governance is considered as *“the institutions, processes and conventions in a society which determine how power is exercised, how important decisions affecting society are made and how various interests are accorded a place in such decisions”* (Weiss 2000, p. 797).

Governance comprises elements, aspects, dimensions, characteristics and/or indicators that vary from one institution to another. World Bank (1994, pp. xv-xvii), for example, describes four different aspects of governance including public-sector management, accountability, legal framework for development, and transparency and information. The work of Kaufmann, Kraay and Zoido-Lobaton (1999, pp. 7-8) and Kaufmann, Kraay and Zoido-Lobaton (2002, p. 5-6) resulted in six aggregate indicators corresponding to six basic governance concepts: voice and accountability, political stability, government effectiveness, regulatory quality, rule of law and control of corruption. ADB (1995, pp. 7-13), on the other hand, identified four basic elements of governance consisting of accountability, participation, predictability and transparency. All the above elements are interlinked, and mutually supportive and reinforcing. Accountability is often related to participation and is also the ultimate safeguard of predictability. Transparency and predictability in the functioning of a legal framework would serve to ensure the accountability of public institutions.

This thesis uses governance indicators contained in the Worldwide Governance Indicators (WGI) developed by Kaufmann, Kraay and Zoido-Lobaton (1999a, b) and (2002) as the main reference material. WGI, which reports on the six dimensions of governance for more than 200 countries, in the years since it was first developed in 1996 (Charron, 2010), has become the most widely used governance indicator by policy makers and academics. I prefer to use the aggregate indicators in WGI of Kaufmann, Kraay and Mastruzzi (2007b, p. 1) based on the fact that they provide very broad state coverage, greater than that provided by each individual data source on governance. Also, they are able to conveniently summarize the wealth of existing information on governance (by averaging information from many different sources); they are able to explain some of the inevitable oddities of individual governance measures; and they are more informative about the broad notions of governance that they want to measure. Along with the increasing use of WGI, criticism of WGI becomes an inevitable part of the discussion and debate on governance. The next few paragraphs will review some criticisms of WGI.

The most significant criticism of WGI comes from Arndt and Oman (2006) who told that (1) governance cannot be compared from time to time by WGI because WGI scales governance to have the same global average in each period; (2) governance cannot be compared between countries or over time with the WGI since the estimates for governance for different countries or periods may be based on different underlying data sources; (3) the WGI is too imprecise to permit meaningful comparisons of governance over time or across countries; and (4) the individual indicators underlying the WGI are biased towards the views of business elites, and thus are the aggregate indicators. Knack (2006), meanwhile, has the same view as Arndt and Oman for the first and second criticisms, and added a third criticism that changes over time in some of the individual indicators underlying the WGI aggregate indicators reflect corrections of past errors rather than actual changes.

Kurtz and Schrank (2007), on the other hand, voiced the same concern as Arndt and Oman (2006) regarding the bias of WGI individual indicators because they contain the views of the business elites, which also result in the bias of aggregate indicators of WGI. Kurtz and Shrank (2007) add another critique, namely that the data sources on which WGI is based are excessively influenced by current economic performance, and/or the level of development of a country, where rich or fast-growing countries get better scores because they are rich or grow quickly. Both of them argue that the governance ratings generated by commercial risk rating agencies have what are known as "halo effects", namely the assumption that governance must be good in rich countries or countries with strong economic performance, which makes these countries get ratings better than what they should have gotten.

Another criticism is given by Thomas (2007) which claims that WGI does not have what is referred to in some areas of social science research as "construct validity". In this case, "construct validity" is related to the scope of the definition of indicators of quality of government data (QoG) in WGI, which according to Thomas is too vague to be meaningful (Charron, 2010). For Thomas, WGI fails to provide adequate definitions of the six dimensions of governance. The absence of "construct validity", according to her, makes the use of WGI by policy makers considered "arbitrariness". She also criticized WGI for its failure to provide explicit evidence of "convergent" and "discriminant" validity, while at the same time criticizing WGI as being less transparent. The former is in the sense of being highly correlated with each other and in the sense of not being very highly correlated with other constructs; the latter is related to the non-availability of data on which the WGI is based to be accessible to the research community to enable evaluation, criticism or refinement. With these conditions, Thomas considers replication and peer review to be impossible.

All of these criticisms have been addressed by Kaufmann, Kraay and Mastruzzi (2007a) in their paper. In general, Kaufmann, Kraay and Mastruzzi (2007a) conclude that criticisms of WGI, especially for Critics 1, 2 and 3 of Arndt and Oman (2006) above arise because they both misunderstand aggregate indicators of WGI and have different interpretations. While for criticism submitted by Knack (2006) related to changes over time in some of the individual indicators underlying the WGI aggregate indicators reflect corrections of past errors rather than actual changes, Kaufmann, Kraay and Mastruzzi (2007a) consider that this criticism is given on the basis of a priori towards WGI. This criticism according to Kaufmann, Kraay and Mastruzzi (2007a) lacks in empirical support, or even if they are supported empirically to some extent, the effects are so small to be practically relevant. The "halo effects" raised by Kurtz and Shrank (2007), Kaufmann, Kraay and Mastruzzi (2007a) reject it by saying that there is either a lack of convincing empirical evidence to support this, or the empirical evidence available so far is not strong. Finally, on Thomas's (2007) critique of "construct validity", Kaufmann, Kraay and Mastruzzi (2007a) argue that this is because Thomas applies a framework that simply does not fit into the task at hand.

Reflection on Kaufmann, Kraay and Mastruzzi's (2007a) answers to the criticisms, the author considers that as a measurement tool, WGI does require periodic adjustments and updates of evidence from selected individual sources. The update of the evidence will make WGI more reliable because it would be able to provide evidence of world governance averages for a longer period of time. In addition, WGI also needs to provide a more detailed explanation of why different data sources can be used to estimate governance for different countries or different periods. Since this has been at the centre of criticism of WGI, the author sees that the WGI did not initially provide clear information about it. Kaufmann, Kraay and Mastruzzi's (2007a) article may have clarified the

matter, but before the article came out, criticism delivered related to different data sources, according to the author is acceptable. Finally, related to Thomas's criticism of construct validity and lack of transparency, further efforts to answer this criticism may be made by inviting those who remain critical for defining WGI indicators and opening as wide as possible the access to data that become the basis of making WGI to be evaluated, criticized and refined.

As noted in the introduction, this study focuses on three indicators of governance: voice and accountability, regulatory quality, and control of corruption. The selection of these three indicators is based on the fact that the governance scores of these three indicators for Indonesia are still relatively low based on the Worldwide Governance Indicators.

The average value of Indonesia's voice and accountability index for the period 1996-2018 was -0.12 points (using a scale of -2.5 weak; 2.5 strong). In comparison, the world average in 2018 based on 194 countries is -0.03 points. The average value of Indonesia's regulatory quality index in the same period was -0.33 points, while the world average value of 193 countries was -0.02 points. For control of corruption, using the perception of corruption issued by Transparency International, the average value of Indonesia's corruption perception index in the 1996-2018 period was 29 points, from a scale of 100 to indicate a country that does not have corruption. The world average value of 177 countries, meanwhile, is 43 points. Looking at Indonesia's low score for the three governance indicators above, which is even lower than the world average, shows that Indonesia needs to work hard and make extra efforts to improve its governance score. The ideal conditions are above the world average, or at least equal to the world average for the three indicators above.

The selection of voice and accountability and regulatory quality indicators as the two main indicators in this study, in addition to the selection of control of corruption indicator, this is intended to explore further the results of the study of Mengistu and Adhikary (2011) which found that of the six governance indicators estimated by Kaufmann et al (1999, 2009), only four indicators - political stability and absence of violence, government effectiveness, rule of law, and control of corruption - were key determinants in attracting investment. The other two indicators, voice and accountability and regulatory quality, meanwhile, are said to have an insignificant influence in the flow of investment into a country or region. The selection of control of corruption as the third indicator is justified on the ground that if Indonesia or one of the regions in Indonesia can reduce the level of corruption and/or make efforts to reduce or even eliminate corruption in the public sector, then investment will flow rapidly into the region.

The research of Gasanova, Medvedev and Komotskiy (2017) shows that corruption affects the investment attractiveness of a country. In countries where the level of corruption is low and the

economic environment is attractive, the level of FDI is high. Conversely, in countries where the level of corruption is high and economic attractiveness is low, the level of investment is low. Gasanova, Medvedev and Komostkiy's (2017) study also identified countries with high levels of corruption but high FDI inflow - Brazil, Russia, India and China (BRIC) - and found that these four countries are exceptions to the above conditions due to they have a wide domestic market, cheap labour, and prosperous natural resources. These three factors increase the attractiveness of investment of these countries. Similarly, the research of Brada (2014), Runde (2014), Cuervo-Cazurra (2006), and Dahlstrom and Johnson (2007) all show that corruption in host countries is a statistically significant variable that has a negative impact on the volume of FDI inflows. The five researchers all reached the same conclusion where corruption undermines economic freedom and places insecurity and uncertainty in economic relations which in turn reduces FDI inflows. Harms and Ursprung (2002) and Busse (2004), meanwhile, stated that multinational companies are more interested in investing in countries with healthy democracies. Rugman and Verbeke (1998) and Henisz (2000) revealed that the creation of quality legislation by the government to regulate the economy, to create a competitive environment and to establish a good regulatory environment where business can operate properly is an important factor in determining whether investors will invest in a country. In the next three sub-sections I will discuss in more detail about voice and accountability, regulatory quality and control of corruption.

2.2.2.1 *Voice and accountability*

Voice and accountability are important dimensions of governance. Krishnan (2012, p. 1993) argues that the importance of voice and accountability as one dimension of governance is related to their function in providing opportunities for citizens and government institutions to share roles in delivering governance that is useful in improving the welfare of the poor and enhancing democracy. Voice and accountability each has a definition. The definitions below were chosen by the author because they were seen to be able to explain voice and accountability comprehensively starting from their meaning, examples of their actions, reasons for their actions, and their existence. In addition, these definitions are also chosen in the hope that they will be able to explain the conditions that occur when voice and accountability are applied.

Kaufmann, Kraay and Mastruzzi (2009, p. 6) define voice and accountability as "*capturing perceptions of the extent to which a country's citizens are able to participate in choosing their government, as well as freedom of expression, freedom of association, and a free media*".

Kaufmann, Kray and Zoido-Lobaton (1999b) asserted that voice and accountability are strongly related to civil liberties, political rights of individuals, freedom of expression, electoral participation and independence of media.

Voice refers to two things: the capacity to express views and interests; and the capacity to exercise it. These two things are done usually in an effort to influence government priorities or governance processes and through a variety of formal and informal channels and mechanisms (O'Neil, Foresti and Hudson, 2007, pp. 1-3). In the author's view, when the capacity of citizens to express their views or interests is low, what might happen is that the government will prioritize programs or activities that are more in accordance with their wishes regardless of how citizens will be affected by these programs or activities. Conversely, with the high capacity of citizens to express their views and interests, the government can be forced to listen to the views and interests of citizens for then adjust the priorities that they will make to have a more positive impact on citizens. Goetz and Gaventa (2001, in O'Neil, Foresti & Hudson, 2007, p. 1) categorizing voices as efforts that include complaints, organized protests, lobbying, and participation in decision making, service delivery or policy implementation. These efforts are made for the poor to have their views heard by more powerful decision makers.

Voice, according to Goetz and Jenkins (2002, 2005), matters for three reasons: (1) it has intrinsic values; (2) it is an essential building block for accountability; and (3) it plays an important role in enabling communities to arrive collectively at the standards (the values and norms of justice and morality) with which the actions of power-holders will be judged. The first gives meaning that it is good for people to have the freedom to express their beliefs and preferences. The second means that only by speaking up directly or through channels such as Civil Society Organizations (CSOs) and parliament, poor people have the opportunity to see that their preferences, opinions and views are reflected in government priorities and policies; and to ensure that all of that is implemented. The third, values/norms to be used can be achieved if citizens use the voice and conversations effectively.

Accountability, on the other hand, refers to the nature of the relationship between two parties, where one party makes decisions that have an impact on the other party, or which have indeed been delegated by the other party to them (O'Neil, Foresti and Hudson, 2007, p. 3; Sharma, 2008, p. 12). In a relationship between two parties, accountability A to B will be achieved if A has an obligation to explain and justify its actions to B, and B has the ability to impose sanctions on A if A's behaviour, or the explanation given is unsatisfactory (Goetz and Jenkins 2002, citing Schedler 1999). Accountability is also frequently conceived as a way to provide citizens with a means to control the behaviour of actors (politicians and government officials) to whom power has been delegated (Goetz and Jenkins, 2002, p.6); and exists when those who set and implement rules are answerable to those whose lives are shaped or governed by those rules, and can be sanctioned if their performance is seen as unsatisfactory (O'Neil, Foresti and Hudson, 2007, p. 4; Sharma, 2008, p. 11).

Pollitt (2003, p. 89) used another term to describe accountability as a relationship between two actors - the accountor and the accountee - and set the obligations for the accountor to explain his/her actions to the accountee. Accountability itself has two dimensions, namely answerability and enforceability. According to Goetz and Jenkins (2005), these two dimensions must exist in order to create real accountability. These two dimensions, furthermore, require the existence of transparency, because according to Moore and Teskey (2006), in the absence of reliable and timely information, there is no basis for demanding answers or enforcing sanctions.

Roberts and Scapens (1985) define accountability as “the giving and demanding of reasons for conduct”. This definition sets out some of the key elements of accountability which include a relationship, an account, and an underlying power basis. However, according to Smyth (2012, p. 231), this definition is only limited to the issue of answerability. This difference in scope between accountability and answerability colours the literature on accountability where a series of related concepts are often used interchangeably. Accountability is often used interchangeably with responsiveness and answerability. Kamuf (2007), meanwhile, identifies another problem where accountability is frequently equated with transparency (for example see Barton, 2006).

Accountability in various literatures, according to Smyth (2012, p. 231) is repeatedly framed in the context of reporting mechanisms only. To make it different while adding something new to the elements of transparency, answerability, and reporting, Smyth (2012, pp. 231-232) emphasizes that a very important core of accountability relationships is “a form of control” based on "reward and sanction". Without that, Smyth (2012, p. 232) argues that the relationship built between two parties is not accountability. The use of control as the core element of accountability explained by Smyth (2012) is to distinguish accountability from other forms of relationships such as being transparent or answerable.

In addition to the definition, meaning and nature of the relationship, accountability could also be observed from the classification made based on its form. Among the classifications, accountability can be seen in horizontal or vertical forms (Barberis, 1998; Bovens, 2009; Mulgan, 2000; Hodges, 2012; Goetz & Jenkins, 2002).

Vertical accountability, according to O'Donnell (1994), is a condition in which citizens and their associations play a direct role in holding the powerful to account. In vertical accountability, the state is the subject to be accounted for by non-state agents. The classic form of vertical accountability is election. But besides that, it also includes processes through which citizens organize themselves into associations capable of lobbying the government, asking for clarification and threatening to impose less formal sanctions such as in the form of negative publicity against the

government (Goetz and Jenkins, 2002, p. 7). The assumptions that exist so far say that vertical accountability can ensure good governance practices. Nevertheless, Barberis (1998); Mulgan (2000); Bovens (2007); and Michels and Meijer (2008) said that vertical accountability is not enough to ensure the implementation of good governance practices, rather it has to be complemented by horizontal accountability.

Horizontal accountability, meanwhile, is a condition where the holding to account occurs indirectly but is done through delegation to other powerful actors O' Donnell (1994). According to Goetz and Jenkins (2002, p. 7), horizontal accountability consists of formal relationships within the state itself. When one state actor has formal authority to demand clarification or impose sanctions or penalties on other state actors, that is where horizontal accountability occurs. Among the examples of horizontal accountability is when executive agencies must explain their decisions to the legislature. With regard to these explanations, in some cases the executive may be subject to sanctions for procedural violations. Another example is when civil servants ask political leaders to review the execution of bureaucratic policy decisions. In short, the government is limited by a complex network of accountability relationships where the right of the 'agent' of accountability to demand information and explanation is adjusted to the obligation of the 'object' of accountability to provide the requested information and explanation, based on the threat of sanctions.

Voice and accountability meet at one point, which is when exercising voice aims to seek accountability. On the one hand, voice can strengthen accountability, one of which is by encouraging greater transparency. On the other hand, accountability can encourage voice by demonstrating that exercising voice can make a difference (Sharma, 2008, p. 12). From this perspective, voice and accountability have a two-way relationship and therefore are important indicators in the nature of the relationship between the state and its citizens.

Goetz and Jenkins (2004) emphasized that when voice is needed to bring accountability, it is not sufficient. Even though voicing demands can strengthen accountability, in practice it will not automatically deliver accountable relationships. The ability of a voice to deliver accountability varies from one society to another, and between one political context to another political context. It all depends on the existing power relations, the enabling environment, the nature of the state and its institutions, and the social contractions that develop between the state and its citizens (Sharma, 2008, p. 12).

Sharma (2008) also said that despite an increase in the manner and number of voices delivered, the impact would be minimal if the state was unresponsive and accountable to the needs and interests of its people. However, in certain conditions, it can happen and is the choice of the state. The state in

this case considers that the voice can be listened to but not necessarily acted upon. This is related to the concept of participation, where participation that is too broad, coloured by the delivery of too much voice, in some cases it can be disruptive. Stein, Talvi and Grisanti's (1998, in Litvack and Seddon, 1999) study on fiscal institutions and fiscal responsibility in Latin America shows that two-party governments with a hierarchical budget process tend to spend less time than multiparty coalitions governments with more collegial and participatory budget processes. Therefore, increasing the voice of citizens will not automatically encourage accountability in the form of public sector reform (state responsiveness) because these two things are often implemented separately. However, to make the voices of the poor and marginalized included in decisions that affect their lives, there are two ways that can be done. Firstly, by empowering people to always demand change; secondly, strengthening accountability mechanisms that enable the state to respond to these demands. These two forms of intervention are equally important and mutually reinforcing to one another.

In the context of governance, how citizens express their interests, react to governmental decision-making, and respond to problems in the provision of public goods such as education and health services, infrastructure, or defense, are understood as voice (Goetz and Jenkins, 2002, p. 9). The three key words here to explain about voice are the expression, reaction and response of citizens. The governance approach to voice and accountability says that voice is not separated from accountability, which means that a country may excel in creating voice but without equal success in accountability (Sharma, 2008, p. 13). Within the broader governance agenda, voice and accountability can be seen as elements of good governance, where the capacity of the state to respond to the demands of its citizens is an integral part of the governance paradigm.

In the context of public sector reform, Krishnan (2012, p.1933) stated that voice and accountability mechanisms have to be effective to change the actions and decisions of government. Citizens, through these mechanisms, could require the government to provide appropriate channels for deliberative and participatory decision-making in public policy, while at the same time addressing the demand-side aspects of public service delivery, monitoring and accountability. Such mechanisms could also strengthen the connection between citizens and local government as well as encourage local authorities and service providers to become more responsive and effective.

This study adopts the definition of voice and accountability in the context of governance as proposed by Goetz and Jenkins (2002), which understand voice as a way for citizens to express their interests, to react to governmental decision-making, and to respond to problems in the provision of public goods such as education and health services, infrastructure, or defense; and

which understand accountability as an obligation of public officials to report their actions to citizens, and the right of citizens to take action against these officials whose conduct is considered by citizens as unsatisfactory. This definition was chosen because it is capable of providing qualitative parameters to measure voice and accountability. Also, it was chosen to see how local people can provide input to infrastructure development plans in their area; can express their interests; can react to local government decisions to develop infrastructure; and can respond if there are problems that occur in the provision of these infrastructures. In addition, it allows researchers to investigate how government officials provide information to stakeholders including the legislature, investors, NGOs, academics and local communities. The parameters used to measure voice are the expression, reaction, and response of citizens; while the parameters used to measure accountability are transparency, the nature of the relationship between government officials and citizens, and citizen control. The following sub-section will discuss regulatory quality in more detail.

2.2.2.2 *Regulatory quality*

Regulatory quality lacks a precise definition. Commission of the European Communities (2004) says that it is a complex notion. The concept is strongly dependent on regulatory reform priorities. Furthermore, it was also because every stakeholder has different meanings of regulatory quality. Ranging from development agents such as the World Bank, to a politician in office, a social scientist or a civil servant (IFC, MIGA & World Bank 2010, p. 3), they have their own definition of regulatory quality.

Development agents prefer to see regulatory quality from its purpose to support sustainable and equitable economic growth, poverty reduction and better governance. Meanwhile, a politician will prefer to consider regulatory quality as a tool for them to survive scrutiny in cabinet and parliament, and increase the popularity of the incumbent. A social scientist will look at regulatory quality from its form as efficient regulation or legitimate regulation, depending on how economic and socio-political considerations are balanced within the preference function of the social scientist. Finally, a civil servant would only feel that good regulations are the ones developed by following standard operating procedures and administrative procedures (IFC, MIGA, & World Bank, 2010, p. 3).

The discussion on regulatory quality in this sub-section is framed in the context of creating an enabling environment for investment and sustainable development. With a regulatory quality that has good regulation and legal capacity, Biau and Pfister (2014, p. 148) say that investors will be encouraged to invest their capital. Furthermore, according to them, the decision of small and large investors (domestic or foreign) to invest their capital is largely determined by the quality of investment policies in the country or region.

Regulatory quality can be seen from the purpose of its implementation. OECD study (2012, p. 3) that examines how regulatory policy can improve governance states that the purpose of regulatory policy is to ensure that regulations are created and implemented to support economic growth and development, as well as to achieve broader social goals such as social welfare, environmental sustainability and respect for the rule of law. In correlation to this, Ernst (2015) sees that there is a strong relationship between regulatory quality and economic growth, better quality of governance and higher income per capita. His study found that regulatory quality has a strong role in achieving these three things. Ahmad's (2002, p. 29) study - focuses on the relationship between corruption and government regulations - supports this view by stating that government regulations in the form of prudent policies can be used to reduce corruption, which in turn will contribute to increase economic growth.

There is huge amount of literature on regulatory quality (see Argy & Johnson 2003; Black & Jacobzone 2009; Fritsch, et al. 2012; De Mesquita & Stephenson 2007; Nistotskaya, & Cingolani 2016). These literatures highlight the importance of regulatory quality, mechanisms for improving the quality of regulations, regulatory quality as a useful tool to approach financial sectors, the positive and normative implications of regulatory oversight and the importance of high quality of government for sustained positive social outcomes.

Regulatory quality captures “*perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development*” (World Bank 2016; Millennium Challenge Corporation 2005). To measure and evaluate the government's ability to do these things, the World Bank (2016) and Millennium Challenge Corporation (2005) used thirteen indicators. Of these 13 indicators, there are five indicators whose implementation can be carried out by local governments, even though the main authority is in the central government. First, the prevalence of regulations and administrative requirements that burden the business. Local governments can eliminate local/regional regulations that burden businesses, for example by removing some local investment permits and simplifying them. Second, the ease of starting and closing a new business. Local governments can make policies that make it easier for businesspeople to start their businesses, for example by implementing the policy of *Kemudahan Investasi Langsung Kontruksi/KILK* (Ease of Investment, Direct Construction) such as those provided by the Bantaeng Regency Government to investors who want to build nickel smelters. Third, government intervention in the economy. Local governments can intervene in the local economy, for example by asking banks in the region to facilitate lending to businesspeople who want to start a business. Fourth, labour market policies. Local governments can make local policies related to the labour market in their area, for example by prioritizing local workers to be accepted as

workers in the industrial estate to be built. Fifth, investment attractiveness. Local governments can issue attractive policies for investment, for example by removing some local taxes or giving incentives to investors who want to invest their capital in their areas.

Several studies have disclosed that improving regulatory quality could lead to the increase of economic growth by providing incentives that are efficient and effective for the private sector. On the contrary, maintaining regulations that burden the private sector will negatively affect economic performance through economic waste and decreased productivity (see, for example Hossein, Kirkpatrick & Parker 2007; Loayza, Oviedo & Serven 2006; Djankov, McLiesh & Ramalho 2006; Koedijk & Kremers 1996). The OECD study (2012), therefore, advises governments, both central and local, to reduce regulations that are too complex and excessive, as according to the OECD it will encourage corruption and the growth of the informal economy, harming the real economy.

Regulatory quality has an advantage in the context of principles of better regulation that provide a focus on quality that goes beyond efficiency. Commission of the European Communities' (2004) study discovered that based on the experience of governments and international organisations, regulatory quality is anchored to the notion of good governance. To achieve the best regulatory quality, OECD (2005, p. 1) strongly suggested governments execute regulatory reform in order to adapt to change. Better regulation and structural reforms along with sound fiscal and macroeconomic policies could help many countries to improve their national economies.

In the context of this research, we use the definition of regulatory quality as proposed by the World Bank (2016) and adopted several regulatory quality indicators as presented by Millennium Challenge Corporation (2005) to measure the ability of local governments (Bantaeng and Banyuwangi) in formulating and implementing sound policies and regulations that promote private sector development. This definition together with indicators was adopted as it provide parameters (the prevalence of regulations and administrative requirements that burden the business, the ease of starting and closing a new business, government intervention in the economy, labour market policies and investment attractiveness) that are suitable for application to evaluate the quality of regulation in planning the development of infrastructure. In the next sub-section, I will discuss further about indicators of control of corruption.

2.2.2.3 Control of corruption

Corruption is widely known as a significant problem for much of the developing world. It can threaten the development process of countries in many parts of world. Amundsen (1999, p. 1) in his book *Political Corruption: An Introduction to the Issues* considered corruption to be like a disease such as a cancer that eats all the important parts of society (the cultural, political and economic),

and causes vital organs to cease to function. Moreover, Transparency International (1998, in Amundsen 1999, p. 1) strongly stated:

Corruption is one of the greatest challenges of the contemporary world. It undermines good government, fundamentally distorts public policy, leads to the misallocation of resources, harms the private sector and private sector development and particularly hurts the poor.

In his most recent publication, Amundsen (2019, p. 1) emphasizes that corruption, particularly political corruption, is different from administrative or bureaucratic corruption. Political corruption, according to Amundsen, is more dangerous, because the motive goes beyond greed and efforts to enrich one. Political corruption allows regimes that do so to have the opportunity to stay together and survive situations that benefit them. Political corruption, which is usually carried out in concert, provides incentives and means for regimes to continue to control the state and maintain that control. Political corruption is more dangerous than administrative/bureaucratic corruption, according to Amundsen (2019, p. 1), is because this corruption promises wealth and power, which therefore often leaves the rulers with no political will to eradicate it. Meanwhile, administrative/bureaucratic corruption, said Amundsen, is very likely to be eradicated by the rulers if they wish to do so. In this context, considering that both types of corruption are equally promising wealth, the author sees that the opportunity to gain and maintain power is stronger to encourage a regime to commit corruption, especially political corruption.

Defining corruption is not always easy. According to Lancaster and Montinola (1997, p. 185) the term corruption lacks “clear conceptualisation”. Amundsen (1999) supports this statement by saying “*Corruption is in itself a many-faceted phenomenon and the concept of corruption contains too many connotations to be analytically functional without a closer definition*” (p. 1). Therefore, scholars debating the definition of corruption have come to agree that there is no single, generally accepted definition. The following definitions were chosen by the author to define corruption because they are considered capable of providing an adequate explanation of what corruption is. Within these definitions is an explanation of corruption related to behaviour in the public sector and actions related to power.

Lancaster & Montinola (1997, p.188) mentioned that there are at least three definitions of corruption commonly used by scholars. The first definition defines corruption as deviation from behaviour in the public interest or behaviour inconsistent with the pursuit of the common good (the public-interest-centred definition) (see, for example Rogow & Laswell 1970, p. 54; and Morris 1991, pp. 6-7). The second definition defines corruption more narrowly as behaviour that deviates from legal forms (the public-office-centred definition) (Nye 1970, pp. 566-567). The third definition (norm-based definition) criticises the public-office-centred definition for being too

narrow; notes that not all illegal acts are corrupt and, conversely, not all seemingly corrupt acts are illegal; and argues that corruption must be defined to include behaviour that deviates not only from written rules but also from norms or moral standards sanctioned by the public (see Brooks 1970; Berg, Hahn & Schmidhauser 1977, in Lancaster & Montinola, 1997). Transparency International (no year), meanwhile, briefly defines corruption as "*the abuse of entrusted power for private gain*". Transparency International's emphasis here is on power - which is abused - and the benefits that are gained. In this context, the author considers that to be categorized as corruption, the behaviour or action taken must be proven that it arises from the power possessed by someone, through which he then has the opportunity to abuse that power, with the aim of gaining benefits for himself or other people. Transparency International explicitly says that corruption has a very bad impact on the life of the nation and state. It can erode trust (from citizens to the government), weaken democracy, and hinder economic development. Furthermore, corruption, especially that which has occurred massively, will further exacerbate inequality, poverty, social divisions and the environmental crises.

In general, we can identify several forms of corruption that include behaviours or actions such as (1) requests for money or assistance from civil servants in exchange for services provided; (2) the misuse of public money by politicians or the provision of public employment or contracts from them to friends, sponsors, relatives, or even family; and (3) bribery to officials by companies to obtain a lucrative offer. Corruption, in practice, can happen anywhere. It can occur in a business or government environment. It can also sneak into court rooms and the media and can also be in the midst of civil society. Various sectors can become a residence for corruption, ranging from the health and education sectors, infrastructure, social, to sports. The temptation to commit corruption can approach politicians, government officials, civil servants, businesspeople, and even community members (Transparency International, no year).

In the Indonesian context, McLeod (2000) provides an overview of the extent of corrupt behaviour and actions. He clearly illustrates that the massive practice of corruption began since Suharto's New Order regime came to power.

During his reign, Soeharto inherited large state-owned enterprises (SOEs) involved in many fields of activity. These SOEs were used by him to provide jobs to members of the armed forces (Soeharto was a general of the armed forces before becoming president) after retiring from active duty. Jobs were given at SOEs to ensure their loyalty to the regime he led. In addition to the former soldiers, SOEs, in practice, were also used to provide jobs for relatives and friends of other Soeharto's supporters, such as his ministers and senior bureaucrats. Another benefit of these SOEs was that they were also used to reduce threats arising from high-level military personnel who have the

potential to threaten Soeharto's power. The trick is to offer them strategic positions in these SOEs so that they no longer pose a threat to his power. In this context, SOEs were treated as cash cows for the Soeharto regime, through which they impose overpriced contracts with suppliers, but apply under-priced contracts with customers.

Another method used by Soeharto was to exploit the private corporate sector. This sector was said by McLeod to have provided the main media, which was the source of his family's extraordinary wealth, and became a major supporter for him to maintain his own power. Suharto cleverly realized the effectiveness of the private sector to produce rent, one of which was to give monopoly rights to them. The earliest example of granting monopoly rights to people close to Soeharto, carried out in 1968 or the first year of the New Order regime, was the imposition of restrictions on the import of cloves - an important component of Indonesian clove cigarettes – granted to only two companies. The first company was owned by Soeharto's business partners and is currently one of the richest people in Indonesia (Liem Sioe Liong). The second company was owned by Soeharto's stepbrother, Probosutejo (Backman, 1999, p. 114; McDonald, 1980, pp. 120-121).

In addition to the two methods above, another method used by Soeharto to maintain rent extraction patterns and his position as leader was by implementing a system similar to a franchise business. Crouch (1979) called it 'patrimonialism'. In this way, Soeharto effectively awarded franchises to other lower level government officials (including his ministers and senior bureaucrats, government administrators at all levels - from the provinces down to the villages, and top executives in state enterprises, and special government agencies) for granting privileges to selected companies (known as 'cronies'). Nevertheless, these franchises were not awarded free of charge, but must be able to provide benefits to franchiser and franchisee. There were repayment mechanisms in it, consisting of various forms. First, payback to a number of foundations (*yayasan*) controlled by Suharto. Second, the provision of loans and the awarding of contracts with favourable terms to first family members and business cronies by state banks, state enterprises, and government departments. Third, the flow of information to the top leadership about individuals or organizations that can threaten the existence of the system. Fourth, the willingness to act against these individuals and organizations to protect it. Fifth, a clear loyalty to the franchisor whenever there is public anger about the way the country is governed.

In short, endemic corruption at all levels of the bureaucracy in the New Order era was not an unintentional deficiency of Suharto's leadership. Rather, it reflects a conscious effort to produce and harvest rents from businesses (and, to a lesser extent, from individuals) at all levels. In this regard, McLeod provides a way for this massive pattern of corruption to be controlled, reduced or even

eliminated. The government, according to McLeod, must have the courage to stop taking action aimed at generating rent from favoured companies. In addition, the government also needs to minimize control and regulation of business activities unless there are conditions where the market has failed; at that time the government can take back control of business activities. This needs to be done to limit the scope of extortion by government officials. McLeod further stated that the government should minimize its involvement in business activities, especially in key areas such as banking and natural resources. A good legal system must also be in place, including well-written laws and a functioning judicial and police system to protect property rights.

With regard to decentralization, there are quite a few studies on the relationship between decentralisation and corruption. Most of the studies try to ascertain whether decentralisation leads to more or less corruption. Some theoretical studies found that, although the impact of decentralisation on corruption is relatively weak, decentralisation is correlated with less corruption. Shleifer and Vishny (1993, pp. 599-617) argue that high levels of either of centralisation or decentralisation may result in less corruption. Not all scholars fully accept this theory. Other studies reject it by stipulating that, to some extent, decentralisation has facilitated corruption. This ranges from Banfield (1979, p. 98), who delivered the idea that “decentralised political systems are more corruptible”, to Manor (1999, p. 101), who argued that decentralisation “is always attended by an increase in the number of persons who are involved in corrupt acts”. Prud’homme (1994, p. 211), meanwhile, assumed that decentralisation will probably increase local corruption. This research, however, tends to believe that decentralization does not increase corruption. On the contrary, it can become a medium for local governments to eliminate corruption in their regions on condition that regional leaders and their staff have a strong will to do so. This research also believes that local governments have a high ability to reduce or even eradicate corruption. The fact that there are still many regional heads involved in corruption cases does not necessarily justify the assumption that all regional heads in Indonesia are like that, and that decentralization increases corruption.

As infrastructure development is the focus of study, it is important to understand the relationship between corruption and infrastructure development. Indeed, there have been many cases of widespread corruption in the delivery of infrastructure services throughout the world (see for example Clarke & Xu 2004; Davis 2004; Estache et al. 2006; Kenny 2006; Kenny 2007; Kenny 2009a; Kenny 2009b; Tanzi & Davoodi 1998). Rafi, Lodi and Hasan (2012) stated that the process of provision of infrastructure services is very prone to corruption (p. 370). Gulati and Rao’s (2006) study that estimates the cost of corruption in infrastructure shows that 5 to 20 percent of construction costs are lost due to bribe payments. In addition, it is commonly found in the electricity sector where as much as 20 to 30 percent of electricity is stolen by consumers in collusion with

staff. Fay and Yepes (2003), using the assumption that five percent of investment and maintenance costs in infrastructure are lost due to corruption, state that the financial burden in developing countries can increase to around \$18 billion per year. Kenny (2006) said that there is ample evidence about the spread of petty corruption and larger scale corruption in the area of infrastructure connections in order to obtain construction contracts and licenses, or even to change regulatory and policy practices. In Indonesia, as much as 24 percent of the budget devoted to road construction in one project, according to Kenny, 'went missing'. Although it is not clear what Kenny (2006) meant about 'went missing' here, the author interprets that the budget is either corrupted, is used to pay bribes, is used to take care of lengthy and complicated licenses but is not reported in financial statements, or is used to finance other activities which lacked money. The survey results in Eastern Europe and Central Asia related to infrastructure also show that seven percent of the value of government contracts in these regions is used to pay bribes (Kenny, 2006, p. 2).

Rafi, Lodi and Hasan (2012, p. 371) and Kenny (2006, p. 4) divide corruption in the provision of infrastructure services into two broad categories; petty corruption and grand corruption. Petty corruption usually takes the form of small cash bribes given to low or middle level civil servants and is frequently used for administration matters, to facilitate and accelerate everyday services such as water, telecommunication, electricity, and so forth (Rafi, Lodi and Hasan, 2012, p. 371). Kenny (2006, p. 4) called it as 'speed payments'. This form of corruption is often ignored, but its impact is even more damaging than grand corruption if summed up. Petty corruption, as clearly stated by Goel and Rich (1989) leads to further inefficiency in service delivery as public officials fail to perform their duties in anticipation of obtaining bribes. This affects the quality of service provided and causes the lose trust in their governments. This apathy and indifference could eventually lead to a loss of faith in the government.

Grand corruption, meanwhile, includes bribes and kickbacks received by civil servants to provide assistance that should not be given or award contracts to selected companies or contractors (Rafi, Lodi & Hasan, 2012). Kenny (2006) analogizes this as payment to secure government contracts or major licenses, to change regulations, or influence the form of law.

In the Indonesian context, Pradiptyo (2012, p. 12) scales corruption based on the amount of money being corrupted and classifies it into five groups, namely: (1) Petty corruption (up to but not including IDR10 million or AUD1,000, estimation of AUD1 = IDR10,000); (2) Small corruption (from IDR10 million to up to but not including IDR100 million or AUD10,000); (3) Medium corruption (from IDR100 million to up to but not including IDR1 billion or AUD100,000); (4)

Large corruption (from IDR1 billion to up to but not including IDR25 billion or AUD2,500,000); and (5) Grand corruption (IDR25 billion or above). This classification may be debateable to some parties. This is understandable because each individual or institution may have its own interpretation of the classification of corruption based on the amount of money involved. However, the author finds the classification by Pradipto (2012) useful to understand corruption in infrastructure development in terms of the amount of money that is misused.

Grand corruption can be prevented, one method of prevention is conducting policy reforms. The World Bank's (1997, pp. 35-38) study found that policy reforms greatly helped reduce opportunities for corruption in many countries. However, it must be accompanied by an increase in institutional capacity because, without it, well-intended policies will produce poor outcomes and possibly lead to greater corruption. The same point was echoed by Transparency International (2016) who said that policy reforms focused on improving financial management and strengthening the role of audit institutions also contributed greatly to stop corruption. At the same time, petty corruption can also be prevented. The way of doing so, according to Chene (2019, p. 1), is by combining various measures and approaches aimed at reducing red tape or excessive bureaucracy (Martini, 2012, p. 1), enforcing effective sanctions, reforming the public sector, and promoting detection and reporting through the use of new technologies. Chene requires that, for these measures to be successful, they must be supported by a strong political will of the government. In correlation with red tape, Martini (2012, p. 1; 2013, p. 1) argued that the establishment of one-stop shops, sharing and standardisation of data, simplification of administrative procedures, use of information and communication technologies (ICTs) and E-government, and accountability mechanisms such as ex-ante controls are examples of policies and approaches governments must use to fight red tape and reduce the administrative burden. As mentioned above, red tape refers to excessive bureaucracy. Martini (2012) states that it is a term given to excessive regulation or rigid compliance with formal rules that are considered redundant or bureaucratic, and hinder or prevent action or decision making. Red tape in bureaucracy imposes a disproportionate burden on companies and citizens. Among the examples of red tape include (1) excessive or too rigid administrative procedures; (2) unnecessary requirements for obtaining a license; and (3) a prolonged decision-making process, involving many people or committees, and special rules that slow down business operations. The application of these matters is believed by many to create incentives and opportunities for bribery and corruption.

In the context of this research, we use two broad categories of corruption as stated by Rafi, Lodi and Hasan (2012); petty corruption and grand corruption. These two categories were chosen because they provide parameters (cash bribes, civil servants, administrative matters, contracts, regulations, forms of law) that are suitable for investigating the existence/absence of corrupt behaviours or

actions in the Regency Government of Bantaeng and Banyuwangi in carrying out infrastructure development. This study, besides observing local level monitoring conducted by civil society such as NGOs to find out how the mechanism of control of corruption works in these two districts, will also elaborate on how local governments develop policies and programs aimed at eradicating corruption in infrastructure development in their areas. In the next sub-section, the author will review infrastructure development..

2.2.3 **Infrastructure development**

Infrastructure is an instrument to ensure that goods and services are delivered well to the public, while at the same time promoting pro-poor, long-term economic growth and prosperity. Infrastructure can have a huge impact on quality of life, for example by increasing social wellbeing, health and safety of the citizens, as well as improving the quality of the environment. The improvement in infrastructure will not only boost growth in the economy but will also increase the level of productivity, which is an important ingredient in economic development (OECD 2007, p. 13; Akanbi 2013, p. 113; Fedderke & Bogetic 2005, p. 1).

Infrastructure has the capacity to facilitate private investments by lowering production costs. It can also open new markets, while at the same time creating new production, trade and profit opportunities. Infrastructure such as the development of roads for instance, has significantly impacted poverty reduction in some countries like Indonesia, Philippines, China, Vietnam and Nepal, through economic growth. It can directly improve the wages and employment of the poor and lead to an increase of average incomes for the poor. Development of roads could also extensively reduce incidence of poverty through agricultural productivity, nonfarm employment and consumption expenditure (see Jacoby 1998; Glewwe et al. 2000; Balisacan, Pernia & Asra, 2002; Balisacan & Pernia 2002; Fan et al. 2002; Jalan & Ravallion 2002; Ali & Pernia 2003; Fedderke & Bogetic 2005). Development of roads, especially in rural areas, has been regarded by the ADB (2002) and World Bank (2002) as instrumental in creating opportunity, facilitating empowerment and enhancing security.

Infrastructure, as mentioned by Kessides (1993, p.5), represents a large portion of expenditure in many countries of the world, ranging from one third to a half of public investment or three to six percent of GDP. In the case of Indonesia, infrastructure expenditure for 2016 reached IDR 291.72 trillion or 13.9% of Indonesia's national budget for 2016. This, however, is only 2.5% of Indonesia's GDP (Bappenas 2015; Ministry of Finance 2016; Statistics Indonesia, 2016). Indonesia's infrastructure expenditure is considered not to be enough, given the size of the country. Observing the global rankings of infrastructure budget allocation compared to a country's GDP, and

relative to other Southeast Asian countries, Indonesia is ranked higher than Philippines and Vietnam (rank 98 and 110 respectively) but lower than Malaysia and Thailand (rank of 25 and 61 respectively) (Ministry of Finance 2016a). Based on this, it is necessary for Indonesia to increase the budget for infrastructure expenditure to catch up with the infrastructure development of neighbouring countries like Singapore, Malaysia and Thailand.

At the local level, the study of Parikesit et al. (2008) explored the increased role of local governments in various stages of preparation and implementation of infrastructure projects through the enactment of Presidential Decree No.67/2005 on the provision of the Public-Private Partnership (PPP) project. According to the study, local governments in Indonesia, despite the lack of investor interest to engage in PPP infrastructure projects, are looking to develop infrastructure financing using PPPs. In the view of local governments, PPP schemes would be useful to relieve the burden on public sector spending to support infrastructure development

PPP, as a concept, does not have a single definition that is internationally accepted. World Bank, ADB & IADB (2014, p. 14) defines PPP as *"A long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance"*. Webb and Pulle (2002), meanwhile, view PPP as a shift in the role of the public sector from previously supplying services to buying services, with private companies performing project functions such as designing, constructing, financing, operating and maintaining infrastructure, and the public sector then pays for these services. IMF (2004, in Krishnan, 2014) refers PPP as arrangements where the private sector supply infrastructure assets and services traditionally provided by the government. European Union/EU (2006, in Krishnan, 2014) briefly describes PPP as a collaboration between public authorities and economic operators. According to Parikesit et al. (2008), PPP is a government service or a private business venture that is funded and operated through a government partnership with one or more private sector companies. They viewed PPP as an important flexible arrangement, which has a structure that varies according to the type of service delivered and allocate the risk among participants. In its best form, PPP is described as an arrangement between the two sectors to provide cost effective and high-quality services over a long period of time.

PPP has several key features which include (1) the private sector investing in infrastructure and providing related services to the government; (2) the government retains responsibility for the delivery of core services; and (3) long-term contracts that specify the services that must be delivered by the private sector and by what standards. Payments depend on private partners meeting these standards (Webb & Pulle, 2002). As a contract, PPP has different types of contracts and

nomenclature to describe these types of contracts, and clarifies several related types of 'partnerships' between the public and private sectors (see for Delmon, 2010, in World Bank, ADB & IADB, 2014; Yescombe, 2013; Farquharson et al., 2011; Groom, Haplern & Ehrhardt, 2006). In PPP, the government contributes in the form of in kind (mainly transfers of existing assets), and generally, a private sector consortium forms a special company (known as a "special purpose vehicle" or SPV) to build and maintain assets. Building contractors, maintenance companies and lending banks are usually part of a consortium. It is the SPV who signs the contract with the government and with subcontractors to build the facility and then maintain it.

In Indonesia, PPP can be said to be a legacy from the government of President Susilo Bambang Yudhoyono (SBY) who prioritized infrastructure investment to support economic growth (Negara, 2016, in Cook & Singh, 2016). In his first term in office (2004-2009), Indonesia hosted two infrastructure summits aimed at attracting investors, both local and foreign. Unfortunately, both summit (each attended by more than 500 and 1,000 investors) failed to attract private investors to participate in various infrastructure projects offered. One major factor in the failure to attract investors is the unfavourable investment climate, which deterred investors from entering the infrastructure sector. The other factors, according to Parikesit et al. (2008), are a lack of project preparation; the presence of low-quality projects; a poor regulatory environment; absence of good governance; and fragile political stability.

In SBY's first period, Indonesia slowly opened up its infrastructure sector to private sector participation, especially in the electricity sector, toll roads, railways and seaports. The SBY government in this period also issued several regulations and formed several institutions to promote PPP. The SBY administration also known with its MP3EI (the Master Plan for Acceleration and Expansion of Economic Development of Indonesia), launched in 2011, which emphasized the need for massive investment in infrastructure and improvements in the investment climate.

In its journey to this day, PPP inherited by SBY has begun to be widely used in Indonesia, especially by local governments. Among the examples of the use of PPP by local governments are in the water sector where the cities of Jakarta and Batam both have private water providers which are partnerships between private companies in the two regions and their regional governments. The road sector is also an example that has implemented PPP in its development. The construction of several parts of the Trans Java Toll Road is managed jointly by PT Jasa Marga (a state-owned company engaged in the toll road construction sector) and PT Sarana Pembangunan Jawa Tengah (SPJT), which is a company owned by the government of Central Java Province.

PPP, in the view of local governments, is considered a scheme that would be useful to relieve the burden on public sector spending on the need to support infrastructure development. Moreover, local governments also see PPP projects as an easy way to overcome pressure on their local budget. However, even though local governments have a high level of interest in using PPP to develop infrastructure, in practice there are many problems that hamper the efforts of local governments to develop infrastructure in their regions. As well as the lack of fiscal capacity of central and local governments to provide infrastructure and associated services, several studies, such as those by Djunedi et al. (2012) and Parikesit et al. (2008), have stipulated that infrastructure development encountered many obstacles (bottleneck) that commonly occurred at the stage of project preparation. These obstacles mostly occurred due to: (i) hasty preparation of the Feasibility Study (FS); (ii) lack of public consultation; (iii) lack of coordination among agencies; (iv) political leadership of the region; (v) slow issuance of principle permit; and (vi) the existence of regulatory barriers (Investment Negative List, priority of the use of water resources, Forest Management Area, Permit to Determine the Location of the Airport, and Principle Permit to Approve Highway Development) (Djunedi et al., 2012). Furthermore, there is also a problem of land acquisition (including land availability, time to purchase land, appraisal/valuation and public consultation) that requires immediate resolution by local governments (Parikesit et al., 2008).

While decentralization and reform in governance structures suggest that the roles and responsibilities of local governments in promoting development are greater than before, unfortunately local governments are not equipped with the knowledge or authority to play a greater role in infrastructure projects. For toll road development, for example, the authority is still largely in the hands of the central government, as well as its control and management. This of course creates difficulties for local governments to be actively involved in important infrastructure projects. Without authority, local governments have no incentives to improve their knowledge of PPP, and as such it causes a backlog in regional infrastructure development. Local governments need to be delegated with a greater role than just conducting land acquisition (Parikesit et al, 2008). Without having a role in the later stage of the project, local government often half-heartedly perform the dirty job of land acquisition. This causes undesirable results such as delays in infrastructure delivery. In the next sub-section, the author will discuss the relationship between decentralization, governance and infrastructure development. The relationship between decentralization and governance is first discussed, followed by the relationship between governance and infrastructure development, and ends with the relationship between decentralization and infrastructure development.

2.3 Relationship between Decentralisation, Governance and Infrastructure Development

In this sub-section, I explore the relationship between three key terms used in this dissertation: decentralisation, governance, and infrastructure development. The relationship between decentralisation and governance is discussed first, followed by the discussion on the relationship between governance and infrastructure development and the discussion on the relationship between decentralisation and infrastructure development.

2.3.1 Decentralisation and governance

Decentralisation is claimed by scholars as promoting good governance. Conversely, in certain situations good governance is claimed by scholars as being important to the success of a decentralisation program. From the two conditions above, it can be concluded that decentralisation and good governance are interrelated and affect each other.

Decentralisation, as stated by Rondinelli and Cheema (1983), can create a space for greater inclusion where various public groups can be involved in the policy-making process. In addition, it is also useful for increasing political stability because the public interest is represented more broadly when it comes to policymaking. Policymaking also achieves better outcomes by delegating power to lower authorities (local authority) and limiting central government control, which has an impact on increasing public sector productivity through better allocation and control of resources at the local level (Rondinelli & Cheema 1983). Faguet (2011, p. 2) argued that decentralisation improves governance in four ways: firstly, it improves the accountability and responsiveness of government through structural adjustment within government bodies; secondly, it reduces abuses of power; thirdly, it improves political stability through participation; and, fourthly, it improves political competition by giving politicians more room to act.

Grindle (2007), meanwhile, points to freedom of information and increased capacity of local authorities as a benefit of decentralisation, which in turn creates more efficient and less corrupt governments and improves fiscal management. Grindle (2007) elaborates that decentralisation helps establish the fundamental principles of good governance through political openness, participation, administrative and bureaucratic capacity and efficiency, including the ability of the local government to deliver public services. Furthering the above-mentioned arguments, Przeworski, Stokes and Manin (1999), Fisman and Gatti (2002), Manor (1999) and Crook and Manor (1998) all argue that decentralisation promotes citizen participation, enabling people to have more control over the government's performance.

On the other hand, Turner et al. (2003, p. 74) argued that good governance is essential for successful decentralisation in Indonesia where corruption and misconduct are common. Additionally, Cohen and Peterson (1999, p. 92) asserted that the absence of accountability (as part of governance), for example, has been harmful to the implementation of decentralisation programs.

However, even though decentralisation promises to bring development closer to the community, the question of how decentralisation can work at its best still remains. The results of decentralisation, according to Cheema and Rondinelli (2007, p. 8), may vary between countries, and decentralisation is indeed not a panacea for all development problems. According to Seabright (1996, p. 5) and

Cheema and Rondinelli (2007, p. 8), the benefits of decentralisation in developing countries are more often enjoyed only by local elites. Meanwhile, the effectiveness of the concept of governance in improving decentralisation is also still debated by scholars.

On the one hand, many scholars argue that the implementation of governance is one of the key factors in the success of decentralisation programs (Azfar, Kahkonen & Meagher 2001, p. 75; Bardhan 2002; Blair 2000, p. 35; Faguet 2014, p. 10; Peterson & Muzzini 2005, pp. 232-233). Bardhan (2002, p. 202) asserted that decentralization, to be very effective, must be accompanied by serious efforts to change the power structure that exists in society and provide opportunities for growth in participation and voice. In addition, decentralization must also involve people who were previously disadvantaged or lost rights in the political process. Decentralization could also mean making governance at the local level more responsive to the needs felt by the majority of the population.

On the other hand, there are scholars who criticise the effectiveness of governance in improving decentralisation (Grindle 2004; Hadiz, 2004). Hadiz (2004, pp. 705-716) stated that good governance has failed to improve decentralisation in Indonesia. He argued that many elites with different vested interests have tried to gain control over local economic resources such as levies, taxes and business licences by taking advantage of the confusion over the unclear decentralisation regulations in the early 2000s. He illustrates his argument with the cases of several subnational governments where corruption has been shifting from central level to local level, thugs have been mobilised by local elites to control elections, and bribery and money politics are prevalent.

In conclusion, many studies have found a positive correlation between decentralisation and governance. That is, where there is significant decentralisation, governance is often of a higher quality. Studies conducted by Blair (2000, p. 35) in six countries found a positive correlation between decentralisation and accountability and participation. Decentralisation, according to this study, can increase citizen participation through empowering women and minorities in the decision-making process. On the other hand, decentralisation can also increase accountability through methods such as public meetings and opinion surveys aimed at creating check-and-balance mechanisms. Another study, conducted by Azfar et al. (2000) in the Philippines, found that enforcing political accountability through voting and participation through the media had reduced the level of corruption.

2.3.2 Governance and infrastructure development

Scholars have argued that in order to improve the outcome of infrastructure development, governance is the key. Starting from Peterson and Muzzini (2005, p. 212), Mansuri and Rao (2013,

p. 5), to the OECD (2015, p. 1), all of them argued that good governance practices can improve the outcome of infrastructure projects. According to Mansuri and Rao (2013, p. 5), citizen participation can improve the quality of infrastructure, though the emerging trend is that infrastructure provision will not provide much benefit to the poor as they are excluded from the policy-making process. Community participation also helps to highlight local preferences so that infrastructure projects are carried out more efficiently (Peterson & Muzzini 2005, p. 212). The OECD (2015, p. 1), meanwhile, considered that implementing governance practices on infrastructure projects can help avoid project delays, over-budget projects, and poor project construction.

There have been many studies in various countries linking governance and infrastructure development (see for example Khwaja 2004; Kenny 2007; Olken 2007; Chowdhury & Futoshi 2010; De 2012; Li, Thomas Ng & Skitmore 2012; and Mukhopadhyay 2016). The results of these studies vary with regard to the effectiveness of governance in improving infrastructure development outcomes.

In India, empirical research by Mukhopadhyay (2016, pp. 21-2) on highway development found that transparency, applied in the form of transparent bidding and access to projects, has improved the level of understanding of the project and the overall highway development process in the country. In contrast, Khwaja (2004) and Olken (2007) found that governance cannot always improve the outcomes of infrastructure projects. Conducting his research in poor rural communities in Pakistan, Khwaja (2004, p. 434) found that community participation was only effective in adjusting infrastructure development with regard to local preferences. In technical matters such as project design and site selection, participation does not play a significant role. In this context, it is the technical institutions who are capable of taking care of the technical matters.

In the Indonesian context, a growing number of studies have explored the relationship between governance and infrastructure development (Olken 2007; Bakker et al. 2008; Chowdury, Yamauchi & Dewina 2009; Winters, Karim & Martawardaya 2014; Chong et al. 2016). As with the international context, the results of these studies vary. Chowdury and Futoshi's research (2010, p. 15), for example, yields findings that are similar to Khwaja's (2004, p. 434) research in Pakistan, namely, that governance practices, specifically participation in public meetings, can help governments to adjust infrastructure development to suit the preferences of the local community. Meanwhile, Olken's research (2007, pp. 232-233) found that community monitoring, in practice, cannot always reduce the corruption that usually occurs in infrastructure projects. Monitoring carried out by the community is only effective for cases of visible corruption, such as employee

salaries, for example, but does not have a significant impact on overall infrastructure project spending.

Research conducted by Chong et al. (2016) in three local governments (Payakumbuh Municipality, South Lampung District and Sawahlunto Municipality) revealed several factors that played a significant role in the good performance of the wastewater project delivery. Among these factors, the key to the success of the project development are local leadership and high demand from the community (active participation). Research conducted by Winters, Karim and Martawardaya (2014) on the implementation of sanitation projects in three cities, Cimahi, Makassar and Surabaya, produced findings that were similar to the study of Chong et al. (2016), where strong commitment from the government (executive and legislative) and active involvement from the community have significant impact in improving infrastructure project outcomes.

To summarise, many scholars have asserted that well-practiced governance is critical to improving infrastructure development outcomes. However, other factors can emerge and affect the implementation of governance, and they can have an impact on the overall project outcomes. In the Indonesian context, local leadership, strong commitment from the government and high demands from civil society are some of the main factors that contribute to the success of governance practices and infrastructure development.

2.3.3 Decentralisation and infrastructure development

A long-standing view based on standard economic theory states that certain services, and the infrastructure needed to provide these services, can be more efficiently provided by local governments than the central government (Bahl & Bird 2013, p. 2). This means decentralisation has a role in improving public services and in developing infrastructure that supports the delivery of these services. Research conducted by Estache and Sinha (1995, in Bahl & Bird 2013, p. 2) in industrialised countries found that there is a relationship between decentralisation and infrastructure development. In this context, infrastructure investment in industrialised countries is decentralised to a significant degree. According to Bel and Fageda (2009, in Bahl & Bird, 2013, p. 2) management and financing are often carried out by the regional government in OECD countries, even for large projects such as ports and airports. Decentralisation has given regional governments in countries belonging to the European Union a share of up to 60 to 70% investment in economic infrastructure (Kappeler et al. 2012).

Previous studies examining decentralisation and infrastructure development in Indonesia found that the implementation of decentralisation had a positive effect on infrastructure development in Indonesia. The World Bank (2004, p. 91) revealed that the adoption of the Decentralisation Act has

helped local governments to better manage their budgets and given them the ability to fulfil the responsibilities of infrastructure development. Based on World Bank studies, there have been positive changes in local government infrastructure spending since the issuance of Law 2/1999. The same was stated by Adrison, Martinez-Vazquez and Nurhalim (2012, in Smoke 2015, p. 6), who mentioned that local public expenditure on services (including infrastructure spending) had increased substantially and that service delivery had improved in several sectors. A few studies, such as those conducted by Kaiser, Pattinasarany and Schulze (2006, in Smoke, Gomez, & Peterson. 2006), Lewis and Pattinasarany (2009, in Smoke 2015, p. 6) and Lewis (2010, in Smoke 2015, p. 6) also provided evidence that the implementation of decentralisation has caused citizens to generally feel more satisfied with services provided by local governments

Decentralisation has made local governments begin to pay attention to infrastructure development in a number of ways, one of which is by increasing infrastructure development budgets (World Bank 2004, p. 91). The World Bank's study (2007, p. 81) shows that from 2000 to 2004 the contribution of local governments to the national infrastructure development budget has increased from 35% to 55%, with the provincial government contributing 20% and the district/municipal government contributing 35%. The contribution of the central government, meanwhile, has decreased gradually, in line with the transfer of infrastructure financing authority to local governments. In 2000, the central government still contributed 65% of the national infrastructure development budget. But in 2004, the central government only contributed approximately 45% of the national infrastructure development budget. In this context, it can be argued that decentralisation has brought positive changes to the development of national infrastructure, where local government contributions are increasingly equivalent to the central government in terms of infrastructure development budgets (World Bank 2004, p. 92).

However, there are several prevailing issues such as the limited capacity of local government administrations to allocate budgets to develop infrastructure and to provide quality public services, lack of coordination among institutions in Indonesia and the issue of sufficient budget to carry out public service responsibilities such as infrastructure development, but it seems that Indonesian Government will undertake efforts to overcome them.

2.4 Conclusion

This chapter has provided a review of the literature on decentralisation, governance, indicators of governance (voice and accountability, regulatory quality and control of corruption) and infrastructure development in general and in the context of Indonesia, as they relate to the focus of this study. It has also elaborated the relationship between decentralization, governance and

infrastructure development and provided Indonesia's experience on it. The implementation of decentralization in Indonesia showed mixed results of governance reform at the local level. On the one hand, it has benefited local governments and has a positive impact on local governance, but on the other hand, many also said that decentralization contributed little to improving the quality of local governance. Conversely, the implementation of good governance is said to be one of the keys to the success of decentralization. However, there are also opinions that criticize the effectiveness of governance in improving decentralization in Indonesia.

It is also argued that in order to improve the outcome of infrastructure development, governance is the key. In this context, good governance practices may improve the outcome of infrastructure projects. However, the effectiveness of the outcomes depends on the seriousness of the local government to implement governance to support the success of infrastructure development in the region. In the next chapter, the thesis provides an overview of infrastructure development in Indonesia and the development program of an industrial estate and port that is the focus of this research.

CHAPTER 3 OVERVIEW OF INFRASTRUCTURE DEVELOPMENT IN INDONESIA

3.1 Introduction

This chapter provides an overview of infrastructure development in Indonesia. Two points are noted. First, limited government funds have constrained investment in infrastructure. Second, poor quality of existing infrastructure is not conducive to further private investment in infrastructure. As noted earlier in the dissertation, developing infrastructure is one of the functions transferred from the central government to regional governments in line with the implementation of decentralization. This chapter explains that following the implementation of decentralization in 1999, decentralizing public services such as infrastructure, in practice, is not an easy task. There are a number of issues that must be addressed after decentralization is implemented, which includes the limited capacity of local governments to allocate budgets and to develop infrastructure and provide quality public services, lack of coordination between institutions (central and local governments) in Indonesia, and insufficient budget of local governments to carry out public service responsibilities such as infrastructure development.

This chapter discusses the conceptual narrative of infrastructure development and its importance in a country's development. It also outlines infrastructure development during and after the New Order era and links it to the decentralization concept that frames this dissertation, including exploring the efforts made by the New Order Government to establish representative decentralization and increase the level of regional autonomy. This chapter also specifically discusses strategic steps and actions taken by the Government of Indonesia, especially in the Jokowi era, to accelerate infrastructure development. Problems and obstacles in developing infrastructure in Indonesia are also highlighted in this chapter. The following discussion focuses on narrating findings from the literature on the current remaining challenges, despite the extensive efforts for more than 15 years.

Importantly, this chapter demonstrates some insights into understanding the current conditions of infrastructure development in relation to the implementation of decentralization. It argues that there is no substantial evidence that the implementation of decentralization has contributed optimally to improving the condition of infrastructure in Indonesia. It can be seen from the low ranking of the Indonesian Infrastructure Index based on the Global Competitiveness Index. This chapter also indicates that infrastructure development has not been running very well, and its performance has remained unstable. How to do business in Indonesia is also described in this chapter. Inadequate supply of infrastructure is one of the most problematic factors for doing business in Indonesia. This

condition, directly or indirectly, can influence investors' decisions to invest their capital in this country.

Finally, this chapter discusses the development of industrial estates and ports and explains why these two infrastructures are important so that they are chosen as case studies in this thesis.

Conceptual narratives from industrial estates and ports are elaborated in this thesis, while explaining the status of Bantaeng Industrial Park and Banyuwangi Industrial Estate Wongsorejo, and the status of Port Bonthain and Port Tanjung Wangi. It argues that although the two industrial estates have different statuses, the former was stipulated in the 2015-2019 RPJMN while the latter did not, this difference in status did not dampen the intentions of the two regional governments, Bantaeng and Banyuwangi, to make preparations and plans in order to realize industrial estate development this. It also argues that when the two districts have the same status for their ports - both are not included in the list of ports to be built in the 2015-2019 RPJMN - the two district governments still want to be able to build these ports. However, given their limited conditions in terms of financing, another approach that can be taken is to invite investors to come and invest their capital in the construction of these infrastructures.

3.2 The Importance of Infrastructure Development

Infrastructure development is an important aspect of a country's development. It has been considered a very important public sector activity, as it has a crucial role in accelerating economic growth and reducing poverty. In many situations, Governments believe that infrastructure development is one of the most effective ways to improve people's welfare, and therefore, it is frequently used and proven to be effective in achieving that goal. For many governments, infrastructure development is a priority, in which the government will make every effort to meet its availability, regardless of the circumstances of the country (UNESCAP, 2006, p. 1).

A study by Kessides (1993) summarizes the two contributions of infrastructure development to growth; through cost reduction and structural change. It contains a total of 11 positive impacts of infrastructure development on economic development, namely (1) production, investment, and employment; (2) international competitiveness; (3) development of domestic market; (4) economic diversification; (5) technological innovation; (6) production and consumption structure; (7) personal well-being; (8) the value of infrastructure in consumption; (9) labour productivity; (10) welfare; and (11) the environment.

As a key element of economic growth, infrastructure development plays a critical role in the economic relations of 'supply and demand'. On the supply side, infrastructure such as transportation,

information and communication technology, energy, and water serve as the “inputs” necessary to produce infrastructure services. On the demand side, infrastructure meets the services demanded by communities (households) and governments to fulfil basic needs in order to survive in today's modern era. Evidence has clearly shown that growth in many developing countries is inhibited if infrastructural bottlenecks remain. The study of Estache and Fay (2007, in Cook, 2010, p. 305), for example, argues that the most successful countries in East Asia in terms of growth are those who provide full attention to infrastructure development. Other developing countries that are considered unsuccessful in this region are those who are incapable to invest adequately in infrastructure development. The results of Yoshino' (2008) study indicate that poor quality of public infrastructure such as electricity, contributes to the poor export performance of countries in Africa. Similar results are also shown by several studies in Sub-Saharan Africa, which suggest that the lack of infrastructure in many low-income countries in Africa continues to impede growth and development in these countries (Agenor, 2010, p. 932).

Infrastructure development contributes to poverty reduction through dissemination of positive results of economic growth. Infrastructure development does this by ensuring basic needs such as drinking water, electricity, telephones, and transport are distributed well to the public (UNESCAP, 2006, p. 8). When the members of community have access to these basic services, the standard of living may increase, resulting in a reduction of poverty levels. Another way the infrastructure development contributes to poverty reduction is through the increasing of employment and income for the poor (Cutanda & Paricio, 1994).

Infrastructure development also contributes to productivity. Studies that examine the relationship between these two variables generally state that infrastructure development has a significant impact both on Total Factor Productivity (TFP) and labour productivity. Aschauer's (1989) study found that infrastructure development has a strong impact on Total Factor Productivity (TFP) in aggregate. Aschauer's findings are reinforced by Munnell (1990a, 1990b, 1992), Mitra et al. (2002), and Easterly and Rebelo (1993), who studied this in the USA, India and in various countries. The impact of infrastructure development on productivity, according to Barro (1990), can be direct, but it can also be indirect. The indirect impact of infrastructure development on productivity is through increasing marginal product of private sector capital stock. If that is the case, then infrastructure development will have no impact on output per worker, but on Total Factor Productivity.

The impact of infrastructure development on labour productivity is derived from the research of Bogetic and Sanogo (2005) in Côte d'Ivoire, which found that infrastructure has an impact on labour productivity. Through these results, they argue that this will affect the decision-making

regarding the regional location of an industry. Similar results were found in Fedderke and Bogetic's (2005) study which use panels data for South Africa over the 1970-2000 period, and a range of 19 infrastructure measures. From their research, it can be concluded that infrastructure development has consistent and significant impacts on labour productivity. The tests conducted by Fedderke and Bogetic's (2005) on infrastructure capital stock and investment in the form of railways, roads, ports, air passenger traffic, telecommunications, and power generation, have resulted on the fact that infrastructure development in the form of railway, road, air passenger traffic, electricity generation and telecommunications has a significant impact on labour productivity.

Only development in the port sector alone does not have a significant impact on labour productivity. The direct significant impact of infrastructure development on productivity can also be found on UNESCAP (2006) paper, which states that providing faster motorized transport services (which require good paved roads) allows people to cut down significantly on their time in commuting to work or bringing their produce to the market, which can increase their labour productivity. Meanwhile, the indirect impact of infrastructure consumption on productivity could also be observed from Agenor and Neanidis (2006) and Agenor's (2009) study that discussed more details on a variety of channels that connect infrastructure development and productivity indirectly.

Finally, the provision of infrastructure could make possible the access to the resources and potential of remote areas. Infrastructure can effectively connect small and landlocked regions with bigger and more open regions so that the benefits of development could be distributed more equally (Munnell, 1990b; Duffy-Deno & Eberts, 1991; UNESCAP, 2006, p. 1; Estache, 2007, in Bourguignon & Pelskovic, 2007). Infrastructure, hence, is essential for facilitating the regions in their efforts to reduce poverty and achieve the Sustainable Development Goals (SDGs). Commonly known as *a Social Overhead Capital*, Kirmanto (2005, p. 1) emphasized that infrastructure is a key component in the government's efforts to attract more investment for the expansion of economy as well as the increasing of economic competitiveness. For a region, the availability of infrastructure has a very strong relationship with the level of development of the region. The region with better and more complete infrastructure systems typically have a higher rate of economic growth and prosperity compared to the region limited in their infrastructure completeness. Going forward, it is difficult to refute that the infrastructure will continuously play a major role in economic and social development of the region (Stevens & Schieb, 2007, in OECD, 2007).

Governance is the key to improving the outcome of infrastructure development. The practice of good governance would lead to better outcomes of infrastructure projects (Peterson & Muzzini, 2005, p. 212; Mansuri & Rao, 2013, p. 5). Governance practices such as active participation of

citizens or communities in infrastructure development can improve the quality of infrastructure, while at the same time help highlight local preferences to make infrastructure projects more efficient. Problems that often occur in infrastructure projects such as project delays, over-budget projects, and poor construction projects can be reduced or even eliminated by implementing governance practices in building infrastructure (OECD, 2015, p. 1).

Thus, the success of infrastructure development can be influenced by how governance principles are applied. Infrastructure projects carried out without applying governance principles such as transparency, for example, will result in a process of bidding and appointing winners that is not transparent and opens opportunities for corruption. In addition, the lack of citizen participation in public meetings will make infrastructure decisions that are detrimental to society such as causing environmental pollution. However, it should also be noted that there are conditions where sometimes governance practices do not always improve the outcomes of infrastructure projects. Community participation, as some studies show, was only effective in adjusting infrastructure development to community preferences but did not play a significant role in technical matters such as project design and site selection. Public participation in terms of supervision is also not always effective in reducing corruption because corruption can often only be monitored for things that are visible such as employee salaries or spending on goods. Overall expenditure on infrastructure projects is difficult to monitor using community participation because they are generally confidential and not to be freely published to the public (see for example Khwaja, 2004; Olken, 2007).

3.3 Infrastructure Development in Indonesia

3.3.1 Infrastructure Development during the New Order Era

In 1965 the New Order regime under Soeharto inherited an extremely poor (transport) infrastructure network. The shipping systems, ports, railroad lines, tramways, bridges, roads, and airfields built by the Dutch colonial government were badly damaged by the Second World War and subsequent revolutions and were never properly rehabilitated. At a time when the Dutch could no longer gain control of the countryside, and the new Indonesian government after independence lacked funds, these transport infrastructures were left in the conditions described by Dick and Forbes (1992, p. 260, in Booth (Ed.), 1992) as a "sorry state".

National roads, provincial roads, and district roads were almost entirely in 'bad' condition (the term 'bad' is not defined), especially district roads, which comprise the largest percentage of the total length of roads in Indonesia (about 60 percent). The railroad track had been under-maintained for years, causing its capacity to decrease by up to 70 percent of nominal capacity. The shipping system

was not optimal resulting in slowing port activities. The urban public transportation system had almost collapsed, with the modes of public transportation available in big cities such as Jakarta and Surabaya severely limited in terms of choice and number, consisting only of buses (operating after 1962), privately owned jitneys (jeepneys) known as *oplet* (Jakarta) and *bemo* (Surabaya), human-powered trishaw (rickshaws), and a number of taxis (Dick & Forbes, 1992, pp. 260-264).

A formal policy on transportation infrastructure in the New Order era was first introduced in the first *Rencana Pembangunan Lima Tahun/Repelita I* (Five Year Development Plan - 1969-1974) which focused on the rehabilitation of the transportation system (including transportation infrastructure). Under this *Repelita I*, the New Order government began to rehabilitate the transportation system, especially the road system, which was carried out with the support of a series of World Bank projects. The transportation system rehabilitation program continued on *Repelita II* (1974-1979), with added emphasis on the improvement and expansion of the transportation system, which continued on *Repelita III* (1979-1984) (Leinbach, 1986). With a slight change in priority in *Repelita IV* (1984-1989) which no longer focused on rehabilitation of the transportation system, *Repelita V* (1989-1994) placed transportation and tourism at the top of the sectoral list, with land transportation being the main priority of the Indonesian government, particularly in terms of spending on infrastructure.

In those five *Repelitas*, the New Order government place emphasize on infrastructure development, especially transportation infrastructure. Road improvements took place gradually between 1967 and 1985, succeeding in making the length of roads in Indonesia increased by 2.5 times compared to the conditions before the New Order ruled the country, also it led to the rapid growth of the number of vehicles. Road widening, especially in Jakarta, has led to disproportionate growth in the middle class who own vehicles. Road improvements, increasing speed and reducing transit times, also increasing the volume of inter-city transportation with more modern buses operating to meet the needs of longer inter-city trips, and Colts (Mitsubishi van fit for 12 passengers) serve inter-city travel with closer distances (Dick & Forbes, 1992, pp. 265-272).

During the 1970s, the New Order government through the programme of *Instruksi Presiden (Inpres) untuk Skema Kabupaten dan Desa* (Presidential Instruction for District and the Village Scheme) channelled government development budgets to develop feeder roads between villages and cities (Leinbach, 1986) to make access from village to city and vice versa becomes more reliable. By the 1980s, in most areas of Java, Bali and Lombok, transportation between villages and cities improved to be known as was fast, frequent, and inexpensive. The choice of transportation equipment has also increased, with bicycles, motorcycles, pick-up cars, buses or Colt being the

mode of transportation chosen by people to travel in that era. Also, in the 1980s the construction of highways on Indonesia's outer islands began, with Trans-Sumatra, Trans-Kalimantan and Trans-Sulawesi highways beginning to be built and further increasing the level of accessibility and mobility of the people in these areas (Dick & Forbes, 1992, pp. 271-272).

The active interest of the Soeharto's Government in developing infrastructure was marked by the construction of several large infrastructure projects that included not only the transportation sector, but also other sectors that supported development such as agriculture, health, energy and telecommunications. Major infrastructure projects such as national roads, toll roads and overpasses, large bridges, dams, airports, stations/terminals, power plants, hospitals, and telecommunications networks were built with considerable investment to provide adequate infrastructure for people of Indonesia.

To name a few, we can mention the Jagorawi (Jakarta-Bogor-Ciawi) toll road in West Java, Belawan-Medan-Tanjung Morawa toll road in North Sumatra, Surabaya-Gempol toll road in East Java, Barito bridge in South Kalimantan, Sigura-gura dam in North Sumatra, Gajah Mungkur reservoir in Central Java, Soekarno-Hatta airport in Jakarta, Ngurah Rai in Bali, and Sultan Hasanuddin in South Sulawesi, Gambir station in Jakarta, PLTA (power plant) Saguling in West Java, PLTA Maninjau in West Sumatra, PLTA Wadaslintang in Central Java, Purbalingga Regional Hospital in Central Java and Dharmais Cancer Hospital in Jakarta, and Palapa Satellite in the United States and TVRI TV Station in Jakarta (Kurnia, 2019) as evidence of infrastructure development undertaken by the New Order government. World Bank in their 1992 report "Indonesia: A Strategy for Infrastructure Development" praised the New Order Government for being active and focused in developing infrastructure by allocating funds for infrastructure that reached 40 percent of the government budget. World Bank praise was also given to Indonesia for having a long-term economic and infrastructure development plan in the form of *Garis-garis Besar Haluan Negara/GBHN* (a State Policy Outline) (Fauzie, 2019).

However, despite the considerable investment made by the Soeharto's government, infrastructure development has left many problems. In the transportation sector, for example, there are two problems namely operational and institutional which makes transportation infrastructure inadequate. From the operational side, the road system is still a bottleneck for freight movements. Road growth is considered not significant, where the total length of Indonesia's roads is far below that of other Asian countries. The Outer Island tends to be ignored in road construction programs compared to Java. Road construction still uses primitive methods and maintenance programs are inadequate. Urban transportation, inter-island trade, air transportation and telecommunications also have their

respective problems that have not yet been completely resolved with massive infrastructure development.

From an institutional standpoint, problems arise generally due to institutional deficiencies where there is little institutional reform. Transportation planning is still very centralized in the directorates general in Jakarta with low sensitivity to local needs. Each directorate general also acts as if they are an autonomous institution that does not want to coordinate with other directorates general even though they have overlapping responsibilities in terms of road construction and traffic management for example. The root of these problems, according to Dick and Forbes (1992, p. 276), is that the bureaucracy has tried to do too many tasks. They not only provide essential infrastructure, but also want to run transportation enterprises and regulate commercial operators. Although this tendency was inherited from the Old Order era, in the New Order era it was strengthened. The technocratic approach that encourages freer play for market forces does not apply in the transportation and communication sector.

The centralization of infrastructure development in the New Order era did not only occur in the transportation sector, but also in all sectors. In general, during the New Order era, the provision of local infrastructure services in Indonesia was developed and operated under deconcentration (regional administration) and devolution (regional government) systems which is multi-level and complex in nature. According to various studies, during that period the central government possessed the official authority to increase revenues and provide services (Davey, 1979; Devas, 1989; Galbraith, 1989; Walker, 1991; Leigland, 1993; Smoke & Bastin, 1993, in Smoke & Lewis, 1996, p. 1282). Local governments, in this occasion, only perform certain functions as part of the implementation of their dual role as an administrative sub-division of the central government and semi-autonomous regional governments.

As the owner of the greatest authority to increase revenue and provide services, it was the responsibility of the central government and their vertical agencies in the region to cooperate with provincial and local government agencies in planning development projects and providing infrastructure services. *Bappenas* (National Development Planning Agency) in this case is a representative of the central government that plays the role and has the responsibility to coordinate with *Bappeda* (Local Development Planning Agency) as local government representatives at the provincial and district levels. The Five-Year Development Plan (*Rencana Pembangunan Lima Tahun/Repelita*) was a planning product prepared by Bappenas every five years and was used by Bappeda as a basis for preparing regional plans. But unlike what prevails in Western countries,

which implies a clear division of service functions between central and local government, in Indonesia it remains absent.

Smoke and Lewis (1996, p. 1282) argued that the service functions are not divided explicitly among the central and local government. In that period, service provision followed complex pattern and the implementation is not uniform across the region. There is often overlap in the service delivery process, whereby the process of financing, provisioning, and or a combination of them is even conducted by more than one level of government. Certain services that are the responsibility of local governments, such as urban water supply, solid waste management, and local road construction, in some cases frequently involve higher levels of government in terms of planning, design, finance and/or implementation.

To overcome these problems, a number of efforts were made by the New Order government to establish representative decentralization institutions and to increase the level of regional autonomy, but political considerations often hampered these efforts. The turning point was 1974, which was marked by the enactment of Law No. 5 Year 1974 on the Basic Principles of Government at the Regional Level. Through this Law, local governments were given the opportunity to engage widely in the provision of public services (Davey, 1979; Devas, 1989). The introduction of the Law was initially driven by pressure from some provinces and opposition groups at the central level who were dissatisfied with the public services provided by the Central Government. The pressure ultimately created an environment conducive to the implementation of this Law. Law No. 5 Year 1974 significantly increased awareness of the potential and benefits of decentralization for the improvement of public services and provides a clear legal basis for further action in the future Smoke and Lewis (1996, p. 1282).

After the implementation of the law, the Government of Indonesia issued another policy on urban development in 1987 summarized in "Urban Development Policies in Indonesia". Through this policy, local governments were given the authority to carry out the development and operation of various urban services, with which they will concretely identify a number of responsibilities regarding the provision of public services. In general, the policy includes measures to strengthen local resource mobilization capabilities; improve urban infrastructure finance systems; build institutional, human resources, and decentralized procedural capacity; and improve coordination among agencies and levels of governments involved in the development of urban public services (Smoke and Lewis, 1996, pp. 1295-1296).

However, prior to the issuance of urban development policies, various decentralization initiatives have been undertaken by various ministries. One of the most notable initiatives was the Integrated

Urban Infrastructure Development Program (UIDP) initiated and issued by the Ministry of Public Works in 1985. UIDP was specifically launched with two main objectives. *Firstly*, it aimed to change the delivery pattern of infrastructure projects from previously specific to certain sectors to the integrated management and organization of the overall urban development process (Bastin, 1987). *Secondly*, it also sought to strengthen the capacity of local governments to determine, plan and implement their own priority services, in contrast to the traditional top-down approach that has been done earlier (Smoke and Lewis, 1996, p. 1283). The second objective of the UIDP was supported by the Ministry of Home Affairs, which simultaneously undertook a range of initiatives such as the strengthening of local government capacity in technical matters, including capital investment programming, revenue administration, service operations, maintenance management, and financial and accounting planning. Unfortunately, these two initiatives - Urban Development Policies and UIDP - were not well coordinated so the results were fell short of expectations (Smoke & Bastin, 1993).

In addition to those two initiatives, the New Order Government also launched another initiative, namely the Urban Development Coordination Team (*Tim Koordinasi Pembangunan Perkotaan/TKPP*), established in 1987 through joint decree of the Ministry of National Development Planning (Bappenas), Ministry of Finance, Ministry of Home Affairs, and Ministry of Public Works. The objective of this initiative was to coordinate the formulation of integrated urban development policies (Smoke and Lewis, 1996, p. 1296). TKPP was tasked with the following responsibilities: (1) organize the institutional framework for urban development; (2) coordinate the integrated urban development policies and programs; (3) coordinate institutional development through training and technical assistance; (4) initiate, prepare, approve and implement infrastructure projects; and (5) conduct project monitoring and evaluation.

Commenting on a series of initiatives above, Smoke and Lewis (1996, p. 1284) view that their impact on infrastructure development and on the provision of public services was limited. The most obvious indicator is that infrastructure development lags far behind the targets set out in the Five-Year Development Plan (*Repelita*) V for the period 1989-1994. The study of Bastin and Smoke (1991) and Bastin and Azis (1992) reveals strong indications that projects developed in many areas do not precisely match local priorities and needs. This is partly due to the continued dominance of the Central Government in the process of planning and implementing such projects. Infrastructure development in this era was still largely done by sectoral ministries of central government involved in the provision of public services. Most of them have policies in accordance with the interpretation of Law No. 5 of 1974, which only provides an opportunity for local governments to provide services if explicitly declared by official decisions and regulations.

Local government empowerment efforts were not effective. Many cases reported the failure of the central government to empower local governments, for example in the establishment of specialized departments to carry out specific tasks assigned to local governments. The central government was also perceived as failing to provide sufficient staff and adequate access to funds to achieve the goals of effective and efficient public services. As a result, the technical ministry of the Central Government retained the primary responsibility for the development of services that should formally be under the jurisdiction of the provincial or local government. This happened in many parts of Indonesia, except for several big cities such as Jakarta, Surabaya, Bandung, and Medan (PT Hasfarm Dian Konsultan and DHV Consulting Engineers, 1989).

Additionally, the Central Government was also deemed not to make optimum efforts to build local capacity in planning and implementing infrastructure projects. For example, to provide documents related to IUIDP and other programs, the Central Government entrusted outside consultants to carry out the task. The consultants are appointed to prepare all or part of the documents by the Central Government, controlled for their performance, to be subsequently paid by the Central Government after submitting the results (Smoke and Lewis (1996, p. 1284). The unfortunate consequence of the continuing practice is the low sense of ownership of local government officials to infrastructure projects developed in the region. They considered that these infrastructure projects were external planning and did not involve them as stakeholders in the regions, and therefore they considered that the projects were not their identities and did not need support in their implementation.

In summary, infrastructure development in this period was a priority and received considerable budget and investment. However, a prominent characteristic of infrastructure development in this era is that it was highly centralized, emphasized the role of the central government in determining the direction and aspects of infrastructure development. The central government had not seriously wanted to decentralize infrastructure development and had not prioritized the role of local governments in developing infrastructure, even though efforts in that direction had already begun. The planning and implementation of infrastructure projects continued to be under the control of the central government, while the role of local government was very limited and tended to be considered unimportant. In this era projects took a long time to complete and were costly.

3.3.2 Infrastructure Development in the *Era Reformasi* (Reform Era)

In this sub-section, the discussion will be divided into two parts. First, infrastructure development after the Asian economic crisis but before the implementation of Law No. 22 of 1999 concerning Regional Government (1997-2000), secondly, infrastructure development after the implementation of decentralization law (2001 - present).

3.3.2.1 *Infrastructure Development After the 1997 Crisis*

As is generally known, the 1997 Asian financial crisis was very severe, hitting the economies of many developing countries including Indonesia. It not only destroyed much of the development achieved under the New Order regime (1966-1998), but also toppled the regime's leader, Soeharto, who had been in power for 32 years. In the context of infrastructure, the Asian financial crisis has adversely affected the condition of Indonesia's infrastructure. Political uncertainty after the crisis caused the overall quality of infrastructure to decline dramatically (Negara, 2016).

In the 1990s, before the financial crisis, annual infrastructure investment (a combination of government and private investment) reached 5 percent of GDP. But after the economic crisis hit Indonesia, it fell dramatically to a level below 2 percent of GDP in 2000. Private investment commitment dropped significantly from 2 percent of GDP in the mid-1990s to its lowest point of 0.1 percent of GDP in 2000. Government investment also experienced the same thing, where infrastructure investment (central and regional) which previously accounted for nearly 3 percent of GDP, after the economic and monetary crisis, it fell deeply to its lowest level of only 1.1 percent of GDP in 2000. Private investment, before the crisis, was distributed across the infrastructure sector including energy, clean water and sanitation, transportation, and telecommunications. But since the crisis, it has only been concentrated in the telecommunications sector (World Bank, 2007, p. 80).

The low investment in infrastructure was inseparable from the state's financial condition shortly after the crisis. Standard Chartered saw a link between the low realization of infrastructure development and the tight fiscal and monetary policy of the government at that time. Immediately after the crisis, the government focussed their attention on fixing more basic economic issues and the issues that require more rapid handling such as currency devaluation, foreign capital outflows, and political and social instability threatening national unity. Government needed to reorganize state budget more precisely, and therefore had to sacrifice some sectors (Saleh, Rahawarin & Cahyani, 2014). The financial crisis also forced the government to adopt fiscal prudence, resulting in a significant reduction in the state budget for infrastructure development, where the budget allocated to this sector was limited to maintenance and not to develop new infrastructure (World Bank, 2004, p. 1; Hui, 2011). This fiscal prudence continued for several years after the crisis, which in turn led to slow infrastructure development with a relatively limited budget.

In the post-crisis period (1998-2000), low infrastructure development was also affected by the cancellation of many infrastructure projects (Mustajab, 2009). The study of ADB, Japan Bank for International Cooperation and the World Bank (2005) revealed that under the pressure of the economic crisis resulted on the rapid decline of currency values, and the bursting of the global

capital market bubble, many private infrastructure agreements were renegotiated (voluntary or forced), which ultimately destroyed investors' perceptions and beliefs. For Indonesia, data from the World Bank PPI Database 2005 stated that the value of cancelled private infrastructure investments reached 4,736 million dollar or exceeded 15% of total private investment plans in infrastructure projects development in Indonesia (ADB, Japan Bank for International Cooperation and the World Bank, 2005, pp. 27-28). World Bank (2004, p. 4) illustrates that:

“The economic crisis contributed to the severity of Indonesia’s infrastructure woes. Immediately after the economic crisis, many planned private and public infrastructure projects were suspended by, and the financial viability of active private projects was eroded by the Rupiah’s plunge. Overall, public spending on infrastructure has dropped by 80 percent from pre-crisis levels. In 1994, the central government spent almost \$14 billion USD on development, 57 percent of this for infrastructure. By 2002 development spending had plunged to less than \$5 billion, of which only 30 percent was for infrastructure. Private investment in infrastructure also plummeted by over 90 percent from its peak in 1996, to its low in 2000.”

The massive capital outflows from Indonesia and strong currency speculation that occurred during the economic and monetary crisis also increased public sentiment towards foreign investment. The pressure to undertake comprehensive reforms has made civil society more vocal and critical in responding the government policies, including private participation, financial management and tariff adjustments. Due to these conditions, private investor’s interest to invest in infrastructure sectors declined sharply, while the government became more cautious in responding the scepticism of the public. The most perceived impact is the delayed development of infrastructure.

After the economic crisis, the condition of infrastructure in Indonesia was increasingly worrisome. In the midst of such intense economic pressure the two presidents who led at the time (1998-2001), Habibie and Abdurrahman Wahid (Gus Dur), could not do much in developing infrastructure. During his reign (May 1998-October 1999), Habibie did initiate the development of the 4,330 km Trans-Papua road, stretching from Sorong to Merauke (whose construction was continued in the era of President Jokowi) and working on its construction sporadically (Prabowo, 2019). Abdurrahman Wahid, who ruled from October 1999 to July 2001, meanwhile, could inaugurate two major infrastructure projects namely the Wonorejo Dam in Tulungagung, East Java and Sultan Syarif Kasim II Airport in Pekanbaru, Riau (Kurnia, 2019).

During that period, many indicators of infrastructure in Indonesia deteriorated both in terms of quantity and quality (World Bank, 2007, p. 75; Pisu, 2010, p. 5). In Java and Bali, there was electricity load-shedding, a condition that is inversely proportional to some other main islands, which experienced a serious shortage of electrical supply. The low quality of infrastructure in post-

crisis Indonesia has resulted in the declining quality of life and the environment. The World Bank data show that there are about 90 million, mostly poor, people who did not have access to electricity (World Bank, 2004, pp. 2-3). Severe congestion occurred in many streets of urban areas, especially in the working days and rush hours. The construction of new toll roads was still in the preparation stage and therefore did not reduce congestion. Maintenance of existing roads was poor, especially in district networks, where nearly 50% of district roads were categorized as in poor or bad condition. The number of people connected to piped water had decreased, while the percentage of people who lived without access to clean water actually increased.

Various problems above are a continuation of the conditions that existed before the crisis.

According to the World Bank (2004, p. 4), prior to the crisis, public services related to infrastructure such as water, electricity, roads and telecommunications have already suffered from poor institutional and regulatory frameworks, and uncontrolled corruption.

In short, it can be said that infrastructure development in the period after the 1997 economic crisis was a low priority, even worse compared to the New Order era. The dramatic decline in infrastructure investment due to reduced private investment commitments and the government's inability to finance infrastructure development further exacerbated infrastructure conditions in Indonesia. Limited budgets made infrastructure development in Indonesia fall behind when compared to other countries in the region. Infrastructure development in Indonesia was in a critical condition and it made investors unsure about investing in Indonesia.

3.3.2.2 *Infrastructure Development After the Implementation of Decentralization Law*

Strong centralization carried out by the central government in the New Order era resulted in the absence of regional creativity. In this context, the regions, in addition to not having enough money, were also not equipped with the authority to regulate their own territory. What followed was that the regions were highly dependent on the central government (Setyadi, 2020). From the perspective of power, centralization is seen to have curbed the authority of regional governments in various fields, particularly in relation to the management of natural resources owned by the region. Regions that are rich in natural resources were dissatisfied and felt unfairly treated by the central government. Local governments saw centralization as only benefiting a small portion of the regional elites in collaboration with central government elements. That feeling had peaked when Soeharto was removed from power.

In addition to government reform, the regions began to expect changes in the relationship between the centre and the regions. The low political legitimacy of the central government has given further

strength to demands change, whether it is related to natural resources based on the broadest autonomy, or changes to the form of the state, including autonomous rule (Huda, 2005).

The regions, subsequently, demanded the implementation of decentralization, which transferred much authority to the regions. This demand was very loudly voiced by the regions, especially those who are rich in natural resources such as Riau, Kalimantan, Aceh and Papua. The regions put pressure on the central government to immediately implement decentralization. The enormous pressure from the regions eventually forced the central government to take essential steps in responding to these demands. Habibie who ruled at that time accommodated the demands of the region by forming a team known as Team Seven, which was tasked with formulating the concept of decentralization or regional autonomy for Indonesia (Setyadi, 2020).

In 1999, the Habibie Government finally enacted Law No. 22 Year 1999 on Regional Government and Law No. 25 Year 1999 on the Fiscal Balance between the Central and Regional Governments. The enactment of these two laws has transferred almost all the central government's political and financial functions to local governments, except for some vital functions that affect the nation such as foreign policy, defense and security, fiscal and monetary, judicial, and religious affairs (World Bank, 2004, p. 34; Chowdhury, Yamauchi & Dewina, 2009, p. 3; Utomo, 2011, p. 245; Hamid, 2013, p. 24; Nasution, 2016, p. 4). Law No. 22 Year 1999 has granted the local governments the authority to execute 11 obligatory functions. Law No. 22 Year 1999 revised by Law No. 32 Year 2004 concerning Regional Governments which gives regional governments the responsibility to perform 15 mandatory functions (Table 3.1) (Eckardt & Shah, 2007, p. 240).

Table 3.1: Obligatory Functions of Local Government under Law No. 22 Year 1999 and Law No. 32 Year 2004

Law No. 22 Year 1999	Law No. 32 Year 2004
Infrastructure (public works)	Development planning and control
Health	Planning, utilization, and supervision of zoning
Education	Public order and peace
Agriculture	Providing public means and facilities
Communication	Handling of health sector
Industry and Trade	Education
Cooperatives	Social affairs
Land Administration and Zoning	Employment promotion
Capital Investments	Facilitating the development of cooperatives and small and medium-size business
Environment	Environment
Employment Promotion	Agriculture
	Demographics and civil registry
	Administration affairs
	Capital investments
	Other mandatory affairs as instructed by the laws and regulations

Law No. 22 Year 1999 and Law No. 32 year 2004 principally decentralized political and economic responsibility directly to districts and municipalities and provided them the opportunity to engage more broadly in the provision of public services to satisfy local interests (Hamid, 2013, p. 3; Nasution, 2016, p. 1). These two laws also transferred the responsibility and authority to local governments to determine the size and structure of budget expenditures (Nasution, 2016, p. 4).

Decentralization in Indonesia was only effectively brought in on January 1, 2001, during the leadership of President Abdurrahman Wahid. In the era of Megawati's leadership, (July 2001-October 2004), attention to infrastructure development, as with the two previous presidents, was also not substantial. The economy had not fully recovered from the financial crisis. At the beginning of her leadership, Megawati was more focused on improving relations with the IMF in order to renew the IMF assistance program that was stopped. She also focused on efforts to build political stability that had been damaged after the Asian economic crisis and the fall of the New Order that led Indonesia into the Reform era. The Megawati government was considered to be quite successful in building macroeconomic stability, partly because of institutional development (making Bank Indonesia independent in taking monetary policy) and restructuring the Ministry of Finance to implement fiscal discipline.

However, the Megawati government was less successful in carrying out micro reforms especially in improving the investment climate (Aswicahyono & Christian, 2007). Direct investment during Megawati's presidency was recorded negatively during the first semester of 2004. This might also be one of the reasons that infrastructure development did not work, namely because there were very few investments coming into Indonesia during that period. In 2004, Megawati lost the direct presidential election and was replaced by Susilo Bambang Yudhoyono (SBY).

SBY's government succeeded in solidifying economic and political stability in a young democratic country. Its efforts to strengthen economic and political stability have earned Indonesia a better investment grade rating from Fitch and Moody's (Negara, 2016). Sound macroeconomic and financial policies during SBY's administration also enabled Indonesia to survive the 2008 global financial crisis.

In the SBY administration, infrastructure development became a priority to support economic growth. To attract investors to be involved in various infrastructure projects, the SBY government held two Infrastructure Summits in 2005 and 2006. The former was attended by more than 500 investors, the latter was attended by more than 1,000 investors, both domestic and international

(Aswicahyono & Christian, 2007; Negara, 2016). However, the two summits failed to attract investors to participate in various infrastructure projects offered. According to Soesasto and Atje (2005) and Negara (2016), this was due to the failure of the SBY government to carry out reforms and produce the regulations needed to improve the infrastructure investment climate. As a result, Indonesia continued to experience an infrastructure deficit during SBY's administration (Aswicahyono & Christian, 2007).

Hill (2015, in Aspinall, Mietzner & Tomsa, 2015) noted that although a number of reform efforts were made to promote infrastructure development, the progress was actually quite disappointing. Indonesia continued to lag behind competitors in a number of infrastructure and logistical quality indicators. The amount of new infrastructure investment was very far from the needs and was hindered by many regulatory obstacles, causing the Indonesian economy to be high cost and very inefficient.

There were however, several infrastructure projects successfully built by SBY during his administration, which included toll road (the Sadang-Cikamuning toll road which is part of the Cipularang toll road), three large bridges (Tukad Bangkung Bridge in Badung, Bali, Pasupati Bridge in Bandung, West Java, and Suramadu Bridge in Madura, East Java), four airports (Kualanamu in Medan, North Sumatra; Achmad Yani in Semarang, Central Java; Zainuddin Abdul Madjid in Lombok, NTB and Raja Haji Fisabilillah in Tanjung Pinang, Riau Islands), five stations/terminals in North Sumatra, Riau, Bali and Central Java, as well as three PLTA namely PLTA Asahan I in Toba Samosir, North Sumatra, PLTA Karebe in South Sulawesi, and PLTU 2 in Cilacap, Central Java (Kurnia, 2019).

The SBY government also inherited a development document known as the MP3EI (Master Plan for the Acceleration and Expansion of Indonesia's Economic Development) 2011-2025 which was launched in 2011 to boost investors' confidence. This document provides strategic direction for key development targets, including estimated financial needs for major infrastructure projects. It was launched as a form of SBY government's commitment to increase infrastructure investment in which the private sector was encouraged to join through PPP (Negara, 2016). Ninety PPP projects worth IDR536 trillion (USD47 billion) are offered by MP3EI. However, due to lack of funding and institutional capacity to implement these projects, as of the end of 2014, only three projects had reached the groundbreaking stage. An explanation of PPP has been given in Chapter 2: Literature Review.

With regard to decentralization, Megawati and SBY led Indonesia when decentralization was just implemented. In this context, it is quite difficult to expect that the decentralization would produce

optimal results for infrastructure development in the era of leadership of the two presidents, because in practice, decentralizing public services such as infrastructure is not an easy task and takes a long time. At its very young age, decentralization in Indonesia was still searching for the most ideal form. Several issues remain, especially those related to the readiness of local governments to accept responsibility for infrastructure development.

Hamid (2013, p. 15) mentions that one of the biggest issues to be faced after decentralization is the limited capacity of local government administrations to allocate budgets to develop infrastructure and to provide quality public services. This view is echoed by Kannan and Morris (2014) who stated that the lack of capacity and qualified human resources are the main issues of infrastructure development by local governments in Indonesia. The unfortunate fact, according to Nasution (2016, p. 1) is that the number of good financial managers in the region is very limited. The central government, in this case, tended to keep the development experts under their jurisdiction rather than transfer them to local governments to assist infrastructure development planning and implementation during the decentralization process (Kannan & Morris, 2014, pp. 5-6).

Under these conditions, the regional heads then became very instrumental figures in the budget allocation process to provide public services, especially in terms of infrastructure development. Usman's (2001) study revealed that regional heads, together with senior staff and local representatives (DPRD), have full authority to determine the direction of public services including developing infrastructure. In this context, regardless of whether the regional head undertaking consultation with the local community regarding the type and number of public services to be provided, their wishes are the most important thing in ensuring the availability of infrastructure and public services in their jurisdiction. In many cases when the capacity to deliver public services is very limited, what frequently occurred is that local government budgets are used primarily to finance their operational expenses, such as to build offices or to buy cars, rather than to develop infrastructure facilities that will improve public services (Usman, 2001, p. 18).

World Bank's (2007, p. 82) study indicates that the infrastructure development expenditure of local governments after the implementation of decentralization laws did not match their real income growth rates. On the one hand, it may be due to the varied priorities of regional development. In this regard, the education and health sectors are given top priority so that the expenditure portion of both sectors increases from year to year. On the other hand, the World Bank believes that this may also be a reflection of the limited ability of local governments to increase infrastructure investment. Frequently many local governments prefer to save their money in the banks in form of deposit rather than investing it in infrastructure projects. It is recorded that from January 2001 to April

2006, the local governments' deposits in Indonesia rose sharply from less than IDR10 trillion (AUD1 billion) to over IDR70 trillion (AUD7 billion) (World Bank, 2007, p. 82).

Another major issue is related to lack of coordination among institutions in Indonesia. At the central government level, the lack of coordination is reflected in the unclear division of authority among the various ministries and agencies responsible for infrastructure development after the implementation of the Decentralization Law (Purra, 2010, in Pisu, 2010, p. 10). In this context, Purra argues that the absence of the institution that specifically functions to coordinate and lead the process of planning, implementation and monitoring of infrastructure projects on a timely basis, and the fact that there is no institution that has special expertise in these three matters, it has created inefficiency in developing infrastructure in Indonesia. The Ministry of Finance, the Coordinating Ministry of Economic Affairs, and the Ministry of National Development Planning (Bappenas) each has different functions regarding infrastructure development. Pisu (2010, p. 10) asserts that lack of coordination and capacity as one of the reasons why the infrastructure budget is often under-spent, with spending concentrated at the end of the year. At the local level, the lack of coordination is illustrated in inaccurate infrastructure investment decisions and the occurrence of over-investment cases in various regions (World Bank, 2004, p. 36).

While issues such as limited local government capacity to develop infrastructure and weak coordination between ministries and agencies of central government and inter-regional government remain, another issue that needs more attention is the issue of sufficient budget to carry out public service responsibilities such as infrastructure development. In fact, when the new Decentralization Law was implemented, the local governments often did not have sufficient budget to undertake these responsibilities (Bahl & Bird, 2013, p. 12). Although the local government under Law No. 22 Year 1999 has been given significant authority to determine the size and structure of their budget expenditures, the capacity of local governments to collect taxes, to impose levies, or to borrow is still very limited (World Bank, 2004, p. 36; Nasution, 2016, p. 5).

Nevertheless, the condition is increasingly improved with the introduction of Law No. 17 Year 2003 on State Finance, and Law No. 32 Year 2004 on Regional Government revising Law No. 22 Year 1999. Through these two laws, local governments are permitted to borrow from domestic sources such as central government, other regional governments, bank financial institutions, non-bank financial institutions, and the public, to help finance the implementation of local government and the implementation of public service functions in accordance with national standards. The local governments are also allowed to issue local bonds/debt with approval from local parliament (DPRD) and to borrow from foreign debt, once approved by Minister of Finance based on

consideration from Minister of Home Affairs. The adoption of these two laws has positively assisted local governments to better manage their budgets and provide the ability to fulfil infrastructure development responsibilities. However, based on the World Bank's (2004, p. 91) study, positive changes have actually occurred in the local government's infrastructure spending pattern since the enactment of Law No. 22 Year 1999.

In general, World Bank (2004, p. 91) valued that since the implementation of Law No. 22 Year 1999, local governments began to pay attention to infrastructure development, one of which is by increasing infrastructure development budgets. From 2000 to 2004, it is noted that the contribution of local governments to national infrastructure development budgets increased from 35 percent to 55 percent (World Bank, 2007, p. 81). Of these, the provincial government contributes 20 percent, while the district/municipal government contribute 35 percent to the national infrastructure budget. The contribution of the central government, meanwhile, has decreased gradually in line with the transfer of infrastructure financing authority to local governments. In 2000, the central government still contributed 65 percent of the national infrastructure development budget. But in 2004, the central government only contributed about 45 percent of the national infrastructure development budget. In this context, it can be argued that decentralization has brought positive changes to the development of national infrastructure, where local government contributions are increasingly equivalent to the central government in terms of infrastructure development budgets (World Bank, 2004, p. 92). In addition to improving infrastructure budgets, local governments in the early days of decentralization also began to do different things compared to New Order era. New initiatives in planning and budgeting, as well as public services delivery have begun. East Lombok, North Sumatera, and Sukabumi are the examples of local governments that adopt new approaches in implementing regional autonomy (World Bank, 2003, p. 20).

To summarize, this thesis concludes that the conditions of infrastructure development in Indonesia in the Reformation Era - after the 1997 Asian financial crisis and after the implementation of the Decentralization Law - are generally still inadequate. The administrations of Megawati and SBY were constrained, and capacity of local government was limited. However, decentralization also presents a positive side where it helps local governments to better manage their budgets and provide the ability to fulfil the responsibilities of infrastructure development. It also helps improve local government infrastructure spending patterns and increase local government attention to infrastructure development. Decentralization also enhances the role of local government, while at the same time reducing the role of the central government in infrastructure development. In the next section, thesis will discuss the current status of infrastructure development in Indonesia.

3.3.3 The Current Status of Infrastructure Development in Indonesia

The previous section has provided an explanation about the condition of infrastructure development in Indonesia in the New Order era and in the Reform era. While decentralization has been running for approximately fifteen years, the condition of infrastructure in Indonesia is actually not much better compared to the condition in the New Order era and in the Reform era.

Declining national road developments, the number of damaged roads and high levels of congestion, severe power shortages and frequent rotating blackouts, inadequate connectivity, poor quality of logistics service providers, high numbers of populations without access to sources of drinking water and the high percentage of the population living without access to sanitation are the issues that illustrate the inadequacy of infrastructure in Indonesia (see Tambunan 2006; Yoo & Kim 2006; Aswicahyono & Friawan 2008; Pamungkas 2009; Gibson & Olivia 2010; Lee 2015; Junoasmono 2015; Patunru 2015; WHO & UNICEF 2015; Ministry of Public Work and People's Housing of Indonesia 2016; and RAM Ratings 2016).

According to the Global Competitiveness Report released by World Economic Forum, Indonesia's infrastructure index during the period 2014-2016 fluctuated, but generally remain poor (Table 3.2).

Table 3.2: Indonesia's Infrastructure Index based on the Global Competitiveness Index

		Global Competitiveness Index (GCI)					
		2014-2015		2015-2016		2016-2017	
		Rank (out of 144)	Score (1-7)	Rank (out of 140)	Score (1-7)	Rank (out of 138)	Score (1-7)
	Overall GCI	34	4.6	37	4.5	41	4.5
	2nd Pillar: Infrastructure	56	4.4	62	4.2	60	4.2
2.01	Quality of overall infrastructure	72	4.2	81	3.8	80	3.8
2.02	Quality of roads	72	3.9	80	3.7	75	3.9
2.03	Quality of railroad infrastructure	41	3.7	43	3.6	39	3.8
2.04	Quality of port infrastructure	77	4.0	82	3.8	75	3.9
2.05	Quality of air transport infrastructure	64	4.5	66	4.4	62	4.5
2.06	Available airline seat km/week, millions*	14	2,622.9	15	2,842.6	14	3,228.4
2.07	Quality of electricity supply	84	4.3	86	4.1	89	4.2
2.08	Mobile telephone subscriptions/100 pop.	54	121.5	49	126.2	38	132.3
2.09	Fixed telephone line/100 pop.	71	16.1	80	11.7	86	8.8

Source: World Economic Forum 2014, 2015, 2016, modified by author.

This shows that for a three-year period, infrastructure development in Indonesia failed to receive sufficient attention, as evidenced by the persistence of Indonesia's infrastructure rank at the middle level of the countries with the best infrastructure condition at the global level. The fluctuation of Indonesia's infrastructure rankings also indicates that Indonesia's infrastructure development performance remains unstable, so it has not been able to significantly increase its global infrastructure ranking. In this context, Indonesia is expected to at least be able to approach its nearest neighbour, Malaysia, in terms of infrastructure availability

In comparison, Indonesia's infrastructure rankings are far behind its nearest neighbours, Malaysia and Singapore. Malaysia ranked 25th, 24th, and 24th in the Global Competitiveness Index 2014-2016. Singapore occupied the 2nd rank in the Global Competitiveness Index from 2014 to 2016. Indonesia was closer to Thailand, which ranked 48th, 44th, and 49th consecutively from 2014 to 2016. This has implications for the willingness of investors to invest in Indonesia.

A survey by the World Economic Forum in 2014-2016 on the most problematic factors for doing business shows that 'inadequate supply of infrastructure' in Indonesia is considered to be one of the 16 most problematic factors for doing business in the country (Table 3.3).

Table 3.3: Top 5 Most Problematic Factors for Doing Business in Indonesia

No	The Global Competitiveness Report					
	2014-2015		2015-2016		2016-2017	
	Factors	Percentage	Factors	Percentage	Factors	Percentage
1	Corruption	15.7	Corruption	11.7	Corruption	11.8
2	Access to financing	10.6	Inefficient government bureaucracy	10.6	Inefficient government bureaucracy	9.3
3	Inflation	9.5	Inadequate supply of infrastructure	9.6	Inadequate supply of infrastructure	9.0
4	Inefficient government bureaucracy	8.3	Policy instability	8.7	Access to financing	8.6
5	Inadequate supply of infrastructure	7.5	Access to financing	8.4	Inflation	7.6

Source: World Economic Forum 2014, 2015, 2016, modified by author.

Table 3.3 shows factors that hinder investment in Indonesia and that "inadequate supply of infrastructure" is perceived as a serious impediment.

3.4 Measures and Strategic Actions Undertaken by the Government to Accelerate Infrastructure Development in Indonesia

Over the years, the Indonesian Government continues to work on increasing the infrastructure budget in order to accelerate infrastructure development in Indonesia and to reduce the infrastructure development gap with other countries. Nevertheless, the obstacles remained which mainly due to the limited fiscal capacity of the Government to finance the entire infrastructure development projects. One of the major factors limiting the government's fiscal capacity is the great amount of budget for subsidies, particularly energy (fuel and gas) subsidies.

The study by Clements, Jung and Gupta (2007) and Agustina et al. (2008) suggested that many countries, especially developing countries such as Indonesia, are experiencing strong fiscal pressures due to the large amount of energy subsidies provided. Agustina et al. (2008, pp. 15-16) found that energy subsidies, especially fuel subsidies, are not an appropriate way to achieve an ideal social safety net. Subsidies also narrow fiscal space and create opportunities for corruption and smuggling. According to Mourougane (2010, p. 6), Indonesia is one of ten non-OECD countries that is most generous in providing subsidies in the world, especially for oil/fuel subsidies. In contrast, many OECD countries have reduced or eliminated direct subsidies to fossil fuels and raised prices for more than two decades (IEA, 2008a, in Mourougane, 2010, p. 10). Mourougane's (2010, p. 11) study in Indonesia elaborated that energy subsidies required significant costs, especially for economic, fiscal, social, and environmental costs.

At the beginning of his presidency, the first major step undertaken by President Jokowi was to cut the subsidy budget by nearly IDR180 trillion (AUD 18 billion) to provide greater fiscal space for development. Additional budgets obtained from subsidy reductions were subsequently diverted to finance infrastructure development. In 2015, at the beginning of Jokowi's leadership era, infrastructure budget in *Anggaran Pendapatan dan Belanja Negara Perubahan/APBN-P* (2015 Revised State Budget) increased drastically by IDR84 trillion (from IDR206.6 trillion to IDR290.3 trillion) or 41 percent compared to 2014 infrastructure budget under President SBY (Detik.com, 2015a).

This significant reduction of fuel and LPG subsidies gave the Jokowi's Government a substantial budget increase that could be used to undertake more productive development, one of which is developing infrastructure. Through the reduction of subsidy budget, especially in energy subsidy, and the increase of infrastructure budget, it was clear from the beginning that Jokowi's administration wanted to affirm its commitment to fulfil the promise of massive infrastructure development in Indonesia. In addition to those two strategic actions, the Government has also taken

various responsive and anticipatory steps, namely: (1) improvements to various government regulations that have been ineffective in promoting the acceleration of infrastructure development; (2) creation of new regulations that further support acceleration of infrastructure development; and (3) implementation of fiscal, institutional and regulatory reforms.

A detailed explanation regarding point (1) improvements to various government regulations that have been ineffective in promoting the acceleration of infrastructure development can be seen in Appendix 1 for the issue of *Land Procurement* (issuance of Presidential Regulation 30/2015 to improve Presidential Regulation 71/2012), the issue of *Management of State-owned Property* (issuance of Minister of Finance Regulation 65/2016 to improve Minister of Finance Regulation 164/2014), and the issue of *Appointment of State-owned Enterprises as Construction Service Provider* (issuance of Government Regulation 79/2015 to improve Government Regulation 29/2000 concerning Construction Service Provider).

Meanwhile, a detailed explanation of point (2) the creation of new regulations that further support the acceleration of infrastructure development can be observed in Appendix 1 on the issue of *Public Private Partnership (PPP)* (issuance of Presidential Regulation 38/2015, Minister of Finance Regulation 190/2015, Minister of National Development Planning Regulation 4/2015, and Regulation of Head of Agency for Policy on Goods / Services Procurement (LKPP) 19/2015), on the issue of *Acceleration of the Provision of Priority Infrastructure* (issuance of Presidential Regulation 75/2014, Coordinating Minister of Economic Affairs Regulation 12/2015, Presidential Regulation 3/2016, and Presidential Instruction 1/2016), on the issue of *Land Procurement* (issuance of Law 2/2012, Government Regulation 40/1996, Coordinating Minister of Economic Affairs Decree 4/2016, Minister of Agrarian and Spatial Plan Regulation 9/1999, and Head of Agency for National Land Regulation 5/2011), on the issue of *Infrastructure Guarantee* (issuance of the Presidential Regulation 78/2010 and Minister of Finance Regulation 260/2010), the issue of *Preparation and Implementation of Transactions* (issuance of the Minister of Finance Regulation 265/2015), and on the issue of *Management of State-owned Property* (issuance of Government Regulation 27/2014 and the Minister of Finance Decree 102/2016).

Furthermore, a detailed explanation of point (3) implementation of fiscal, institutional and regulatory reforms can be seen in Appendix 2 which explains the reforms carried out in each field complete with the names of the programs, their objectives and facilities provided by these programs. The next sub-section will discuss the problems, obstacles, and challenges in developing infrastructure in Indonesia.

3.5 Problems, Obstacles, and Challenges in Developing Infrastructure in Indonesia

Research findings suggest that the most common problem is the lack of infrastructure financing sources. Following this are weak coordination between institutions and hasty preparation of the feasibility study (FS), lack of public consultation, regional political leadership, slow issuance of principle permits, regulatory barriers and the difficulty of land procurement as additional problems that frequently hinder infrastructure development in Indonesia (Parikesit et al. 2008; Djunedi et al. 2012; Indonesia Investment 2017). Meanwhile, Parikesit et al. (2008, p.5) also revealed five issues that are often a problem in infrastructure development in Indonesia, which are: (1) lack of project preparation; (2) low quality projects; (3) poor regulatory environment; (4) absence of good governance; and (5) fragile political stability.

In another study, PT SMI (2014, p. 9) found that there were at least eight issues to be solved by the Government of Indonesia in order to be successful in developing infrastructure, namely: (1) project credibility and quality; (2) investor credibility; (3) understanding of infrastructure business; (4) project value; (5) land acquisition financing; (6) collateral; (7) sources of funding funds; and (8) risks beyond business risk. The detailed reason why these eight issues could become obstacles and challenges in infrastructure development in Indonesia can be seen in Appendix 3. In addition to the above obstacles and challenges, PT SMI (2017, p.8) also pays attention to three other issues related to financing sources, project readiness and management issues.

Based on the study of KPPIP (2015, p.3), infrastructure development in Indonesia is often constrained due to ineffective coordination between various stakeholders, whether by government (ministries, institutions, local government, state-owned enterprises/regional-owned enterprises) or private sectors. The variety of stakeholders with different objectives and responsibilities often causes delays in the implementation of infrastructure projects.

Learning from its experience in managing various infrastructure projects in Indonesia, KPPIP ascertained the problems that frequently emerged and hampered the implementation of *Proyek Strategis Nasional/PSN* (National Strategic Projects) and Priority Projects and grouped them into five categories, namely: (1) land acquisition (44% of total problems); (2) planning and preparation (25%); (3) funding (17%); (4) licensing (12%); and (5) construction implementation (2%) (KPPIP 2016, p.7; KPPIP 2017, p.43). Land acquisition, planning and preparation and funding are the three most dominant issues. To overcome this, KPPIP has been cooperating with various stakeholders to try to provide solutions to the three problems mentioned. The most dominant issues, solutions offered, and examples of projects constrained by the problem can be seen in Appendix 4.

3.6 The Development of Industrial Estates and Ports in Indonesia

The infrastructure projects to be studied in this thesis are the development of Bantaeng Industrial Park (BIP) and Port of Bonthain in Bantaeng District, South Sulawesi, and the development of Banyuwangi Industrial Estate Wongsorejo (BIEW) and Port of Tanjung Wangi in Banyuwangi District, East Java. The selection of the development of industrial estate and port infrastructure as a case study in the thesis is because these two infrastructures, the development plans have been determined by central government in the 2015-2019 National Medium-Term Development Plan (RPJMN). With the establishment of these two infrastructures in the 2015-2019 RPJMN, it means that the Indonesian government considers it important to develop these infrastructures as part of efforts to encourage Indonesia's economic growth.

3.6.1 Industrial estates

There are several definitions for an industrial estate. The US National Industrial Zoning Committee, for example, defines an industrial estate as land developed for industrial activities with provision of infrastructure (utilities) managed administratively by an authorised person or institution.

Meanwhile, The Urban Land Institute of Washington DC defines an industrial estate as an area dominated by industrial activity which has a combination of facilities consisting of industrial plants, research facilities and laboratories for development, office buildings, banks, as well as social facilities and public facilities (Dirdjojuwono 2004, in Syahrudin 2009, p. 1-2; Syahrudin 2010, p. 31). Kwanda (2000, p.54) proposes a simpler definition of an industrial estate: a place for centralising industrial activities equipped with facilities and infrastructure provided and administered by industrial estate companies. On the other hand, Syahrudin (2009, p.2) sees industrial estates as areas managed by a development company that provides various facilities and infrastructure that make it easier for companies to undertake industrial activities.

In Indonesia, the development of industrial estate is specifically regulated by the Government Regulation (*Peraturan Pemerintah/PP*) 24/2009 regarding Industrial Estates. In this Government Regulation, an industrial estate is designated as an area for centralising industrial activities that is equipped with supporting facilities and infrastructures developed and managed by an industrial estate company that holds an Industrial Estate Business License. According to Sagala et al. (2004, in Syahrudin 2009, p.5), given those conditions, an industrial estate should be land properly equipped with telecommunication, electricity, sewage treatment, roads and clean water, as well as other supporting facilities such as post offices and banks, and be managed by a business entity. Also within the area are various multi-type processing industries that perform their activities on an ongoing basis.

In its development, the Government Regulation 24 /2009 was enhanced through the higher regulation of Law 3/2014 regarding Industry. The mandate to develop industrial estates exists in Article 14 Paragraph (3) that regulates the ways industrial zoning is developed in order to accelerate the spread and equal distribution of industrial development throughout the territory of Indonesia. In addition, Article 63 also listed the purpose of the development of industrial estates, which is to support efficient and effective industrial activities in an area of industrial growth. Industrial estates should be located in industrial allotment areas in accordance with the spatial plan of the region, and their development undertaken by private business entities, state-owned enterprises, regional enterprises or cooperatives. Under certain conditions, the Government is responsible for initiating the development of industrial estates.

In the context of development, as stated in Government Regulation 24/2009, the Government built an industrial estate based on six considerations, namely: (1) controlling the utilisation of space; (2) promoting environmentally-friendly industries; (3) accelerating growth of regional industries; (4) enhancing industrial competitiveness; (5) enhancing investment competitiveness; and (6) providing certainty for location in infrastructure planning and development. Moreover, the development of industrial estates is also directed to provide legal certainty for industrial business actors and to regulate the management of industrial estates within a region. The targets of these efforts are to address the problem of unemployment, to monitor the environmental impacts of air pollution and industrial waste and to manage industrial development in an organised area that is expected to promote regional economic progress.

Through industrial estate policy, the Government provides an opportunity for investors to build and develop an industrial estate along with facilities and infrastructure needed for the operation of various types of industries. The existence of an organised and well-managed industrial estate is beneficial for the government, business and society as it will attract investors to invest in building and developing various types of factories in the region. Chandra (2006) stated that industrial estates are an investment development strategy through provision of an industrial growth centre. This strategy emphasises the importance of providing planned and integrated land and infrastructure facilities.

The existence of industrial estates is considered to be beneficial for the national economy as well as for regional economic activities. Various facilities and infrastructure provided by the manager of the industrial estate will cause the investors to invest and develop production capacity. Economically, the increase in production capacity will be in line with the addition of production factors. This means that as the demand for labour increases, the taxes received increase, and will encourage other

economic activities. In addition, the development of industrial estate is a means to develop environmentally-friendly industries and provide the ease and attractiveness of investment.

3.6.2 Ports

Ports, in recent global economic history, have become one of the major transportation links in the world's economic chains (Wiradanti et al. 2016, p.1). Global trade has predominantly been through use of sea routes because of its lower cost and ability to ship larger quantities of goods. Based on this, the development of ports should be an important concern for many countries, especially developing countries such as Indonesia. The importance of developing ports as one of the primary means of transportation infrastructure, according to Manners-Bell, Cullen & Roberson (2004, in Wiradanti 2016, p.1), is to create supply chain efficiencies and to prevent countries from lagging behind others that have more advanced port infrastructure. In the twenty-first century, the function of ports became more than just a gateway for trade. Robinson (2002) asserted that ports have become part of the 'value-chain' process and that their existence must be seen through a new paradigm that is heavily influenced by issues such as market globalisation, production, finance and distribution.

In an era where the economic system is dominated by economic production, consumption and social-economic related phenomena, ports must be cost-efficient, capable of providing services at a low cost and possessing uniqueness/advantages (differentiation) so as to be able to provide special and valuable services that differ from other ports (Notteboom & Winkelmanns 2001). As part of the value chain, ports contribute to value through logistics hub services by providing container depots and distriparks (Pettit & Beresford 2009). In addition, ports must also be responsive to the evolution that occurs within the port system itself. According to Wilmsmeier, Monios and Perez-Salas (2004), the evolution that occurs within the port system is affected by what is called the 'critical moment' by which the port system is affected by six factors, which include: (1) economic growth; (2) technological change; (3) port devolution; (4) port function; (5) delivery strategy; and (6) the port system. These six factors influence what kind of system will be applied in a port and how the prospects of that port forward.

In Indonesia, ports have a very strategic and important role in supporting economic, industrial, development and trade activities. Based on the Minister of Transportation Decree No.KP 901/2016 on the National Port Master Plan, ports serve as node points between the water mode and the land mode and are one of the links in the implementation of 'total transport' (the moving of goods/passengers from their original place to the final destination). Ports have become an important part of

logistics activities and a means of fostering economic and trade activities in the region. Law 17/2008 on Shipping (Article 1, Number 16) provides a complete definition of ports as follows:

The port is a place consisting of land and/or waters with certain limits, works as a place of government activity and business activities, which used as a place for ship leaning, loading and unloading of passengers and/or goods, in the form of terminals and ship berths equipped with safety and security facilities of sailing, and port supporting activities as well as a place for the transition of intra-and intermodal transport.

Under the afore-mentioned law, the role of ports in Indonesia is divided into six parts, namely: (1) a node in the transport network in accordance with its hierarchy; (2) the gateway of economic activity; (3) a place for changing mode of transportation activities; (4) support for industrial activities and/or trade; (5) a place of distribution, production and consolidation of cargo or goods; and (6) reinforcement of the sovereignty of the nation state. According to UNCTAD (2014), ports have a multi-functional role as both a market and industrial area and implement a multi-dimensional system that must be integrated into the logistics chain to fulfil its functions appropriately. To be efficient, ports not only require adequate infrastructure, equipment and connections with other transport modes, but also require good management and sufficient quality of workforce.

In Indonesia, there are 614 non-commercial ports. These tend to be unprofitable and have little strategic value and are managed by the Port Operator Unit (*Unit Penyelenggara Pelabuhan/UPP*) (USAID & Senada 2008). Besides of that, there are also about 1,000 special ports or private ports serving the various needs of a single company (private or state-owned) in a number of industries including mining, oil and gas, fisheries, forestry, and more.

The development of ports has been incorporated into the RPJMN (medium term national development plan) 2015-2019, under the 6th National Development Agenda: “Increasing People’s Productivity and Competitiveness in the International Market”. The port development plan is set in the first sub-priority agenda of “Developing National Connectivity to Achieve Development Equilibrium”, its target being to increase the capacity of 24 existing seaports consisting of five 'hub' ports and 19 'feeder' ports by 2019. Furthermore, the plan to develop the ports also aims to support 'sea tolls' introduced by President Jokowi, with the objective of reducing the high price disparity between islands in Indonesia. Despite developing and improving the capacity of ports in Indonesia, the Government of Indonesia, in order to realise national connectivity, also plans to build 50 pioneer ships that will serve 193 pioneer sea transportation lanes. Other targets that must also be achieved are the construction of ferry ports in 65 locations, as well as the procurement of 50 units of vessels to serve the pioneer voyages. Moreover, the Government of Indonesia will also develop and construct river and lake docks in 120 locations to encourage access to remote communities in areas that use rivers as their primary means of transportation.

3.7 The Status of Bantaeng Industrial Park (BIP) and Banyuwangi Industrial Estate Wongsorejo (BIEW)

Bantaeng Industrial Park (BIP) is one of the industrial estates for which a development plan was set in the RPJMN 2015-2019 by central government. Together with 13 other industrial estates across Indonesia, the development of Bantaeng Industrial Park is a priority and is the main strategy in the RPJMN 2015-2019 to support the policy direction of Industrial Estate Development outside of the island of Java in achieving the target of GDP growth of the processing industry which is higher than the growth of the GDP of Indonesia. In the RPJMN 2015-2019, GDP growth in the processing industry is targeted to reach 8.6% in 2019, or an increase of 3.9% from 4.7% in 2014. As a result of the processing industry's contribution, Indonesia's GDP growth was also expected to increase to 21.6% by 2019, up by 0.9% from 20.7% in 2014. To achieve these targets, the number of medium- and large-scale industries needs to be increased by 9,000 units over the next five years through the development of industrial estates in various regions in Indonesia, among other things.

Banyuwangi Industrial Estate Wongsorejo (BIEW), meanwhile, was not a top priority in the RPJMN 2015-2019, because of its location in Java. In the RPJMN 2015-2019, the Government emphasises the development of industrial estates located outside of Java in order to support Indonesia's regional development plan by developing Indonesia from the periphery. However, this does not diminish the readiness of the District Government of Banyuwangi to undertake planning related to BIEW development. The district governments of Bantaeng and Banyuwangi have undertaken adequate preparation and planning in order to realise the development of industrial estates in their respective areas. One of the concrete efforts of the preparation and planning process of BIP and BIEW is the establishment of Local Regulation (*Peraturan Daerah/Perda*) on Spatial Planning (*Rencana Tata Ruang Wilayah/RTRW*) which regulates the location for the development of BIP and BIEW.

For BIP, the District Government of Bantaeng has enacted Perda 2/2012 on Bantaeng District Spatial Planning (RTRW) for the Years 2012-2032. As for BIEW, the District Government of Banyuwangi has issued Perda 8/2012 regarding Banyuwangi District Spatial Planning (RTRW) for the Years 2012-2032, which regulates the development plan of industrial estate.

In addition to enacting the Perda governing the spatial plan of industrial estates, the district governments of Bantaeng and Banyuwangi have also compiled a master plan or technical plan for industrial estate development, which is the result of a study conducted by both district governments as well as research institutions such as universities or research consultants. This plan will become a guide for Bantaeng and Banyuwangi district governments in developing industrial areas in their

respective regions. The Master Plan and Technical Plan for BIP and BIEW stipulates: (1) the purpose of industrial estate development; (2) space structure plan of industrial estate; (3) industrial allotment plan; (4) plan of spatial pattern of industrial estate (zoning); (5) employment requirement plan; and (6) plans of industrial facilities and infrastructure needs. Within the Industrial Estate Master Plan and Technical Plan, there are principles underlying the development of space structures, the development of spatial patterns, development plans that will be carried out in the context of land for industrial allotment area, and how to meet both the needs of labour and the needs of facilities and infrastructure of industrial estates. Briefly, the Industrial Estate Master Plan and Technical Plan developed by the district governments of Bantaeng and Banyuwangi indicate that the two regions have conducted sufficient preparation and planning for the development of industrial estate in their administrative authority.

3.8 Status of Port Bonthain and Port Tanjung Wangi

On a national scale, the Port Bonthain in Bantaeng District is not included in the ports planned to be built or developed in capacity in RPJMN 2015-2019. However, this does not mean that Port Bonthain holds no significance for national and local economic growth. Locally, for example, in South Sulawesi Province, the development of Port Bonthain has economic value in supporting the development of BIP, which has the potential to increase the amount of own-source revenue (*Pendapatan Asli Daerah/PAD*) of South Sulawesi Province by increasing the income generated from the inflows and outflows of processed smelter or industrial products located in BIP. At the district level, the development of Port Bonthain, in addition to increasing the PAD of Bantaeng District, also has strategic value in assisting in the achievement of the target of the Medium-Term Regional Development Plan (RPJMD) of Bantaeng District 2013-2018, which aims to develop Bantaeng into a service city. In the long term, the development of Port Bonthain is also expected to be a driving force in the achievement of the Central Government program that seeks to realise Indonesia as a centre for global maritime (Department of Transportation of Bantaeng District 2017, p.1).

On that basis, the District Government of Bantaeng has planned the development of Port Bonthain in an effort to improve its status from a local port to a national port. The development planning of Port Bonthain has been done by the District Government of Bantaeng through their Transportation Department, in cooperation with a consultant who has expertise in port development. By becoming a national port, it is expected that Port Bonthain will increase in its function and become a port for passengers, goods and tourism that can provide added value to the economy of Bantaeng District.

Port Tanjung Wangi in Banyuwangi District has basically the same status as Port Bonthain, as it is not included on the national list of ports planned to be built or developed in capacity in RPJMN 2015-2019. However, much like Port Bonthain, Port Tanjung Wangi plays a significant local role for East Java Province and Banyuwangi District. For East Java Province, Port Tanjung Wangi, which is administratively managed by PT Pelindo III (in contrast to Bonthain which is still managed by Bantaeng District), is a port that is considered to have the ability to become an export gateway for the eastern part of East Java Province. With the internal advantages of having the depth of its harbor pool reaching between 14 to 16 metres and its location in an area rich in agricultural products, Port Tanjung Wangi is considered to have great potential as a buffer for Port Tanjung Perak, Surabaya (Majalah Dermaga 2014).

From the discussion about industrial estates and ports above, it is obvious that the district governments of Bantaeng and Banyuwangi have a strong desire to construct industrial estates and develop existing ports to support economic growth in their respective regions. However, in concurrence with decentralisation transferring all responsibilities for infrastructure development to local governments, the responsibility for financing infrastructure development also shifted from central government to local governments. As with the Central Government, the local governments also have limitations in terms of financing. The budget of Transfer to the Regions provided by the Central Government is not sufficient to finance all of their infrastructure development needs. Considering these conditions, another approach a local government can take is to invite investors to come and invest in the infrastructure development sector. Inviting investors, whether local or foreign, is easy to do. In this era of global economy, investors have become more prudent, vigilant and meticulous in making decisions to invest in a country or region. There are many factors considered by investors before deciding to invest in a country or region. One of the most important is the governance condition of the country or region in question.

In relation to these matters, this thesis will specifically examine how the Bantaeng and Banyuwangi district governments seek to develop and improve the governance of their government in order to attract investors to build infrastructure in their regions. To obtain data and information on the subject, I conducted fieldwork in Bantaeng and Banyuwangi from February-April 2017 and interviewed various parties related to infrastructure development in both areas. Findings on what has been done by the Bantaeng and Banyuwangi district governments to implement the governance of their governments well to attract investors to develop infrastructure in their regions will be discussed in more detail in Chapters 6 and 7.

3.9 Conclusion

Decentralisation has brought positive changes to the ability of local governments to manage budgets and build infrastructure. The most notable positive change can be seen in the improvement of the pattern of local government infrastructure spending since the passage of the Decentralisation Law. The attention of the regional government towards infrastructure development is also increasing, as indicated by the increased budget for infrastructure development. However, there are still a number of issues that need to be addressed in order for infrastructure development to continue.

The current status of Indonesia's infrastructure development shows that Indonesia still has to try harder to improve its position in the world infrastructure arena.

The Bantaeng and Banyuwangi district governments have developed plans to develop industrial estates and ports in their area. As both have limited fiscal capacity, they require investor support in order for the plan to be realised. The problem is that investors are very concerned about the condition of local government governance in the areas they are considering for investment. Local governments must implement governance well in order to attract investors to invest in infrastructure development in their areas. This thesis will specifically examine what the Bantaeng and Banyuwangi district governments have done to achieve the aim of building industrial estates and ports. The next chapter discusses the methodology and approach in conducting this research.

CHAPTER 4 RESEARCH METHODS

4.1 Introduction

This chapter discusses the research methodology used to investigate governance practices related to developing infrastructure in two local governments in Indonesia; Bantaeng District of South Sulawesi Province (the development of Bantaeng Industrial Park [BIP] and Port Bonthain) and Banyuwangi District in East Java Province (the development of Banyuwangi Industrial Estate Wongsorejo [BIEW] and Port Tanjung Wangi).

This chapter is organised into seven sections as follows: Section 4.2 discusses research approach; Section 4.3 discusses types of data and methods of data collection; Section 4.4 discusses selection of research participants; Section 4.5 discusses thematic/comparative analysis; Section 4.6 discusses research framework; Section 4.7 presents research ethics; and the final section is the conclusion of the chapter.

4.2 Case Study Approach

This research uses a case study approach as its methodology. According to Creswell (2009, p. 227), a case study approach is ‘a qualitative strategy in which the researcher explores in depth a program, event, activity, process, or one or more individuals’. Yin (2003, p. 2) suggests that the case study method allows investigators to retain the holistic and meaningful characteristics of real-life events – such as individual life cycles, organizational and managerial processes, neighbourhood change, international relations, and the maturation of industries. This type of study relies on multiple sources of empirical evidence to understand the phenomenon at hand (Hancock & Algozzine, 2006).

As a type of research design that has been used broadly in many disciplines of social sciences (Crowe et al 2011, p. 1) such as psychology, sociology, political science, social work, business, community planning and economics (Gilgun 1994; Ghauri & Gronhaug 2002, in Yin 2003, p. 1), the use of case study is beneficial in providing in-depth understanding of governance practices (voice and accountability, regulatory quality and control of corruption) in developing industrial estates and ports in Bantaeng and Banyuwangi Districts. Furthermore, it is useful to help me to understand and explain the causal links and pathways resulting from a new policy initiative (developing industrial estates in Bantaeng and Banyuwangi districts) or service development (providing infrastructure services) executed by the two local governments (Yin 2009, in Crowe et al. 2011, p. 4). The use of case study also allows me to document and analyse the implementation

process. In another context, it will be valuable to assist me in conducting process evaluations while, at the same time, it is useful in helping me to document and analyse the outcomes of interventions (Yin, 2012, p. xix).

Through case study, a researcher is able to examine data carefully and under specific context because the scope is small and the number of individuals who are subjects of study are limited in number (Zainal 2007, p. 1). As an approach that investigates a real-life experience, contemporary event or events by using detailed in-depth data collection methods such as interview, observation, documents and reports, the case study is considered suitable to bring to light detailed information about the case (Creswell 2013).

This thesis applies the case study approach as a strategy to explain, describe or explore events or phenomena in the everyday context. It is in line with Yin's (2003, p. 1) view, which suggests use of case study in circumstances when: (1) the research focuses to answer "how" and "why" questions; (2) the research investigates contemporary events; and (3) the researcher has little or no control over events.

The first circumstance is applicable to my research, as I am looking to answer "how" and "why" questions. My research asked the questions of: (i) how do local governments practice and implement voice and accountability, regulatory quality and control of corruption in the development process of industrial estates and ports?; (ii) how do these local governments differ in terms of the implementation of voice and accountability, regulatory quality and control of corruption for these specific infrastructure projects?; and (iii) what factors influence the difference. The second circumstance described by Yin (2003) is also appropriate to my research as it investigates contemporary events. The development of industrial estates and ports in Bantaeng and Banyuwangi Districts is ongoing and/or in the planning stage at the time of writing. Considering the above conditions, the case study approach is preferred and feasible since many of the people involved in the events still hold their positions and are able to be interviewed. With regard to the third circumstance, where the researcher has little to no control over events, I do not have any control as to how the district governments of Bantaeng and Banyuwangi practice governance to develop industrial estates and ports in their region. It is fully their responsibility to improve and develop their governance practices in order to obtain financial support from investors to develop industrial estates and ports. My position is as an independent researcher - not living in the two regions and not having a relationship (work or personal) with anyone in the area - who works outside the system that applies in both regions but aims to find out how these regional governments will work to achieve the goal.

The case study, as mentioned by Yin (2012, p. xix), can also be used to analyse the programs or initiatives sponsored and supported by central/local governments or private institutions. In this circumstance, it will be advantageous for my research since the purpose is to investigate what programs or initiatives are undertaken and implemented by the district governments of Bantaeng and Banyuwangi Districts to develop and improve their governance practices in order to attract investors to develop infrastructure in their region. Governance practices surrounding developing infrastructure in each local government are likely to have unique characteristics which arise from specific policies, programs, initiatives and procedures. The unique characteristics of governance practices make them an appropriate subject for the case study approach. As Stake (1995, p. 1-4) points out, for a case to be studied using a case study approach, it must have unique characteristics that differentiate it from other cases.

In Indonesia, a number of studies have used the case study approach to research governance at the local government level. Among the studies are those conducted by Kristiansen et al. (2009) and KPPOD and The Asia Foundation (2011). Kristiansen et al. (2009) and KPPOD & The Asia Foundation (2011) used a multiple case study in their research. By using multiple case study, they wanted to predict similar results from the events or phenomenon studied, or, conversely, produce contrasting results but for predictable reasons, as proposed by Lee (2006, in Zucker, 2009). According to Stake (1995) and Baxter and Jack (2008), the main reason for the researcher to use multiple case studies is to have a deeper understanding about the differences and the similarities between the cases. With regard to this, one of the purposes of my thesis is to find out whether there are differences or similarities in the efforts of the district governments of Bantaeng and Banyuwangi in implementing the governance practices of voice and accountability, regulatory quality and control of corruption to develop industrial estates and ports in the region. However, to fully implement multiple case studies, extensive resources are required, including substantial funding, human resources and sufficient time (Yin 2003, p. 47; Baxter & Jack 2008).

This thesis adopts a multiple case study approach that focuses on two different cases: the development of industrial estates and ports. Since I am targeting one part of a bigger problem, I only need to use very specific instruments rather than a broad-scale approach. Therefore, simple techniques will be applied, consisting of in-depth interviews and the use of secondary sources. In this context, I will modify my case study approach by adjusting data collection method, type of respondents, data analysis and research framework to be suitable for collecting data and information on governance practices in the context of the study. In this research, I will conduct in-depth interviews with only a small number of participants involved directly or indirectly with infrastructure development in the two districts.

4.2.1 Case Selection

In this project, the chosen case studies are the development of industrial estates and ports. Examining these two cases will contribute to our understanding of the importance of developing industrial estates and ports as part of local government efforts to help Indonesian Government develop infrastructure and enhance economic growth in the regions in the era of decentralization. The selection of industrial estates and ports development as the two main case studies of this dissertation is primarily based on the following reasons:

1. *Industrial estates and ports are the examples of infrastructure whose development, quality of infrastructure, and management is considered inadequate.* In the context of development, the number of industrial estates (74 industrial estates) and ports (111 ports) currently existed in Indonesia is considered inadequate to provide more jobs for Indonesian people, to encourage economic growth and competitiveness of Indonesia, and to reduce development gap from other countries (Ministry of Industry of Indonesia, 2012; Octavia, 2016; USAID and Senada, 2008; Wiradanti et al., 2016). In terms of quality, the quality of infrastructure of industrial estates and ports in Indonesia is also considered low. For industrial estates, unreliable power supply, lack of access to external infrastructure, dense traffic around industrial areas, and inadequate road networks are the factors that caused low quality of industrial estates in Indonesia (Papanek, Pardede & Nazara, 2014, in Octavia, 2016). Meanwhile for ports, the lack of container facilities, the frequent disruption of loading and unloading equipment, the lack of space for container storage and filling, severe congestion in the port area, increased handling costs, minimal number of terminals and inadequate terminal conditions are the cause of low quality of ports in Indonesia (USAID & Senada, 2008; Carana Corporation, 2004). In relation to the management, management of industrial estates and ports in Indonesia is considered not optimal. The absence of a single government agency responsible to construct, to develop, to monitor, and to provide services in industrial estates (Kwanda, 2000; UNIDO, 2015; Octavia, 2016), while the management of major commercial ports remain monopolized by the Government through PT Pelindo I, II, III, and IV so it minimize competition and private sector participation (USAID & Senada, 2008), is believed to be a major cause of inadequate management of industrial and port areas in Indonesia.
2. *The development of industrial estates and ports has become the two main agendas of national development under the National Medium-Term Development Plan (Rencana Pembangunan Jangka Menengah Nasional/RPJMN) 2015-2016.* The development of industrial estates, on one hand, will useful to address the problem of unemployment, to monitor the environmental impacts of air pollution and industrial waste, to manage industrial development in an organized

area, and to promote regional economic progress. Furthermore, it will also be beneficial for the government, business, and society as it will attract investors to invest in industrial sectors, which in turn will contribute to an increase in the number of laborers, state revenues from taxes, and other economic activities (Syahrudin, 2009). Ports development, on the other hand, will be valuable to create supply chain efficiencies and prevent one country from lagging behind the other countries that more advanced in port infrastructure (Manners-Bell, Cullen & Roberson, 2004, in Wiradanti et al., 2016, p. 1), to support 'value-chain' process (Robinson, 2002), and to reduce logistics costs (Notteboom & Wilkenmans, 2001), which in turn will enhance Indonesia's competitiveness in international markets. Ports development in Indonesia is highly strategic in nature and has an important role in supporting economic, industrial, development, and trade activities (Ministry of Transportation of Indonesia, 2016).

3. *Since this dissertation focuses on the role of investors in developing infrastructure in Indonesia, the development of industrial areas and ports are two activities where the involvement of investors will be very high ranging from investing capital, building infrastructure, to operating these infrastructures.* Since 1989, the Government of Indonesia, due to budget constraints to develop industrial estates, issued a decision to open an industrial estate development business for the private sector (Octavia, 2016, p. 2). Presidential Decree No. 53 of 1989 concerning Industrial Estates provides an opportunity for investors, both domestic and foreign, to be involved in the development of industrial estates. A series of regulations were then issued to form a legal and technical basis (for example Government Regulation No. 4 of 2009 on Industrial Estates). The same thing applies with port development. Through Presidential Regulation No. 44 of 2016 concerning List of Closed Business Sectors and Opened Business Sectors, the Government of Indonesia permits 49% foreign investment to build port facilities (Sri Mas Sari, 2019). This makes foreign investors enter Indonesia, establish joint ventures with local operators who own concessions, then invest physically after obtaining a permit from the Port Business Entity (BUP).

4.2.2 Case Study Sites

To examine how local governments practice governance in the process of developing industrial estates and ports in Indonesia, this study employs a comparative analysis of two sub-national regions: Bantaeng District and Banyuwangi District. Blatter and Haverland, (2012, p. 42, citing Lijphart, 1975, p. 164) define the comparative method as 'the method of testing hypothesized causal relationships between variables based on the same logic that guides the statistical method, but in which the cases are selected in such a way as to maximize the variance of the independent variables and to minimize the variance of the control variables'.

These cities were chosen using the most similar case study selection method, a method that is widely used in ‘small-n’ work in comparative politics. Seawright and Gerring (2008, p. 304) state that the fundamental principle of the most similar method is to select two or more units of analysis that share similar characteristics along many dimensions but vary in relation to the dependent variable interests. This study adopts the most similar approach because, as stated by Blatter and Haverland (2012, p. 33), it ‘has a strong affinity to a distinctive research goal, namely to determine whether a certain factor has an effect, that is, whether it is "makes a difference”.’ Indeed, this is in line with the objective of this dissertation, which is to understand the differences in governance practices undertaken by local governments that produce different results in infrastructure development in the regions.

4.2.3 Locations of Case Study Sites

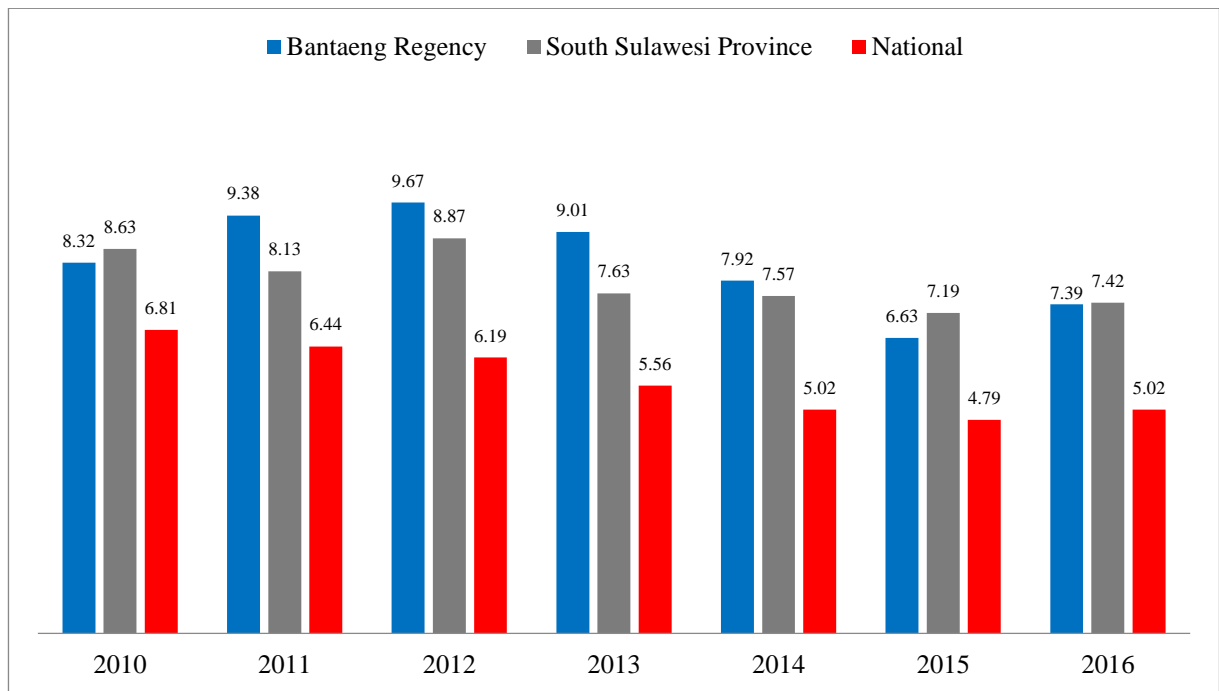
The selected case study sites, Bantaeng District and Banyuwangi District are similar in terms of their district status, recent developments, innovative programs and activities, the extent to which they achieved good governance, and ease of access. The three cases differ, however, in the social and political backgrounds, status of industrial estates and ports that influence development priority, and geographical size. The similarities and differences between two districts are summarized below.

Similarities:

1. *Both districts have a similar status with respect to the country’s decentralization policies.* Both Bantaeng and Banyuwangi have the status of districts, the second level administrative entity under the provincial government. They obtained this status in the post-independence period through Law No. 29 of 1959 concerning Formation of Second Level Regions in Sulawesi (for Bantaeng), and Law No.12 of 1950 concerning Formation of District Areas in the Environment of East Java Province (for Banyuwangi), and continued in the decentralization era through Law No. 22 of 1999 concerning Regional Government. Under the current regional autonomy law, districts, like municipalities, have the highest degree of autonomy administratively, financially, and politically. For instance, they have responsibility for delivering most government services (including health, education, and infrastructure); have a wider extent of authority to generate local revenues; and, importantly, have a significant amount of autonomy from the central government in terms of local policy-making.
2. *Both districts have impressive recent developments.* Both Bantaeng and Banyuwangi in recent years have recorded encouraging economic growth. Bantaeng’s economy grew at a faster rate than the national and South Sulawesi Province economic growth, with an average growth of 8.33 percent in the 2010-2016 period (Figure 4.1). Meanwhile, the Banyuwangi economy also

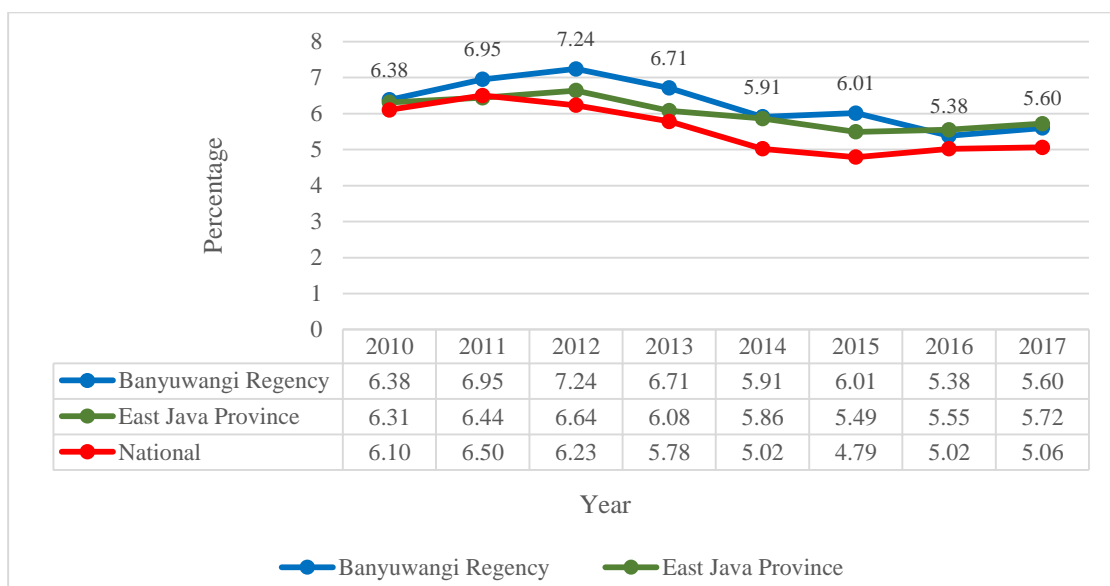
grew positively above 5 percent and occupied a position that was almost always better than the economic growth of East Java Province and nationally, with an average growth of 6.27 percent during 2010-2017 (Figure 4.2). The two districts also have the same sectors that are most influential in their regional economies, namely (1) agriculture, forestry, and fisheries; (2) construction; and (3) wholesale and retail trade, and car and motorcycle repair (South Sulawesi Central Bureau of Statistics, 2017; BPS Kabupaten Banyuwangi, 2017b; 2017c).

Figure 4.1: Economic Growth (%) of Bantaeng District, South Sulawesi Province, and National 2010-2016



Source: BPS Kabupaten Bantaeng (2017); BPS Prov. Sulawesi Selatan (2014); BPS Prov. Sulawesi Selatan (2018); Bank Indonesia (2018); Kompas.com (2018) (modified by Author)

Figure 4.2: Economic Growth of (%) Banyuwangi District 2010-2017



Source: East Java Statistics Agency (2017); the Regency Government of Banyuwangi (2017)

Both districts also performed quite well in reducing poverty and promoting human development. The poverty rate in Bantaeng Regency fell from 10.24 percent in 2010 to 9.51 percent in 2016 (Bantaeng District Central Bureau of Statistics, 2017b). Meanwhile, in Banyuwangi, the poverty rate in this district dropped substantially from 11.25 percent in 2010 to 8.64 percent in 2017 (East Java Statistics Agency, 2017; East Java Statistics Agency, 2018; Statistics Indonesia, 2018a). The poverty rates in these two districts have been consistently lower than the national and provincial levels. Finally, the two districts have also achieved sound progression in the Human Development Index (HDI) score, where for Bantaeng, the district's HDI score has increased steadily from 63.99 to 66.56 during 2012-2016, while for Banyuwangi, HDI scores for the district has increased from 64.54 to 69.64 during 2010-2017 (Bantaeng District Central Bureau of Statistics, 2017b; Statistics Indonesia, 2018b).

3. *Both districts excel in innovative programs and activities.* Among the innovations made by the District Government of Bantaeng are innovations: (1) in infrastructure governance (development and improvement of roads, bridges and dam infrastructure); (2) in economic governance (construction of new economic centers focusing on tourism, Port Bonthain, Bantaeng Industrial Park, Slow Release Fertility [SRF] fertilizer factory, and car assembly industry); (3) related to the business sector and investors, which includes providing credit from banks for business people in Bantaeng (requesting the banking sector to provide low interest rates for business actors); and (4) in the licensing sector (launching the program of *Kemudahan Investasi Langsung Konstruksi/KILK* (Ease of Investment, Direct Construction), automatic permit renewal, express licensing, Transparent and Anti-Ilegal Levy Services, complaint boxes, and services evaluation).

Banyuwangi District, on the other hand, has a variety of well-known innovative programs including *Program Bedah Rumah* (Home Improvement Program), *Tim Pemburu Kemiskinan* (Poverty Hunters Team), *Tim Pemburu Anak Putus Sekolah* (School Dropout Children's Hunter Team), *Unit Gawat Darurat Kemiskinan* (Poverty Emergency Unit), *Program Smart Kampung* (Smart Village Program), *Program Harapan Keluarga Peduli Anak Sejak Dini/Harga Pas* (A Hope of the Family, Care for Children from the Beginning), *Anak Tumbuh Berkualitas dan Cerdas/Anak Tokcer* (Children Growing in Quality and Smart), Programs of *Jaminan Kesehatan Masyarakat Miskin/Jamkesmin* (the Poor Health Insurance) and *Jaminan Kesehatan Masyarakat Banyuwangi/JMKB* (the Banyuwangi Community Health Insurance), and *Banyuwangi Cerdas* (Smart Banyuwangi).

4. *Both districts have reached the same level of success with respect to good governance since the implementation of decentralization.* Bantaeng and Banyuwangi are two examples of local governments with remarkable achievements in relation to governance reform. Various awards, both national and international, have been received by these two districts. More detailed information about the awards received by Bantaeng and Banyuwangi Districts can be seen in Chapter 5.
5. *Both districts have easy access and sufficient resources for the author to conduct research.* Bantaeng and Banyuwangi Districts are located within three hours by plane from Jakarta, the place where I live, making these two districts easy to access, especially with adequate land transportation support in these two areas. Travelling to these two districts is also inexpensive and within the budget of this study. Access to local governments in these two districts is relatively easy to obtain, especially with the help of the network that I have from my office and the support from fellow LPDP awardees. These two districts have adequate communication (mobile phone and internet) facilities and internet sources are relatively easy to access.

Differences:

6. *The two districts have different socio-cultural and political backgrounds.* Bantaeng District has socio-cultural characteristics that emphasize the importance of building harmony in life and practicing good moral values. These characteristics are influenced by four noble values (reciprocity, togetherness, agreement and representativeness), rooted in the Bantaeng tradition known as *To-Manurung*, which leads to a high level of cooperation (Ahimsa-Putra, 2014, pp. 5-9). Meanwhile, the political life of Bantaeng District is characterized by the high level of participation of the Bantaeng community in political events (elections, regional elections and discussions with the government and parliament) that make them accustomed to voice their interests and aspirations to the government, and the willingness of the Bantaeng District Government to provide channels and mechanisms for citizens to express their aspirations (KPU, 2015; Adibroto et al., 2013; Noesa, 2012, in Fahrudin, 2017, p. 182).

For Banyuwangi, this district has socio-cultural characteristics that can be said to be ‘harsh’, rooted in the history of violence that occurred in this region. Banyuwangi people are often described by outsiders as rebellious, unfaithful, hostile and outcast (Margana, 2015, p. 211, in Legene et al., 2015). The history of violence in Banyuwangi that occurred from the 15th century to the 20th century, coupled with the general characteristics of people living in coastal areas, further strengthened the ‘harsh’ impression on the socio-cultural life of the Banyuwangi District (Margana, 2015, p. 221, in Legene et al., 2015; Zulfahri et al., 2015, p. 166; Campbell

& Connor, 2000, pp. 63, 66-67; Subekti & Kusairi, 2019, pp. 144-145). The political life of Banyuwangi District, meanwhile, is colored with stories of civil society resistance to central, provincial and local government policies that are not pro-community (Unggraini, 2016; Putri, 2015; Habibie, no date; Martadi, 2016; Walhi, 2018).

7. *The status of industrial estates in the two districts is different.* Bantaeng Industrial Park (BIP) is one of the industrial estates outside Java Island whose development plan was set in the 2015-2019 National Medium-Term Development Plan (RPJMN), and therefore is a priority and the main strategy to support the policy direction of Industrial Estate Development in achieving the target of GDP growth of the processing industry which is higher than the growth of the GDP of Indonesia. Banyuwangi Industrial Estate Wongsorejo (BIEW), in contrast, is not a top priority in the 2015-2019 RPJMN because of its location on the island of Java. In the 2015-2019 RPJMN, the Government of Indonesia emphasized the development of industrial estates outside of Java in order to support Indonesia's regional development plans by developing Indonesia from the periphery. The difference in status might affect the assistance and facilities provided by the central government to develop the two industrial estates. In addition, it might also affect the development priorities of the two regions, where the Bantaeng Regency Government considers the development of BIP to be very important, while the Banyuwangi Regency Government considers BIEW development to be less important and therefore prioritizes the development of the tourism sector which has been providing significant income to Banyuwangi District.
8. *The two districts have very different geographical sizes.* Bantaeng District is the smallest district in South Sulawesi Province with a total area of 395.83 km². In contrast, Banyuwangi District is the largest district in East Java Province with a total area of 5,782.50 km² (Bappeda Bantaeng, 2014, p. 36; Banyuwangi District Government, 2018k, p. 2). Such large area differences have the potential to influence the successful implementation of governance indicators in the process of developing industrial estates and ports in these two districts.

4.3 Types of Data and Data Collection Methods

Data collected for this research draws on both primary data and secondary sources, and data collection consists of three methods: (1) in-depth interviews with key participants (primary data); (2) collection and compilation of statistical data from government sources (central and local government) and investors (primary data); and (3) collection of data from previously published work and online news media (secondary data).

With regards to 1), I collected data through in-depth interviews conducted both at national and local government levels. At the local level, I conducted in-depth interviews in Bantaeng District and Banyuwangi District between January 2017 and March 2017. Interviews with participants at the central government level were conducted in April 2017. In total, I interviewed 44 respondents consisting of 19 respondents in Bantaeng District, 17 respondents in Banyuwangi District and eight respondents at the national level (in Jakarta). The interviews involved different stakeholders with different backgrounds who were selected based on their roles and their knowledge about the thesis topic. Most respondents were selected and approached to participate in in-depth interviews on the basis that they fitted into one of at least three categories: (1) they were a key person in infrastructure development; (2) they were familiar with the development of industrial estates and ports; and (3) they were available and willing to talk about the process of developing infrastructure in their respective areas.

At the local level, in-depth interviews were mainly conducted with six major types of stakeholders: (1) local executive; (2) local legislature; (3) civil society organisations; (4) local community leaders and/or local people; (5) academics; and (6) investors/businesspeople. The local executive consists of Heads of District, and officials from several departments. The local legislature consists of members of local parliament from different political parties, especially those involved in the issue of infrastructure development in the area. Civil society organisations comprise of non-government organisation activists in both districts. Local community leaders and/or local citizens interviewed were familiar with the development planning of industrial estates and ports. Academics included members of university faculties who have worked with the local government to develop infrastructure or who understand the process of developing industrial estates and ports in both regions. Finally, investors/businesspeople were those involved directly or indirectly in investing their capital in the development of industrial estates and ports in Bantaeng and Banyuwangi districts. At the national level, in-depth interviews were conducted with officials from several ministries involved in the decentralisation process and infrastructure development in the region

In interviewing key respondents to collect primary data, I employed semi-structured interviews, which are a type of in-depth interview with a certain degree of structure based on guiding interview questions (Holloway, 1997). The interview questions are open-ended in nature and are used to prompt the discussion process to enable the respondent to respond to particular themes, or to explore ideas further, based on their own perspectives, perceptions, experiences and understanding (Mason 2004, pp. 1021-1022). Semi-structured interviews allow me to raise further questions that are not part of the structured list of questions (Dearnley 2005, p. 22). In implementing this method for this dissertation, the semi-structured interviews covered issues ranging from broad matters such

as the impact of decentralisation on local government and the role of local government to develop infrastructure, to specific issues related to local government efforts to develop and improve their governance practices to attract investors. Interviews were recorded using a digital audio recording device. To protect the safety of the individuals and to manage confidentiality, this thesis will not disclose participants' names.

With regard to 2), I gathered data pertaining to the research topic from various local government agencies in Bantaeng District and Banyuwangi District. This data included among others economic growth data from local development planning documents produced by the Local Development Planning Agency, detailed spatial planning and industrial estate zoning regulation data from infrastructure development planning documents as well as environmental data from the environmental study documents produced by the Local Bureau of Public Works, industrial estate development data from the industrial estate development planning documents produced by the Local Bureau of Industry, port development data from port development documents produced by Local Bureau of Transportation, and investment data from the investment document produced by the Local Investment Agency. I also sourced statistical data from the local arms of the Central Bureau of Statistics (BPS), much of which was online. For data on the development of industrial estates in particular, I use the Framework of Reference of Bantaeng Industrial Estate Development document developed by PT ISDN Bantaeng Corporation in collaboration with the Bantaeng Regency Government.

From central government, I collected data from various documents printed and published by them, which included documents such as books, booklets, policy briefs, master plans, regional development plans, feasibility studies, presentation materials, laws/regulations, government reports, and official letters. However, I also obtained the documents, in the form of soft copy, which are not printed and not published by these two levels of governments because of its confidentiality. State official documents were also retrieved from the internet by visiting central and local governments' websites to collect information related to infrastructure development plans, statistical data, structure of local governments, tasks and functions of institutions, regional development plans, regional work plans, local budgets, performance reports, laws and regulations, and events and programs related to governance practices.

Finally, with regard to 3), I carried out analysis of documents such as academic studies or literature relating to decentralisation, governance and good governance, governance practices in Indonesia and infrastructure development and placed them in the Chapter 2 Literature Review. The historical background of infrastructure development in Indonesia as it relates to decentralisation was analysed

in Chapter 3 on decentralisation and infrastructure development in Indonesia with the purpose of understanding its relationship with the findings in the field.

I also analysed mass-media output retrieved from online news media, and other online internet sources that cover the process of infrastructure development, especially the development of industrial estates and ports. These mass-media outputs provided useful information and complemented preliminary data obtained prior to conducting interviews with stakeholders. Furthermore, I utilised the virtual outputs; available sources on the internet that provided information related to the concepts and practice of decentralisation in Indonesia; decentralisation and public service delivery in Indonesia; decentralisation and infrastructure development in Indonesia; foreign direct investment; local economic governance, budget and regulations; corruption in local governments; and accountability and transparency. This secondary data analysis was used to minimise weaknesses associated with interviews as a means of data collection. For instance, it was used to gain insight into complex issues that could not be fully examined in interviews and double-check material provided in interviews. Secondary sources were also an important source of data in their own right, given the fact that the nature of this dissertation is to explain governance outcomes and the dynamics surrounding them; matters that were in many cases well-documented in these sources.

4.4 Selection of Research Participants

Research participants are the most important instrument of the research. They are the main sources of interviews through which the researcher collected useful information for the study. The process of recruiting participants, according to Braun and Clarke (2014, p. 59), ranges from low to high degrees of difficulty. In general, the researcher can employ approximately nine diverse strategies to be successful in recruiting participants to support their study (Braun & Clarke 2014, p. 60).

With respect to this study, the researcher selected participants using purposive sampling. Purposive sampling, according to Patton (2002), is the typical approach in qualitative research, which has the objective to produce “insight and in-depth understanding of the topic of interest” (p. 230). In using purposive sampling, the researchers often select participants based on the consideration that they will obtain rich data from the participants that will be useful to analyse in the study. The participants involved in the research, as affirmed by Creswell and Clark (2011, p. 173), were deliberately selected by the researcher based on their experience with the central phenomenon or their knowledge of the key concept explored in the study. This strategy was employed to make the sample more relevant to the research (Bryman 2012, p. 418).

This research uses maximal variation sampling as part of purposive sampling strategies. Through this method of sampling, the researcher selected organisations and individuals who were assumed to have different perspectives on the decentralisation process, governance practices and infrastructure development, especially those related to the development of industrial estates and ports. The organisations and individuals selected as research participants were those who have power, authority, knowledge, expertise, experience and information regarding the central phenomenon and who were involved directly or indirectly with those three issues in Indonesia.

The organisations that were selected as research participants in this study were those closely involved with the decentralisation process, governance practices and infrastructure development in Indonesia. At the national level, the Ministry of Home Affairs and the Ministry of Finance were selected because these two agencies were involved directly in the decentralisation process.

Meanwhile, the Ministry of Industry and the Ministry of Transportation were selected because of their active and direct involvement in infrastructure development in Indonesia, particularly in the development of industrial estates and ports in Bantaeng and Banyuwangi Districts. For KPPIP and PT. SMI, these two central government agencies (in the form of special committees and SOEs) were chosen as participants because they were involved directly in infrastructure development and indirectly in the development of industrial estates and ports in the two regions. The views of these two agencies are important in providing insight into the development of industrial estates and ports in Indonesia. At the local government level, the range of organisations selected as participants was considerably greater, ranging from executive agencies through to legislative agencies, NGOs, universities and investor companies. More detailed information on the organisations selected as research participants is shown in tables 4.1, 4.2 and 4.3.

The individuals who were selected as research participants in this study are prominent persons from each organisation who have power and authority in the decision-making process as well as detailed knowledge, expertise, experience and information on local decentralisation, the implementation of governance practices in their administration and the development of industrial estates and ports in their areas. At the national level, participants were mostly heads of directorates (directors) and heads of divisions (deputy directors), or staff who were directly involved in managing those four issues. At the local level, selected research participants ranged from heads of district, heads or staff of departments, heads or members of legislative commissions, heads or staff of NGOs, prominent university lecturers and managers of investor companies.

The demographic characteristics of the participants were as follows:

1. Of the 44 participants, 43 people or 97.7% were over 40 years old, and only 1 person was under 40 years old (2.3%). Of the 43 people who were more than 40 years old, 25 were the same or more than 50 years old. Participants aged between 40 and 50 years were 18 people.
2. Of the 43 people who are over 40 years old, 18 of them are heads of directorates general, heads of directorates and heads of divisions at the national level, and heads of regions, heads of departments, heads of Commissions in DPRD, heads of NGOs, lecturers of leading universities and leaders companies at the local level that are the focus of the research. These people are of course prominent persons in these areas and have power and authority in decision making process. They also have detailed knowledge, expertise, experience and information on the issues examined in this study (decentralization, governance practices and the development of industrial estates and ports). Meanwhile, another 25 people are the heads of sub-directorates in the departments that are research subjects, who also have power and authority (although slightly lower than the 18 people above) in decision making process and have sufficient knowledge, expertise, experience and information.
3. Of the 44 participants, 37 people or 84.1% were men, while the rest (7 people, 15.9%) were women. The majority of them are Muslim (41 people, 93.2%), while two people are Christian (4.5%) and one other person is Hindu (2.3%). The researcher does not intentionally set the number of male participants to be more than female participants, or Muslim participants to be more than participants of other religions, but this is a given number obtained from the selection of key positions in the selected organization using the maximal variation sampling as part of purposive sampling strategies. The educational background of the informants also varied, where most of them had master's degrees (25 people, 56.81%), six of them had doctor's degrees (13.64%), nine of them had bachelor degrees (20.45%), and the remaining four people (9.09%), the researcher does not know for sure their educational background because information about that is not available.

Table 4.1: Selected Organisations in the National Level

No	Organisations	Category	Individuals Interviewed
1	<i>Direktorat Jenderal Otonomi Daerah/DJOD, Kementerian Dalam Negeri</i> (Directorate General of Regional Autonomy, Ministry of Home Affairs)	Central government agency	1 officer
2	<i>Direktorat Jenderal Perimbangan Keuangan/DJPK, Kementerian Keuangan</i> (Directorate General of Fiscal Balance, Ministry of Finance)	Central government agency	2 officers
3	<i>Direktorat Jenderal Pengembangan Perwilayahan Industri/DJPPI, Kementerian Perindustrian</i> (Directorate General of Industrial Zoning)	Central government agency	2 officers

	Development, Ministry of Industry)		
4	<i>Direktorat Jenderal Perhubungan Laut/DJPL, Kementerian Perhubungan</i> (Directorate General of Sea Transport, Ministry of Transportation)	Central government agency	1 officer
5	<i>Komite Percepatan Pembangunan Infrastruktur Prioritas/KPPIP</i> (Committee for Acceleration of Priority Infrastructure Delivery)	A special committee	1 officer
6	<i>PT Sarana Multi Infrastruktur/SMI</i> (Indonesia State Owned Infrastructure Financing Company)	SOEs	1 officer
Total			8 officers

At the local government level, 11 organisations in Bantaeng District were selected based on their direct involvement in the development of Bantaeng Industrial Park and Port of Bonthain. In this district, I managed to interview the *Bupati* (Regent), heads of departments and their staff, and other participants who had been determined based on the maximal variation sampling.

Table 4.2: Selected Organisations in Bantaeng District

No	Organisations	Category	Individuals Interviewed
1	<i>Kantor Bupati Bantaeng</i> (Office of Bantaeng District)	Highest authority in Bantaeng District	1 officer
2	<i>Badan Perencanaan Pembangunan Daerah/BAPPEDA</i> (Regional Development Planning Agency)	Local government agency	2 officers
3	<i>Dinas Perindustrian, Perdagangan, Pertambangan, dan Energi</i> (Department of Industry, Commerce, Mines, and Energy)	Local government agency	2 officers
4	<i>Dinas Perhubungan</i> (Department of Transportation)	Local government agency	2 officers
5	<i>Dinas Pekerjaan Umum, Pemukiman dan Prasarana Wilayah</i> (Department of Public Works, Housing and Regional Infrastructure)	Local government agency	3 officers
6	<i>Dinas Penanaman Modal dan Pelayanan Terpadu Satu Pintu</i> (Department of Investment and One Stop Integrated Service)	Local government agency	1 officer
7	<i>Dewan Perwakilan Rakyat Daerah/DPRD</i> (Local Parliament)	Legislature	2 parliament members
8	<i>Lembaga Independen Pemantau Anggaran Negara/LIPAN</i> (Independent Agency of State Budget Monitoring)	Local NGOs (civil society)	1 person
9	PT Huadi Nickel Alloy Indonesia	Investor	1 person
10	PT Titan Mineral Utama	Investor	1 person
11	Universitas Hasanuddin (Hasanuddin University)	Academics/University Professor	1 person
Total			17 persons

In Banyuwangi District, ten organisations were selected to participate in the research in order to represent a range of perspectives. The selection of these participants was also based on their direct involvement in the development of Banyuwangi Industrial Estate Wongsorejo and Port Tanjung Wangi. However, in this district, I did not manage to interview the Banyuwangi Regent.

Approaches have been made to request an interview meeting with the *Bupati*, for example through his aide and the Head of the Banyuwangi Bappeda. Unfortunately, due to his busy schedule, I did not have the opportunity to interview even though I had waited for more than three weeks. I only managed to interview heads of departments, agency and their staff, as well as other participants.

Table 4.3: Selected Organisations in Banyuwangi District

No	Organisations	Category	Individuals Interviewed
1	<i>Dinas Penanaman Modal dan Pelayanan Terpadu Satu Pintu</i> (Department of Investment and One-Stop Integrated Service)	Local government agency	2 officers
2	<i>Dinas Perindustrian dan Perdagangan</i> (Department of Industry and Commerce)	Local government agency	1 officer
3	<i>Dinas Pekerjaan Umum, Cipta Karya dan Penataan Ruang</i> (Department of Public Works, Human Settlements, and Spatial Planning)	Local government agency	3 officers
4	<i>Dinas Perhubungan</i> (Department of Transportation)	Local government agency	2 officers
5	<i>Badan Perencanaan Pembangunan Daerah/BAPPEDA</i> (Regional Development Planning Agency)	Local government agency	2 officers
6	<i>Dewan Perwakilan Rakyat Daerah/DPRD</i> (Local House of Representatives)	Legislature	1 parliament member
7	<i>Bersama Memberdayakan Warga/BMW</i> (Empowering Citizens Together)	Local NGOs (civil society)	1 person
8	PT Wongsorejo	Investor	1 person
9	PT Pelindo III	Investor	1 person
10	Universitas Banyuwangi (Banyuwangi University)	Academic/University Lecture	1 person
Total			15 persons

In addition to selecting the above organisations, this study also selected a number of local communities as research participants, with the aim of enriching the data and information gained regarding the impact on local communities of the planned development of industrial estates and ports in the two districts. The interviews aimed to ascertain whether local people received sufficient information about the development plan of industrial estates and ports, and whether they felt that they will receive benefits from the development of both infrastructure projects. The interviews also aimed to obtain balanced views and perspectives from different stakeholders, which provide more comprehensive information.

4.5 Thematic Analysis in Qualitative Research

This study is qualitative, and in conducting analysis in qualitative research, thematic analysis is one of the common forms of analysis that can be used by the researcher to analyse the data (Guest, MacQueen & Namey 2012a, in Javadi & Zarea 2016, p. 34). Thematic analysis has been widely used by many scholars to analyse and interpret qualitative data (see, for example, Aronson 1994; Boyatzis 1998; Joffe & Yardley 2004; Tuckett 2005; Vaismoradi, Turunen & Bondas 2013). This study employed thematic analysis as a method of extracting meanings and concepts from the data (Boyatzis 1998; Braun & Clarke 2006).

Thematic analysis, according to Braun and Clarke (2006, 2012, 2013), is a valuable approach that can be used systematically to identify, analyse, organise and report patterns of meaning or themes that arise from the dataset. By using thematic analysis and focusing on the meanings that appear, it is possible for the researcher to understand shared meanings and experiences of the interviewees (Braun & Clarke 2013, p. 175). Thematic analysis that includes pinpointing, examining and recording patterns or themes (Javadi & Zarea 2016, p. 34) is beneficial in discovering both clear and hidden themes or patterns emerging from the data (Guest, MacQueen & Namey 2012b, p. 10) and is useful for revealing important themes in a text (Attride-Stirling 2001, p. 387).

Thematic analysis is considered helpful for those new to qualitative research as it offers accessibility and flexibility. Clarke and Braun (2013, p. 122) stated that thematic analysis provides an entry into a way of researching by teaching the researcher a way of "coding and analysing qualitative data" systematically, which leads the researcher to broader theoretical or conceptual issues. Thematic analysis is flexible in nature in that the process of searching, examining and patterning the themes does not need to obey the particular theory of language.

For thematic analysis to work effectively, it should follow a six-phase approach proposed by Braun and Clarke (2006, 2012, 2013) and Clarke and Braun (2013). Table 4.4 below describes the approach.

Table 4.4: Phases of Thematic Analysis

No	Phase	Description of the Process
1	Familiarising yourself with the data	Transcribing data, reading and re-reading the data, noting down initial ideas.
2	Generating initial codes	Coding interesting features of the data in a systematic fashion across the entire data set, collating data relevant to each code.
3	Searching for themes	Collating codes into potential themes, gathering all data relevant to each potential theme.
4	Reviewing themes	Checking if the themes work in relation to the coded extracts (Level 1) and the

		entire data set (Level 2), generating a thematic ‘map’ of the analysis.
5	Defining and naming themes	Ongoing analysis to refine the specifics of each theme and the overall story that the analysis tells; generating clear definitions and names for each theme.
6	Producing the report	The final opportunity for analysis. Selection of vivid, compelling extract examples, final analysis of selected extracts, relating back of the analysis to the research question and literature, producing a scholarly report of the analysis.

Source: Braun & Clarke (2006)

In identifying themes or patterns within data, the researcher may use an inductive approach (bottom-up) (Frith & Gleeson 2004 in Braun & Clarke 2006, p. 88), a deductive approach (top-down) (Boyatzis 1998; Hayes 1997), or a combination of these two approaches (Braun & Clarke 2006, p. 85; 2012 p. 58). This study employs a deductive approach, where the data and information obtained from research participants is organised according to three themes, namely, voice and accountability, regulatory quality and control of corruption. The indicators related to these three themes are drawn from the work of Kaufmann, Kraay and Zoido-Lobaton (2002) and Kaufmann, Kraay and Mastruzzi (2004, 2005, 2006, 2007, 2008, 2009). More detailed information on these indicators is discussed in the next section.

4.6 Research Framework

This research focuses on the investigation of the efforts of local governments to implement three governance indicators (voice and accountability, regulatory quality and control of corruption) to attract investors to develop infrastructure in the region. The research framework proposed for the present project is outlined in Figure 4.3 below.

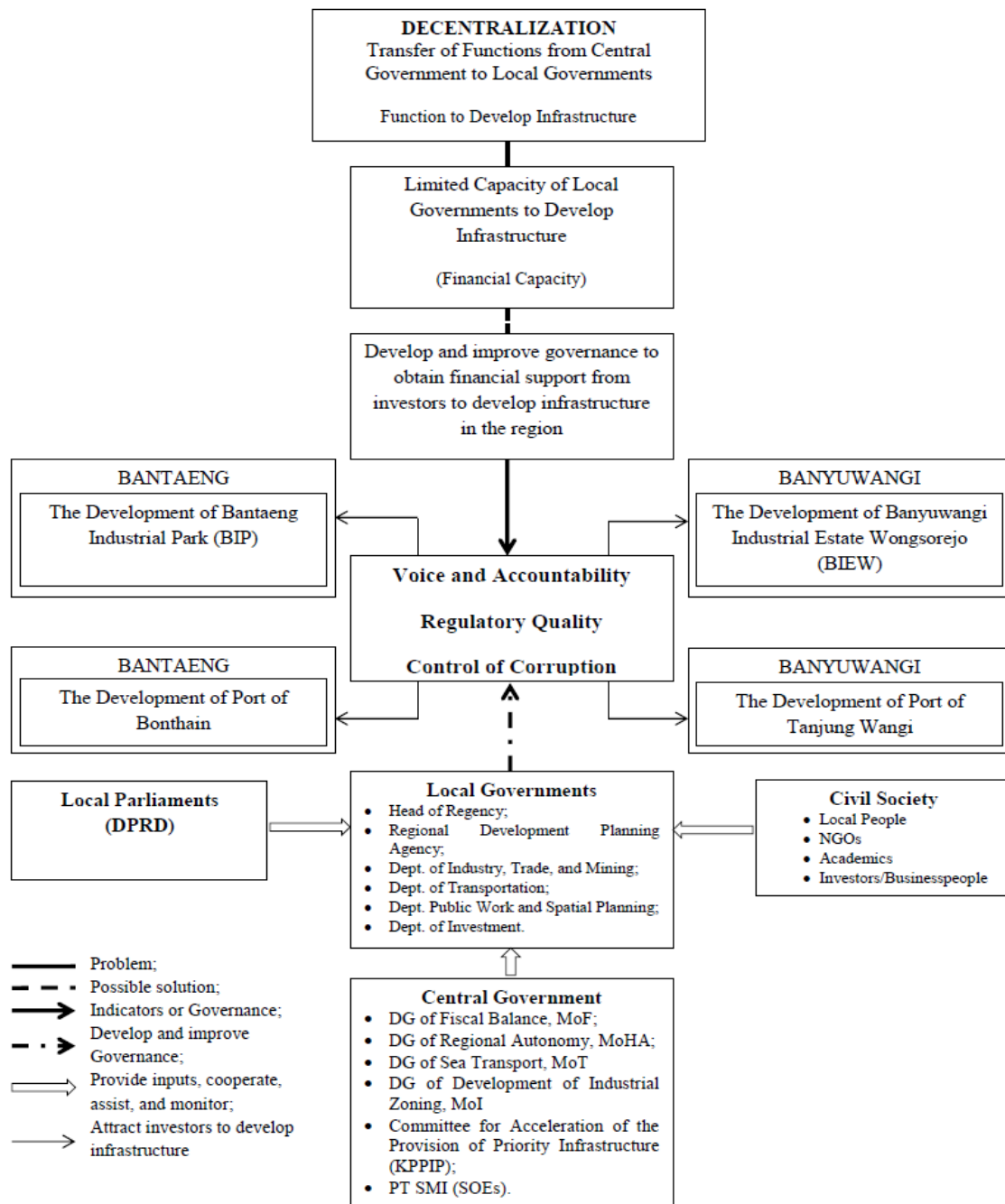


Figure 4.3: Research Framework

Figure 4.3 shows how local governments - supported and monitored by local parliament, civil society and central government - attempt to overcome the problem of limited financial capacity to develop infrastructure in their region. Of the many potential solutions available, one is to implement governance practices well so that investors will be attracted to invest their capital in infrastructure development. As mentioned in the previous section, the three governance indicators used in this research are drawn from the work of Kaufmann, Kraay and Zoido-Lobaton (2002) and Kaufmann, Kraay and Mastruzzi (2004, 2005, 2006, 2007b, 2008, 2009).

Voice and accountability are investigated by looking at a number of indicators measuring various aspects such as political process, civil liberties and political rights. In the context of this research, I will investigate voice and accountability during the development of infrastructure plans by looking at how local people were able to involve themselves in the process of giving input regarding the plans and how they could express their preferences, opinions and views regarding the needs of infrastructure in the region. Additionally, I investigate how executive officials provide information to other stakeholders including local people, local parliament, investors and interest groups as part of their horizontal accountability.

With respect to regulatory quality, this research focuses on the policies themselves. The measures of the incidence of market-unfriendly policies as well as perceptions of the burdens imposed by excessive regulation are investigated to find out whether or not the local governments have produced appropriate policies in supporting infrastructure development. In the context of this research, I will examine the ability of local governments to formulate and implement sound policies and regulations that permit and promote private sector development by looking at how the local governments of Bantaeng and Banyuwangi formulate and implement sound policies and regulations that support infrastructure development in their region. Furthermore, I will also investigate whether the policies and regulations created could attract the interest of investors and, therefore, facilitate and accelerate the provision of infrastructure in both regions.

Finally, the indicator of control of corruption is investigated by looking at the people's perceptions of corruption, which will include aspects ranging from the frequency of 'additional payments to get things done' to the effects of corruption on the business environment. Also, this study examines the tendency of elite forms to engage in 'state capture'. Also investigated is the control of corruption in infrastructure development by observing local-level monitoring conducted by civil society, non-government organisations and academics. I will also elaborate on how local governments develop policies and programs aimed at eradicating corruption in infrastructure development in their region.

4.7 Research Ethics

This study received approval from the Social and Behavioural Research Ethics Committee (SBREC) of Flinders University on December 2nd 2016 (Project Number 7484). To conduct field research in Bantaeng District, Banyuwangi District and Jakarta, permission was obtained from the Ministry of Home Affairs of the Republic of Indonesia. Permission to conduct interviews and collect documents was obtained from relevant institutions at national and local level.

During the interviews in these three areas, all individuals who participated in this research provided informed consent by signing a consent form, agreed for the interviews to be recorded and allowed the researcher to use the recording or transcription to produce the thesis. The involvement of participants in this research was voluntarily and they were informed that they were free to withdraw from the project at any time or to decline to answer particular questions if they were not comfortable in doing so.

4.8 Conclusion

The scope of this research concerns the actual practices and implementation of governance indicators (voice and accountability, regulatory quality and control of corruption) by local governments in Indonesia in order to attract investors to invest in infrastructure development (industrial estates and ports) in the region. This chapter specifically discussed the research methodology used in this thesis. Considering the three conditions applied in the research, which are (1) answering "how" and "why" questions; (2) investigating contemporary events; and (3) the researcher having little to no control over events, this research employed a case study approach as a key strategy to explain, describe and explore events or phenomena in an everyday context. By employing the case study, it is expected that the researcher will gain an in-depth understanding of the governance practices in developing industrial estates and ports and understand the causal links and pathways resulting from a new policy initiative or service development.

This research uses a multiple case study approach to obtain a deeper understanding of each case and to understand causal explanations and relationships between events. The researcher's main reason for choosing multiple case studies was to gain a deeper understanding of the differences and similarities between the cases. Data for this research was collected using in-depth interviews and documentary research. Research participants were selected using purposive sampling, with the objective to produce insight and in-depth understanding of the topic of interest. Participants were chosen based on the consideration that they will provide rich data that will be useful to the analysis in this study. This research uses maximal variation sampling as part of purposive sampling strategies. Through this method of sampling, the researcher selected organisations and individuals who were assumed to have different perspectives on the decentralisation process, governance practices and infrastructure development, especially those that relate to the development of industrial estates and ports. Their experience and knowledge of these three key concepts are important elements of this research.

This study employs thematic analysis as a method for extracting meanings and concepts that emerge from data. Furthermore, it also employs a combination of inductive approach (to develop codes,

patterns and themes) and deductive approach (to check and confirm the authenticity and accuracy of the inductive approach). Data and information for this study were obtained from research participants and classified into three themes: voice and accountability, regulatory quality and control of corruption. The essential working papers of Kaufmann, Kraay and Zoido-Lobaton (2002) and Kaufmann, Kraay and Mastruzzi (2004, 2005, 2006, 2007b, 2008, 2009) were used to define the indicators for these themes. In the following chapters, the thesis will discuss the general background of the research sites, followed by discussion of findings from the two regions of Bantaeng and Banyuwangi districts.

CHAPTER 5 **BANTAENG DISTRICT OF SOUTH SULAWESI PROVINCE AND BANYUWANGI DISTRICT OF EAST JAVA PROVINCE**

5.1 Introduction

This chapter provides the general background to the two districts under study, Bantaeng District and Banyuwangi District. The main focus of this chapter is the exploration of the geographical, historical, sociocultural and political backgrounds of the two districts to assist the analysis and discussion of this thesis in Chapter 8, which relates to the factors that influence the implementation of voice and accountability, regulatory quality and control of corruption during the development process of industrial estates and ports at these two sites. This chapter also describes local governance and local politics in both districts, with the aim of understanding other factors that might influence the way the two local governments implement these three governance indicators to attract investors to invest in industrial estate and port development.

At the end of the chapter, readers will have gained broader information and an in-depth understanding of Bantaeng District and Banyuwangi District, and will be able to relate it to both the context of industrial estate and port development and the implementation of voice and accountability, regulatory quality and control of corruption which will be discussed in chapters 6, 7 and 8.

5.2 Bantaeng District: An Overview

5.2.1 Geographical, historical, socio-cultural and political context

Bantaeng District has an area of 395.83 square kilometres, the smallest district in South Sulawesi Province (Bappeda Bantaeng 2014, p. 36; informasipedia.com 2017). It shares boundaries with four surrounding districts and a sea: the districts of Gowa and Sinjai to the north, Bulukumba to the east, Jenepono to the west and the Flores Sea to the south. Geographically, it is located in the southern area of South Sulawesi Province, approximately 120 km south of Makassar, the capital of South Sulawesi Province (Bappeda Kabupaten Bantaeng & Bantaeng District Central Bureau of Statistics 2016, p. 6-7; Ministry of Industry of Indonesia 2014b, p. 6).

In 2016, the population of Bantaeng District was 184,517 and distributed across eight sub-districts divided into 46 villages and 21 wards (Bappeda Kabupaten Bantaeng & Bantaeng District Central Bureau of Statistics 2016, p. 31). Population density in the eight sub-districts is quite diverse, with the highest population density located in Bantaeng Sub-district (1,329 people/km²) and the lowest

population density located in Uluere Sub-district (168 people/km²) (Bantaeng District Central Bureau of Statistics 2017a). The location of sub-districts is shown in Figure 5.1.

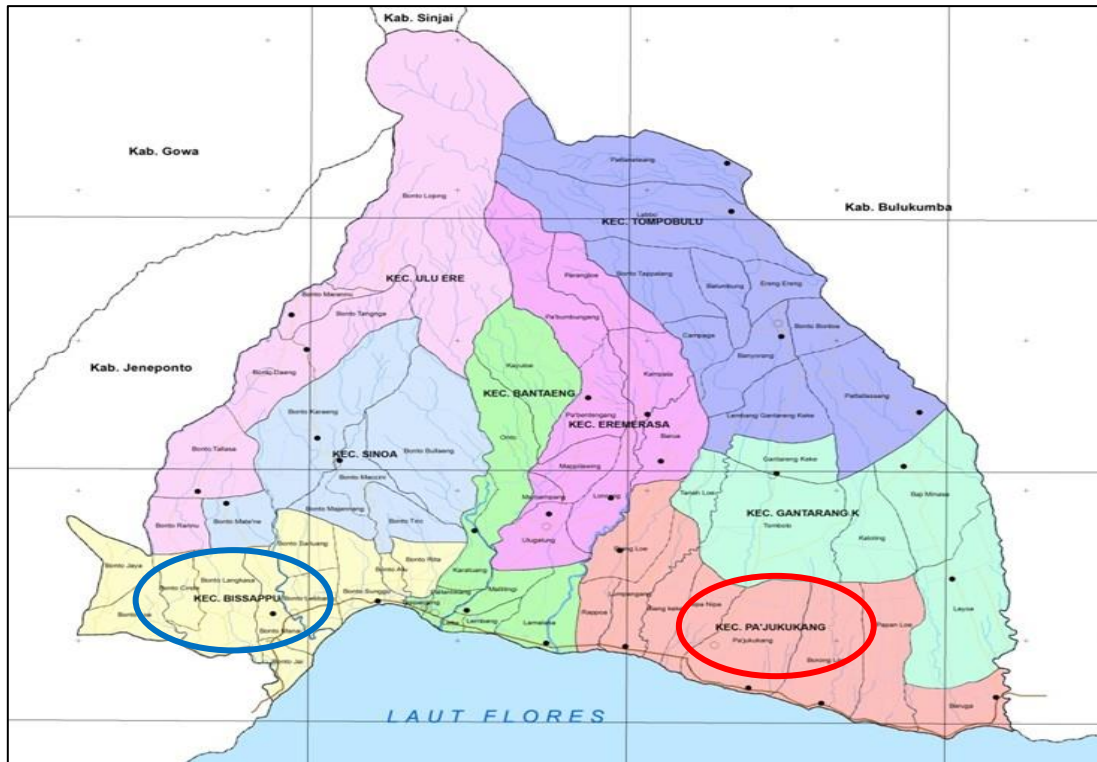


Figure 5.1: Sub-districts of Bantaeng District

Source: Ministry of Industry of Indonesia (2014)

Figure 5.1 shows the eight sub-districts in Bantaeng District. Pa'jukukang Sub-district (the red circle) is the sub-district where Bantaeng Industrial Park will be developed. Bisappu Sub-district (the blue circle) is the sub-district proposed as the construction site of Port Bonthain. The location of Pa'jukukang Sub-district and Bisappu Sub-district, both in the coastal area, have high potential to be developed for industrial estates and ports as they provide access to four locations in Sulawesi Island (Luwu Timur District, Morowali District, Kolaka District and Konawe District) where raw materials (nickel ore) for the industrial estate will be obtained. Also, it provides access to Kalimantan Island, where raw materials used as the main source of energy (coal) for the industrial estate will be taken from. Both access points will use sea channels as their main method of transportation. Furthermore, the coastal area of Pa'jukukang Sub-district is a suitable place to develop industrial ports that will support industrial estates (Ministry of Industry of Indonesia 2014b, p. 13). The site in Pa'jukukang Sub-district that was planned for an industrial estate is located in an agricultural area that is relatively far from residential areas. Moreover, its topography is also appropriate for an industrial estate.

With respect to employment, the main occupations of the Bantaeng population are in the agriculture, forestry, hunting and fisheries sectors, accounting for 51.78% of the total working population. In 2015, the number of unemployed citizens was 3,904, an unemployment rate of 4.07% (Bappeda Kabupaten Bantaeng & Bantaeng District Central Bureau of Statistics 2016, p. 54-62; Bantaeng District Central Bureau of Statistics 2017a, p. 60). The sectors that most influenced the regional economy of Bantaeng District were agriculture, forestry and fishery, contributing 32.61% of total GRDP. The next biggest sectors were construction (17.11%) and wholesale/retail trade and car/motorcycle repair (13.58%) (South Sulawesi Central Bureau of Statistics 2017).

Administratively, Bantaeng District is led by a *bupati* (district head) and *wakil bupati* (deputy district head) under the supervision of a local legislative body, consisting of 25 local representatives. All district heads, deputy district heads and congressional members are directly elected. Prior to the implementation of Law 32/2004 on Local Administration under Local Autonomy, the *bupati* and *wakil bupati* were elected by the legislative members rather than by direct election.

Bantaeng is known as a small district in South Sulawesi Province whose economic growth has continued to increase in recent years. It has become one of the main investment destinations in South Sulawesi Province for both local and foreign investors wanting to invest in various economic fields. In this section, the thesis will also discuss the two main topics relevant to the research: sociocultural and political life in Bantaeng District.

Firstly, Bantaeng has special sociocultural characteristics which are different from other regions in South Sulawesi. One particular characteristic is rooted in Bantaeng's traditions (known as *To-Manurung*), which characterized by narratives that emphasise the importance of practicing good moral values. Ahimsa-Putra's (2014, pp. 5-9) study found that, in general, sociocultural life in Bantaeng was influenced by four values: reciprocity, togetherness, agreement and representativeness.

The cultural value of reciprocity emphasises the reciprocal relationship between leaders and those who are led, where the relationship must be voluntary without either side feeling forced to establish the relationship. This cultural value leads to an expectation that leaders will give more to those who are led, not vice versa. Furthermore, the leader has an obligation not to burden or complicate the lives of those who are led, instead they should always try to ease the burden of those who are led and make sure that their basic needs are met (Ahimsa-Putra 2014, p. 6).

In the context of the modern political system in Bantaeng, especially in the era of Nurdin Abdullah's leadership, this cultural value is well implemented. Since serving as *Bupati* in 2008, he has changed the management of bureaucratic government into a corporate style that better serves the public and is friendly, easy, inexpensive and straightforward. When it came to matters of discipline, firmness and courage in enforcing rules and laws, Nurdin has been very strict. He has had a hard-line approach in upholding the rules and laws of Bantaeng (Obsession News 2017). In connection with the development of industrial estate and port in Bantaeng, changes in government management have attracted many investors to invest in Bantaeng and made it easier for them to realise their investment in the two infrastructure projects.

Meanwhile, related to the cultural value of togetherness, Ahimsa-Putra (2014, p. 6) argued that the reciprocity that is built between leaders and those who are led will facilitate the achievement of togetherness in solving various problems because reciprocity allows for growth of stronger mutual trust (Gouldner 1977). The value of togetherness is shown by the attitude of leaders and those who are led to always be willing to cooperate with each other. This togetherness value eliminates the view that one organisation or individual is more important than another. All organisations and individuals involved in the effort to achieve certain goals are of the same importance. Each organisation and individual make a different contribution but complements and supports each other. This will work well if there is division of labour. The division of labour is based on the value of effectiveness and efficiency to achieve various objectives.

In Bantaeng's modern political life, Nurdin Abdullah's government has aimed to build an integrated and connected system where public sector organisations and the public work together to achieve commonly defined goals and targets (interview by the Author with Nurdin Abdullah 2017). According to Tamimi (2015, p. 8), an integrated system was built by Nurdin Abdullah by considering three strategic indicators, namely, clear themes, clear objectives, and interrelationships between sub-themes. In addition, Nurdin Abdullah also carried out a clear division of tasks by establishing various procedures which became formalized Standard Operating Procedures (SOPs) for field operators and conducting continuous evaluations of work standards.

In connection with the planned development of the industrial estate and port in Bantaeng, the value of togetherness is realised through cooperation between the District Government of Bantaeng and various parties such as local communities (communities in Pajukukkang and Bisappu districts), SOEs (PLN and PT Telkom), and private companies (such as three nickel smelter investors, China Machinery Engineering Corporation (CMEC) and PT Biidznillah Tambang Nusantara (BTN) Power Sdn. Bhd) in order to meet the needs of supporting infrastructure for both projects.

Next is related to the cultural value of agreement. This cultural value emphasises that reaching agreement or equality of opinion is a good thing and needs to be done if people want to solve a problem or work together to achieve a common goal. The agreement will generate mutual trust between one party and another and, therefore, every organisation or individual will be willing to do the task assigned to them as well as possible. The value of agreement can solve various problems encountered relatively easily and quickly (Ahimsa-Putra 2014, p. 7).

The application of the cultural values of agreement in Bantaeng's modern political life in the era of Nurdin Abdullah's administration is carried out by maximising the use of the *Musrenbang* (Multi Stakeholder Consultation Forum for Development Planning) as a development forum in which there is an agreement between the District Government of Bantaeng and all stakeholders in Bantaeng on development programs and activities to be carried out. With infrastructure development, plans must be agreed upon by the District Government of Bantaeng and stakeholders because success of infrastructure development is highly dependent on the support and cooperation of these stakeholders. Without agreement with the stakeholders and strong support from them, it is unlikely that infrastructure development will run smoothly.

In relation to the development plan of the industrial estate and port in Bantaeng, the cultural value of agreement was implemented in the land acquisition process where the District Government of Bantaeng, local communities and investors sat together to discuss and agree on the selling price of the land to be used as the location for the industrial estate and port development. The cultural value of the agreement is also reflected in the investor's agreement to follow various procedures and regulations in Bantaeng related to the process of developing a nickel smelter, and agreement between the District Government of Bantaeng and all stakeholders in Bantaeng to undertake development without corruption and illegal levies.

Finally, the cultural value inherited from Bantaeng's history is representative cultural value. This cultural value emphasises the need to represent information to others based on mutual agreement (Ahimsa-Putra 2014, p. 8). Representative cultural value forms the basis of Bantaeng's traditional political system with the aim of facilitating services and governance for the people. In this context, people do not need to flock to meet their leader every day, but nominate representatives to convey their voices, aspirations, interests and desires related to their lives. A leader also does not need to come to meet the person he leads directly every day, also sends representatives to meet people on their behalf.

In the context of the current political life in Bantaeng, Nurdin Abdullah applies the cultural value of representation in two ways. First, he opened his official residence every morning to be visited by

representatives of the Bantaeng community who wish to convey problems, input, suggestions and proposals related to Bantaeng development. Second, he diligently sends representatives, who are usually heads of departments or other officials in Bantaeng District, to visit the sub-districts or villages where there are complaints from the community. The aim is to make the bureaucrats in Bantaeng District see with their own eyes the events that occur and complaints that arise in the community, and to examine the issues before deciding what solutions can be applied.

Related to the development of the industrial estate and port, the cultural value of representation is implemented by Nurdin Abdullah's government through the appointment of *Perusda* (Local Company) Bajiminasa as a representative of the District Government of Bantaeng to promote the Bantaeng Industrial Park to domestic and foreign investors at formal investment events. In addition, the District Government of Bantaeng also delegated its authority to *Perusda* Bajiminasa to sign an MoU with PT Pasifik Agra Energi and Doosan Heavy Industries and Construction Co. Ltd to work together in building the LNG Receiving Terminal and the installation of clean water and wastewater management in Bantaeng Industrial Park (Tribunnews.com 2016a; Detik.com 2016a; bantaeng-industrialpark.com 2017; aei-1.com 2018).

Secondly, political life in Bantaeng District is characterised by a high level of participation of Bantaeng people in political events such as general elections, regional head elections, and discussions with the government and the DPRD to discuss local budgets. The study of KPU/*Komisi Pemilihan Umum* (General Election Commission) (2015) and Adibroto et al. (2013), the report of Noesa (2012, in Fahrudin 2017, p. 182) and my interview with an NGO activist reinforced this.

According to the KPU (2015), Bantaeng people are accustomed to voicing their interests and aspirations to the government. According to Adibroto et al (2013, p. 75), the high level of political participation of the Bantaeng community enables them to ask the government to provide channels or mechanisms, both formal and informal, where they can be actively involved in the decision-making process. On the other hand, the Bantaeng District Government, based on the results of my interview in Bantaeng, is willing to provide such channels and mechanisms to its citizens. My interview with one of the NGO activists also found that the Bantaeng community, represented by local community leaders and NGOs, were people who were concerned about management of the local budget and, therefore, wanted to be actively involved in discussing local budgets with the government and the DPRD.

In conclusion, Bantaeng District has a historical, sociocultural and political background that has undoubtedly influenced and shaped the current sociocultural and political system and life in Bantaeng. This background in practice also influences the way the District Government of Bantaeng

implemented governance practices (voice and accountability, regulatory quality, and control of corruption), especially in an effort to attract investors to invest in the development of industrial estates and ports in Bantaeng. This may seem like an idealised and very harmonious situation but compared to other parts of Indonesia there is a high level of co-operation. This is not to say that there are no problems or disagreements. Politics can be robust. The next two sections will discuss Bantaeng's local governance followed by local politics of the District.

5.2.2 Local governance

Since Nurdin Abdullah has been in office, various media, government agencies, independent bodies and academic studies have witnessed the emergence of numerous governance reforms and innovations that have addressed the social and economic conditions of the District. The study conducted by FIPO (Fajar Institute of Pro-Autonomy) related to regional autonomy can be used to understand Nurdin Abdullah's governance reforms and innovations in Bantaeng as well as economic growth (Mattingaragau 2014). The growth has come alongside implementing innovations in infrastructure governance and economic governance, so as to bring significant changes to the District's social and economic conditions.

In the context of infrastructure governance, since elected in 2008, Nurdin Abdullah's administration has significantly developed and increased roads, bridges, and dam infrastructure in Bantaeng. The massive development of road and dam infrastructure was aimed at supporting the mobility of goods and services from production centres to consumers, as well as opening access to remote areas to facilitate inter-regional transportation access. Furthermore, it is aimed at anticipating floods and providing water reserves, as well as a source of irrigation for agricultural and plantation areas in Bantaeng District (Bappeda Kabupaten Bantaeng & Bantaeng District Central Bureau of Statistics 2016, p. 221).

A new focus on tourism, including the development of Marina Beach, Lamalaka Beach and Seruni Beach has stimulated the economic activities of local people, which, in turn has increased local people's income as well as the Local Own-source Revenue (*Pendapatan Asli Daerah/PAD*) of Bantaeng District (Mattingaragau 2014). These two governance innovations are considered as the most innovative governance earned Bantaeng a *2013 Otonomi Award* by FIPO.

With respect to governance indicators used in this thesis, namely, voice and accountability, regulatory quality, and control of corruption, Bantaeng has managed to record remarkable achievements in these indicators. For the voice and accountability indicator, this district is considered successful in Indonesia in producing innovative breakthroughs in the field of public accountability in its government and is recognised as a Region with Innovative Breakthroughs in

the Field of Public Accountability by FIPO in 2011 and 2014. Similarly, in the field of public participation the government successfully increased the participation of the Bantaeng community in supporting development programs and budget planning and received a 2014 Autonomy Award from FIPO for their success in implementing the Participatory Planning and Budgeting Program (Official Website of Bantaeng District 2017; Armansyah 2017).

During the period of Nurdin Abdullah's leadership, Bantaeng succeeded in creating productive and effective regulations in the areas of population administration and licensing, education, health and environmental services. These contributed to improvements in the lives of the Bantaeng community. This also received the attention of the FIPO which conducted an assessment of these regulations and subsequently decided to give Bantaeng awards in 2012 and 2014 as the Region with Innovative Breakthroughs for their regulations on population administration and licensing, education, health, and environmental services. In addition to the fields above, Bantaeng introduced innovation in regulations governing economic growth, equity and economic development, which also received an award from FIPO in the same year (Official Website of Bantaeng District 2017; Armansyah 2017).

In relation to control of corruption, the District Government of Bantaeng has shown a strong commitment to continue to promote good, clean and responsible governance, and inspire other regions to strengthen measures to eradicate corruption in their jurisdictions. These activities have impressed the anti-corruption group known as the Bung Hatta Anti-Corruption Award Society, and they awarded the 2017 Bung Hatta Anti-Corruption Award to Nurdin Abdullah for his commitment to fostering a local government that is clean and free from corruption (Manggala 2017; Ihsanuddin 2017)

In addition, Bantaeng has been transformed into a successful region in implementing a village-based agriculture program. This program was launched by Nurdin Abdullah with the aim of building "The New Bantaeng" and increasing the competitiveness of the region. Bantaeng, under Nurdin Abdullah, was also successful in developing regional innovation programs with the main purpose to advance the region and improve the welfare of the people. With all the advantages and disadvantages that this region has, Nurdin Abdullah has succeeded in transforming Bantaeng into a desirable investment destination that has attracted many investors to this district to invest their capital. The above programs saw Bantaeng receive prestigious awards from the Ministry of Home Affairs in the form of Innovative Government Award (IGA) and SINDO Weekly Government Award in 2013 and 2014. In addition, Bantaeng was also recognised as the best area for the investment sector category (Ministry of Home Affairs of Indonesia 2013a, 2013b).

Overall, Nurdin Abdullah's role as *Bupati* has changed Bantaeng from a previously underdeveloped region to a rapidly developing district. Various governance reforms and innovations were carried out to change the face of Bantaeng into a model of sustainable development in Indonesia. In recognition of this work, he was awarded a People of the Year Award 2012 in the category of the Best Head of the District from *Seputar Indonesia* (SINDO) Daily Newspaper (Djafar 2013), and the Innovative Head of District 2014 award. These awards recognise Nurdin Abdullah for his great contribution to economic development and governance in Bantaeng District.

Many other awards have been bestowed upon Nurdin Abdullah and the District Government of Bantaeng for their success in developing and improving governance in this small district. According to Nurdin Abdullah, the main purpose of these governance reforms and innovations is not to win awards, but to enact tangible change that impacts the people of Bantaeng. It is believed by Nurdin Abdullah that the District Government of Bantaeng must provide services from the heart, so that the public can really feel the benefits of the presence of government apparatus in the Bantaeng community (Apriantono 2016; Abdullah 2016).

The high-level achievement of Bantaeng's local governance is a combination of many factors such as strong, smart, and visionary leadership; strong commitment and collaboration between government and civil society; continuous innovations; sound communication and synergy between stakeholders; serving from the heart; and active participation of all elements of Bantaeng society. Under Nurdin Abdullah's administration, the District Government of Bantaeng also showed strong commitment to prevent and eradicate corruption, as well as to uphold accountability and transparency in government.

In connection to the two main case studies in this thesis, namely, the development of Bantaeng Industrial Park and Port Bonthain, the practices of local governance of Bantaeng District for the indicators of voice and accountability, regulatory quality and control of corruption had a strong impact on the implementation of these three indicators in the process of developing both infrastructure. From the field research in Bantaeng, I found that the implementation of these three indicators in the development process of Bantaeng Industrial Park and Port Bonthain brought about encouraging results to the progress of development of these two projects. The implementation of these three governance indicators in the development process of Bantaeng Industrial Park and Port Bonthain is explained in further detail in Chapter 6. The next sub-section will discuss local politics in Bantaeng District with a focus on Nurdin Abdullah's profile as the District Head and his efforts to develop political relationships in Bantaeng.

5.2.3 Local politics

Before becoming actively involved in politics, Nurdin Abdullah earned the academic title of Professor of Forest and Land Rehabilitation in the Faculty of Forestry, Hasanuddin University, having completed doctoral studies in agriculture at Kyushu University, Japan. Besides being known as an academic, he was also known as a successful businessman where he has served as President Director for five Japanese companies, namely, PT Maruki International Indonesia, Global Seafood Japan, Hakata Marine Indonesia, Hakata Marine Hatchery and Kyushu Medical Co. Ltd (Kabar Makassar, 2018). Eventually, he chose to go into politics and devoted himself to the community by serving as Bantaeng *Bupati* (Regent) for two consecutive periods from 2008 to 2018, following successful careers in education and business.

When he first ran for the position of Bantaeng Regent for the 2008-2013 period, Nurdin Abdullah, who was paired with Andi Asli Mustajab as a candidate for deputy regent, was supported by nine political parties consisting of *Partai Keadilan Sejahtera/PKS* (Prosperous Justice Party), *Partai Bulan Bintang/PBB* (Crescent Star Party), *Partai Kebangkitan Bangsa/PKB* (National Awakening Party), *Partai Persatuan Nahdlatul Ulama Indonesia/PPNUI* (United Nahdlatul Ulama Indonesia Party), *Partai Nasional Benteng Kerakyatan/PNBK* (People's Fortress National Party), *Partai Patriot* (Patriot Party), *Partai Indonesia Bersatu/PIB* (United Indonesia Party), *Partai Solidaritas Indonesia/PSI* (Indonesian Solidarity Party), and *Partai Merdeka* (Freedom Party), which had only 18 percent of the vote in the Bantaeng DPRD. Mathematically, the combination of these nine parties was considered impossible to make Nurdin Abdullah and Andi Asli Mustajab to become the Regent and Deputy Regent of Bantaeng, especially because they were facing off against two pairs of candidates for regent and deputy regent who were supported by the major political parties (Golkar, PAN and PDIP) which had large numbers of votes in the Bantaeng parliament. Nevertheless, the fact speaks different. Surprisingly, the couple successfully won Bantaeng's *Pilkada* (local election) by getting 46 percent of the votes, defeating the couples of Arfandy Idris-Irvandy Langgara (supported by *Partai Golkar* (Golkar Party)) and Syahlan Solthan-Samhi Muawan Djamal (supported by *Partai Amanat Nasional/PAN* (National Mandate Party) and *Partai Demokrasi Indonesia Perjuangan/PDIP* (Struggle Indonesia Democratic Party)), who get only 19 percent and 14 percent of the votes respectively (Detik.com, 2014a).

In 2013 *Pilkada*, Nurdin Abdullah was coupled with Muhammad Yasin as his Deputy Regent and supported by seven political parties including *Partai Amanat Nasional/PAN* (National Mandate Party), *Partai Kebangkitan Nahdlatul Ulama/PKNU* (Nahdlatul Ulama Awakening Party), *Partai Keadilan Sejahtera/PKS* (Prosperous Justice Party), *Partai Hati Nurani Rakyat/HANURA* (People's Conscience Party), *Partai Demokrat* (Democrat Party), *Partai Demokrasi Kebangsaan/PDK* (National Democratic Party), and *Partai Golkar* (Golkar Party) (Tribunnews.com 2013). With the

support from the majority of Bantaeng's people and those seven political parties, Nurdin Abdullah and Muhammad Yasin were successfully elected as the Regent and Deputy Regent of Bantaeng District for 2013-2018 period with 82.57 percent of the votes defeating their competitors (Antaraneews.com 2013).

In leading Bantaeng, Nurdin Abdullah was concerned about the political relationship between the government and other stakeholders in Bantaeng such as the DPRD, NGOs, academics, businesspeople or investors, and the local community, particularly related to government accountability and transparency. According to him, accountability and transparency are very important to fostering mutual trust between government institutions in Bantaeng District (interview with Nurdin Abdullah 2017). With these stakeholders, Nurdin worked hard to develop openness, especially in terms of information.

Interviews with members of the Bantaeng DPRD found that communication between the executive and the legislature was efficient and was one of the main factors that made development activities in Bantaeng run effectively. The exchange of information between the executive and the legislature proceeded smoothly, with the DPRD having almost no difficulty in obtaining information from the executive, and vice versa. The relationship between these two government institutions in Bantaeng District was harmonious, with the DPRD consistently consulting and coordinating with the executive in producing various local regulations to then disseminate together with the executive to relevant stakeholders in Bantaeng District.

With NGOs, Nurdin Abdullah developed a mutually beneficial political relationship. The District Government of Bantaeng and civil society organisations established a stable long-standing partnership, which provided advantages to both parties. The District Government of Bantaeng supported civil society organisations in Bantaeng with regulations and community empowerment programs aimed at increasing civil society participation in developing Bantaeng. Civil society organisations became partners for the government to oversee the implementation of development programs (interview with NGO activist 2017).

Civil society in Bantaeng District was also given space to play an important role in the arena of local policy making. They were involved in discussing local budgets with the government and DPRD, and had access to information on infrastructure projects in Bantaeng (interview with NGO activist 2017). With academics, the political relationship established by Nurdin Abdullah took the form of involving academics in conducting research to support the policy making process in his government (interview with an academic 2017).

Nurdin Abdullah has been mentioned in the media as a leader who is close to the people. In running his government, as noted above, Nurdin routinely met directly with citizens. He regularly opened his house to residents who wanted to meet him. All matters discussed in this forum were recorded and resolved together. This forum was also used to establish close relations between community members and their Head of District.

In summary, under the leadership of Nurdin Abdullah, local political life in Bantaeng District was harmonious where the political relations between the executive and other stakeholders proceeded with few obstacles. The exchange of information and communication between the executive and the legislature also went well. There was sufficient space for civil society to play an active role in the development process in this district, with partnerships between the government, civil society and academics being long-established and stable. The closeness of Nurdin Abdullah with the Bantaeng community proved to create a close relationship between the government and its people which was beneficial in the development process in this region.

5.3 Banyuwangi District: An Overview

5.3.1 Geographical, historical, sociocultural and political context

Banyuwangi District is geographically located at the easternmost tip of Java Island, approximately 303 km from Surabaya, the capital of East Java Province. It is the largest district in East Java, with a total area of 5,782.50 square kilometres. Banyuwangi District shares borders with Situbondo District to the north, the Indonesian Ocean to the south, Jember and Bondowoso districts to the west, and the Bali Strait to the east (Pemerintah Kabupaten Banyuwangi 2018c, pp. 2- 4).

The population of Banyuwangi District was 1,692,324 in 2017, spread across 25 sub-districts, 28 wards and 189 villages (Pemerintah Kabupaten Banyuwangi 2018c, p. 5). Banyuwangi District is classified as an area that is not yet densely populated. Population density in the 25 sub-districts is diverse. On average, every square kilometre in Banyuwangi District was occupied by 293 inhabitants in 2017. The highest population density was located in Banyuwangi Sub-district (3,994 people/km²), while the lowest was in Pesanggaran Sub-district (41 people/km²) (Pemerintah Kabupaten Banyuwangi 2018a, pp. 1-2). The location of the sub-districts is shown in Figure 5.2.

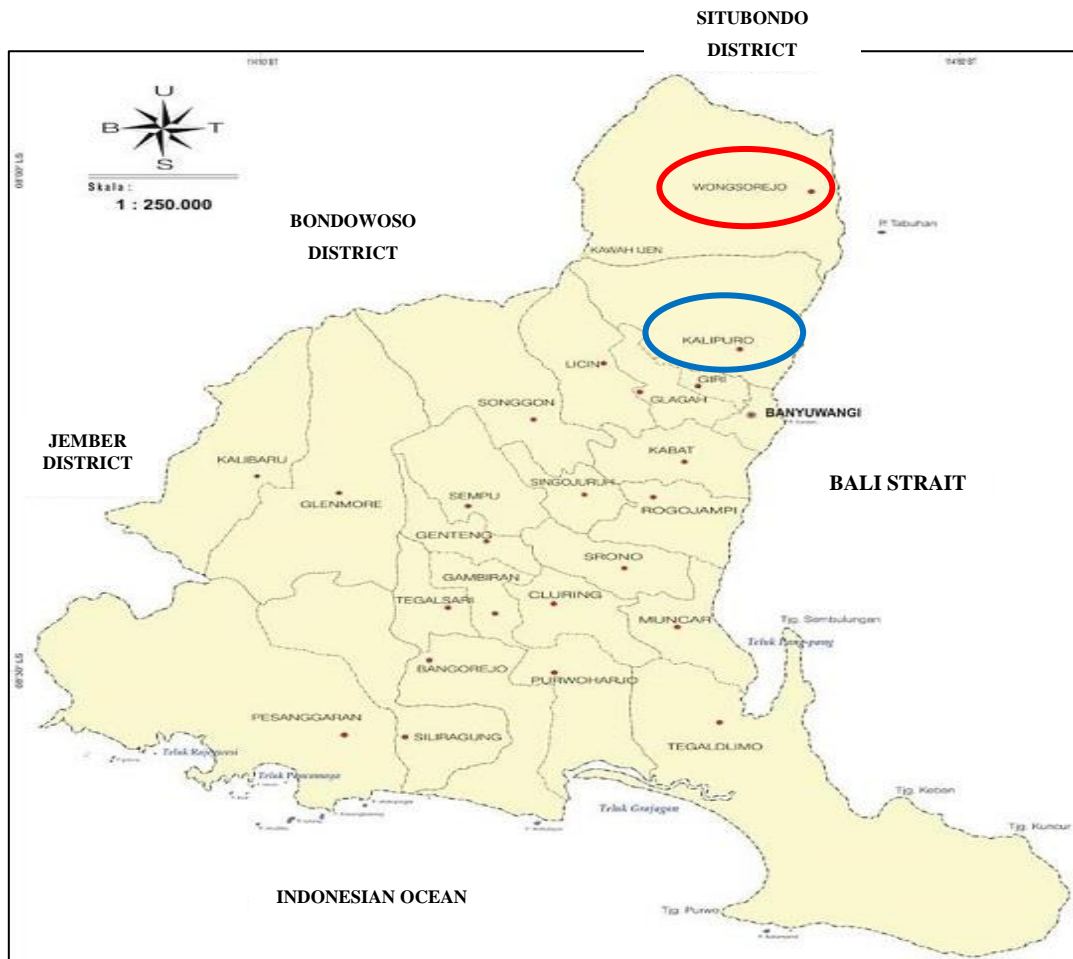


Figure 5.2: Sub-districts of Banyuwangi District

Source: Bappeda Kabupaten Banyuwangi (Bappeda of Banyuwangi District)

Figure 5.2 shows the 25 sub-districts in Banyuwangi District. Wongsorejo Sub-district (the red circle) is the sub-district where Banyuwangi Industrial Estate Wongsorejo (BIEW) will be built. Kalipuro (the blue circle) is the district where Port Tanjung Wangi is located. The selection of Wongsorejo Sub-district as the location of the BIEW development was because this sub-district was considered most suitable for an industrial estate based on the criteria outlined in the Minister of Industry Regulation 35/2010.

With respect to employment, the population of Banyuwangi District mostly works as entrepreneurs, with the number of people who work in this field reaching 331,205 or 19.57% of the population. In second and third places are people who work in agriculture, livestock and fisheries sectors (316,162 people or 18.68%), and those who work as private employees (200,938 people or 11.87%) (Pemerintah Kabupaten Banyuwangi 2018b, pp. 1-2). The sectors that contributed most to the Gross Regional Domestic Product (GRDP) of Banyuwangi District were the agriculture, forestry and fisheries sectors (35.39% of total GRDP), followed by the wholesale and retail trade, the car and motorcycle repair sector (14.50%) and the construction sector (11.72%) (BPS Kabupaten Banyuwangi 2017c, p. 43). Like Bantaeng and more than 500 other districts in Indonesia,

administratively, Banyuwangi is also led by a Regent and Deputy Regent, and supervised by a local legislative body consisting of 50 local representatives.

Banyuwangi is a district in East Java Province which, in the last eight years, has experienced a fairly good economic growth rate, exceeding figures for the Province of East Java and national economic growth (see Figure 4.2 in Chapter 4) (BPS Kabupaten Banyuwangi 2017b, pp. 24-26). In addition, it is also one of the leading tourist destinations in Indonesia, especially in the eastern part of Java, which is directly adjacent to Bali, due to ongoing development as an international tourist destination with relevant infrastructure (Jakarta Post 2017).

The social structure of the Banyuwangi community is quite heterogeneous, with various ethnic groups inhabiting this region for hundreds of years. Margana (2015, in Legene et al. 2015) stated that ethnic Javanese people dominate this region, followed by Madurese, Osing (indigenous people), Chinese Peranakan (people of Chinese descent who have lived for many generations in the Indonesian Archipelago), and several other ethnicities including the Arab Peranakan. Most Banyuwangi people use Bahasa Indonesia as the official language but, in daily conversation, they also use the eastern dialect of Javanese, followed by Madurese and Cara Osing (Javanese Osing dialect). The majority of Banyuwangi people practice Islam, but Hinduism and Javanese syncretism also play a significant role in religious life in this district.

The people of Banyuwangi are often portrayed as rebellious, unfaithful, hostile or outcasts (Margana 2015, p. 211, in Legene et al. 2015). This is due to the violent political history of Banyuwangi. Stemming from the 15th century when the Blambangan Kingdom was at war with the Majapahit Kingdom, the history of violence in Banyuwangi continued into the 18th century and was marked by several rebellions against the Dutch East Indies Company, which killed more than 6,000 Banyuwangi people (Margana 2015, p. 221, in Legene et al. 2015).

In the mid-20th century, ethno-history data showed that during the transition from the Sukarno to the Suharto regimes, around 1966, the Banyuwangi people again experienced political violence triggered by the abolition of the Indonesian Communist Party (PKI). Following the massacre of PKI members in 1966, sociocultural life in Banyuwangi was influenced by a movement which Margana (2015, p. 211, in Legene et al. 2015) described as a 'cultural movement' whose footprint is still visible today under the current period of Abdullah Azwar Anas's leadership.

At that time, District Head, Joko Slamet Supaat, initiated an effort to discourage communist ideologies, which was carried out through cultural channels such as the use of historical knowledge and promoting traditional arts and culture of Banyuwangi. This period was also marked by the

formation of a team to organise the preservation of historical sites and the writing of history, and the establishment of a mission to promote local culture at the national and international level which was continued by Abdullah Azwar Anas in his current administration. At the end of the 20th century, between 1997 and 2000, the history of violence in Banyuwangi District resurfaced in the form of attacks carried out by several groups in the name of religious purification (Zulfahri et al. 2015, p. 166), including the torture and killing of hundreds of people whom they suspected to be *dukun santet* (sorcerers) who practiced black magic to harm others (Campbell & Connor 2000, pp. 63, 66-67; Subekti & Kusairi 2019, pp. 144-145).

In addition to incidents of violence that frequently occurred, the sociocultural, economic, political, and governance life in Banyuwangi is also influenced by stories of civil society's resistance to government. Studies conducted by Unggraini (2016), Putri (2015), Habibie (no date), Martadi (2016), and Walhi (2018) illustrated how civil society in Banyuwangi voicing their aspirations and interests to influence and attempt to change the policies of the central, provincial and local governments which are considered to benefit corporations rather than the community.

The case of the gold mine on Mount Tumpang Pitu, located in Pesanggaran Sub-district, is one of the most significant cases that in Banyuwangi, which is representative of the resistance of civil society to the policies of the central, provincial and local governments that are not pro-community. In this case, during the period of 2008 to 2016, various elements of civil society consisting of students, activists and environmental communities, fishermen, and fish processing industry entrepreneurs fought with all their might to oppose a gold mine on Mount Tumpang Pitu in order to preserve the natural environment to protect the community's livelihood (Singh 2001, in Manalu 2006, p. 33). Various forms of resistance such as demonstrations, lobbies, and campaigns in various media did not produce satisfactory results for the community. The riots that occurred also did not prompt the revocation of mining licenses, but the District Government of Banyuwangi instead prioritised gold mining as an industry that must be protected from attack, to ensure the security of the mine to continue its production until the end of 2016 (Unggraini 2016, pp. 18-21; Tempo.co 2012; Detik.com 2011).

The gold mine issue in Mount Tumpang Pitu more or less illustrates the attitudes and policies of the District Government of Banyuwangi which seems to give more attention to the interests of entrepreneurs or corporations in terms of exploitation of natural resources in the Banyuwangi District than it does to the interests of the community. Occurring around the same period of time was the resistance of the residents of Bongkoran Village, Wongsorejo Sub-district in the case of a land dispute with PT Wongsorejo which is the main case study in this thesis. The Mount Tumpang

Pitu gold mine case also directly affected the attitude of the residents of Bongkoran Village who, at the time of writing, continued to oppose PT Wongsorejo and the Banyuwangi District Government in order to defend their agricultural land from acquisition by PT Wongsorejo to be used as a location for the development of the Banyuwangi Industrial Estate Wongsorejo.

Such patterns of resistance of civil society impacted on the implementation of the key governance indicators (voice and accountability, regulatory quality, and control of corruption) carried out by the District Government of Banyuwangi in the case of the development of BIEW. This will be discussed in more detail in Chapter 7. The next sub-section will discuss the local governance of the District Government of Banyuwangi which may influence and shape the current socioeconomic, governance and political life of Banyuwangi District.

5.3.2 Local governance

Local governance studies in Indonesia argued that Banyuwangi District developed good systems of governance in various fields under the government of Abdullah Azwar Anas (Ramadhanny n.d.; Pratiwi 2016; Ekopriyono 2017; Kusuma 2014; Fikri 2017; Fahad & Endrayadi 2017; Setyaningsih & Kusuma 2016). Since 2010, this district has carried out many reforms and improvements in its governance, as well as creating various innovations in public services. Governance reforms and public service innovations carried out by Banyuwangi District under the leadership of Abdullah Azwar Anas have led this district to receive numerous awards both from domestic and overseas.

Wicaksono (2017) described various successes of the District Government of Banyuwangi in carrying out governance reforms and public service innovations. Among these successes included successes in: (1) improving accessibility to Banyuwangi from Surabaya from previously eight hours pre-2010 to only 45 minutes after 2015 (the end of Abdullah Azwar Anas's first reign) with the construction of the Airport Blimbingsari; (2) changing the reputation of Banyuwangi which was previously known as a city of witchcraft into a world-class tourist city; (3) changing the status of Banyuwangi from the second dirtiest region in East Java Province before 2010 to a region that regularly receives the Adipura award; and, (4) changing the local government's financial statements from having a 'disclaimer' status in the era before 2010 to receive an unqualified audit opinion (*Wajar Tanpa Pengecualian/WTP*) status each year consecutively from 2012-2015.

In addition to the impressive achievements above, Banyuwangi also succeeded in placing in the group of the 10 districts/municipalities with the lowest cost of living in Indonesia, which means the Banyuwangi people can live comfortably with their high per capita income which reached IDR 37.53 million (AUD 3,750) per person per year after 2015 (Wicaksono 2017, p. 9). Under the leadership of Abdullah Azwar Anas, Banyuwangi District succeeded in reducing the GNI Ratio,

open unemployment rate and poverty in the region, while also succeeding in increasing GRDP from IDR 32.46 trillion (AUD 3.246 billion) before 2010 to more than IDR 60 trillion (AUD 6 billion) after 2015 (Wicaksono 2017, p. 8). Furthermore, Banyuwangi is also known as an advanced district in the development of electronic government systems (e-government) where the district succeeded in developing e-government in the form of e-office, e-planning, e-budgeting, e-procurement, e-performance, and e-audit by 2017 (Wicaksono 2017, p. 13). The main purpose of these innovations was to reform the bureaucracy in this region to become a modern bureaucracy that is able to keep up with the changing times.

Within the context of governance indicators used in this thesis, namely, voice and accountability, regulatory quality and control of corruption, Banyuwangi District is considered by scholars, development agencies and the media as one of the best and a role model for the implementation of these three indicators in Indonesia (Pusat Transformasi Kebijakan Publik 2014; Detik.com 2017; Koran-sindo.com 2017; Merdeka.com 2018). This is because, for these three indicators, Banyuwangi has received many awards at the local and national levels that make this district worthy of being an example for other regions in Indonesia.

For the indicator of voice and accountability, for example, Abdullah Azwar Anas's efforts to encourage his staff to be the best in the field of public accountability yielded a prestigious award, the 2014 Autonomy Award for the special category of public accountability from The Jawa Pos Institute of Pro-Autonomy (JPIP), and resulted in the creation of the best Government Performance Accountability System (*Sistem Akuntabilitas Kinerja Pemerintah/SAKIP*) among the local governments in Indonesia (Pusat Transformasi Kebijakan Publik 2014; Pemerintah Kabupaten Banyuwangi 2014a; Detik.com 2017; Koran-sindo.com 2017; Merdeka.com 2018).

In terms of public participation, active involvement of the community in Banyuwangi District in supporting various government programs received recognition in the form of the 2013 JPIP Award for Special Category as the Region with Innovative Breakthroughs in the Field of Public Participation. In addition, the easternmost district of Java Island also successfully won the Adipura Award for five consecutive years from 2013-2017 in recognition of its success in protecting the environment and driving public participation in maintaining cleanliness of the region (Bappeda Kabupaten Banyuwangi 2017; Kompas.com 2017).

With respect to regulatory quality, governance reform and innovation in the area of regional regulation carried out by Abdullah Azwar Anas's administration, Banyuwangi District succeeded in creating good regulations, especially in the fields of education and public services. In 2016, Banyuwangi District won an award for its regional regulation governing the educational innovation

program, Peer Care Movement (*Siswa Asuh Sebaya/SAS*), which is a voluntary fund-raising program where wealthier students give to their colleagues from underprivileged families. In 2017, the District Head's Regulation 18/2016 regarding Integration of Village-Based Work Programs through the *Smart Kampung* program saw Banyuwangi receive an award in the field of public services from the Government of East Java Province and placed the district among those with the 25 Best Service Innovations in the East Java Province (Detik.com 2016b; Merdeka.com 2016a; Jawapos.com 2017).

The *Smart Kampung* program that integrates the use of information and communication technology (ICT) to improve the quality of public services, productive economic activities, the education and health sector, and poverty alleviation attracted the 2017 Top IT and Telco Award from the Ministry of Communication and Information and ITech Magazine, the 2018 Marketers of the Year Award and Indonesia Smart Nation Award (ISNA) 2018 from the Ministry of Tourism and Citiasia Center for Smart Nation (CCSN) (rri.co.id 2017; RMOL.co 2018; Jatimnow.com 2018). Furthermore, the *Smart Kampung* program also led Banyuwangi District to be chosen as one of 25 districts/municipalities in Indonesia which were supported by the Ministry of Communication and Information in implementing the smart city concept (Kominfo.go.id 2017).

Meanwhile, in connection with control of corruption, Banyuwangi District, in 2016, succeeded in achieving the first national ranking related to *Rencana Aksi Daerah untuk Pencegahan dan Pemberantasan Korupsi/RAD-PPK* (Regional Action Plan for Corruption Prevention and Eradication) from the Ministry of Home Affairs. A number of public policies designed by the District Government of Banyuwangi were considered capable of demonstrating the government's commitment to the prevention of corrupt practices. There were eight Banyuwangi District action plans and two innovations that were recognised by the Ministry of Home Affairs as an effort to prevent and eradicate corruption.

Two of the action plans were the establishment of the *Kantor Pelayanan Terpadu Satu Pintu/PTSP* (One-Stop Integrated Service Office) and the delegation of the authority to issue permits and non-permits in the Integrated Licensing Service Agency (*Badan Pelayanan Perijinan Terpadu/BPPT*). The innovation programs that were considered successful by the Ministry of Home Affairs in preventing corruption efforts were (1) the 'drive-thru' program for *Pajak Bumi dan Bangunan* (land and building tax) as a convenient system for taxpayers in making land and building tax payments; and, (2) 'e-advertising' program in the form of facilitating licensing, tax payments and billboard permits. Increasing transparency in the management of local government budgets through the program of *Sistem Informasi Keuangan Terpadu* (Integrated Financial Information System) was

also considered a concrete result of the District Government of Banyuwangi's efforts in increasing public transparency and accountability (Antaraneews.com 2016).

In 2018, Banyuwangi District continuously obtained the top rank for the RAD-PPK at the regional level for the East Java Province level. Among the several measures to prevent and eradicate corruption carried out by the District Government of Banyuwangi was the implementation of the APBD budget to be managed by the district government each year by announcing the amount of APBD allocations in various fields (education, health, infrastructure, to poverty alleviation) on large screens in strategic corners of the city. In addition, the District Government of Banyuwangi also provided convenience of access to public services while preventing the occurrence of illegal levies by integrating all services in the Public Service Mall. In the Public Service Mall, there are 150 services under one roof, ranging from population administration, business licenses, land services, health service permits, letters from the police, to payment of BPJS and PDAM fees (Detik.com 2018).

To summarise, Banyuwangi's local governance during the period of Abdullah Azwar Anas's leadership (2010-2015 and 2016-present), like Bantaeng, was also considered impressive and remarkable. The success of obtaining many awards in various fields during the eight years of the leadership of a *Bupati* is something extraordinary that is rarely achieved. The ability of *Bupati* Abdullah Azwar Anas to always present innovation in his government is a good example that is worthy to be replicated by other district heads in Indonesia. Some 'out of the box' innovations created by the District Government of Banyuwangi as well as the strong interest and attachment of *Bupati* Abdullah Azwar Anas to information technology also helped realise various new government programs that were progressive, unique and different compared to other local governments.

Anas's ability to lead his subordinates to work in order to achieve his government vision and mission also received high praise from various parties. In relation to the governance indicators used in this thesis (voice and accountability, regulatory quality and control of corruption), the success of the Abdullah Azwar Anas government in obtaining many awards in these fields is a proof that the District Government of Banyuwangi is concerned about these indicators.

In connection with the two main case studies in this thesis, namely, the development of Banyuwangi Industrial Estate Wongsorejo and Port Tanjung Wangi, the impressive performance of local governance of Banyuwangi District for the thesis indicators, unfortunately, was not translated to the implementation of these three governance indicators in the process of developing the two infrastructure projects. From the field research in Banyuwangi, I found for two indicators of

governance (voice and accountability and regulatory quality), the implementation did not run well in the development process of Banyuwangi Industrial Estate. I was unable to examine control of corruption as the physical development of the industrial estate was yet to commence.

Because the responsibility for the development and management of Port Tanjung Wangi is not under the authority of the Banyuwangi District Government but is under the authority of PT Pelindo III, there is a gap in the analysis and data comparable to that for the other government projects is not available.

5.3.3 Local politics

Abdullah Azwar Anas was elected as District Head of Banyuwangi in 2010, with his running partner, Yusuf Widyatmoko, elected as Deputy District Head. Supported by five political parties (PKB, PDI-P, Golkar, PKS and PKNU), both won the Banyuwangi elections with a total of 372,149 votes (49.23%), defeating two other candidate teams, namely, Jalal-Yusuf Nur Iskandar (supported by the Democratic Party; 31% votes) and Emilia Contesa-Zaenuri Ghazali (supported by Gerindra Party, Republic Party and PAN; 17.3% votes) (Mediaindonesia.com 2017; Tempo.co 2010). Unlike Nurdin Abdullah of Bantaeng, who is a descendant of a noble family in the district, Abdullah Azwar Anas came from an ordinary family in Banyuwangi, where his father was a local *kyai* (cleric) in Karangdoro Village, part of Banyuwangi's Tegalsari Sub-district. As the son of a cleric, Abdullah Azwar Anas grew up in a boarding school environment that applied strong religious teachings (Tribunnews.com 2016b; Merdeka.com 2016b).

During his education from high school to college, Abdullah Azwar Anas worked as a reporter and a news editor at two radio stations (Radio Prosalina FM in Jember and Jakarta, and Radio Attahiriyah in Jakarta). In addition, he was also active in organisations, which later led him to become the President of the Central Committee of the Nahdlatul Ulama Student Association (*Ikatan Pelajar Nahdlatul Ulama/IPNU*) in 2000 (Pemerintah Kabupaten Banyuwangi n.d.; VIVA n.d.). His experience as a radio reporter and the president of a student organisation prepared Abdullah Azwar Anas to become a regional leader who is good at speeches and rhetoric, as well as a leader who has a strong ability to convince his subordinates to work their best to achieve his vision and mission as District Head.

Abdullah Azwar Anas was successfully elected as a member of the People's Consultative Assembly (*Majelis Permusyawaratan Rakyat/MPR*) in 1997, when he was only 24 years old, making him the youngest member of the MPR at the time (Pemerintah Kabupaten Banyuwangi n.d.; VIVA n.d.). After failing to be elected as a member of the House of Representatives (*Dewan Perwakilan Rakyat/ DPR*) in the 1999 election, Abdullah Azwar Anas successfully secured a seat in the DPR

for the 2004-2009 period after gaining the third largest vote in the electoral district of East Java III (covering Banyuwangi, Bondowoso and Situbondo districts) with a total vote of 135,667 (VIVA n.d.; Parlementaria 2009, p. 89).

His active involvement in politics has given him invaluable capital to be involved in the local political arena of Banyuwangi District. His experience as a member of the MPR and DPR proved successful in convincing the Banyuwangi people to elect him as the Banyuwangi District Head.

From a political perspective, the election of Abdullah Azwar Anas in 2010 was not only due to his experience in the political world, but also because he was one of the Nahdlatul Ulama (NU) youth leaders in Banyuwangi, and he received strong support from NU scholars and sympathisers. In addition, he also benefited from his partner, Yusuf Widyatmoko, who is the branch leader of PDI-P in Banyuwangi, which has a large number of supporters and votes in the district. The close relationship between Abdullah Azwar Anas and PDI-P saw him re-elected for a second period (2015-2020) after being supported by PDI-P as the primary party and six other coalition parties including Gerindra, NasDem, PKS, PPP, Democratic Party and PAN, although his former party, PKB, did not support him in the election (Tempo.co 2015a; Beritasatu.com 2015a).

In leading Banyuwangi, Abdullah Azwar Anas worked hard to build good political relations with other stakeholders such as the DPRD, NGOs, academics, businesspeople and investors, and the local community. Like Nurdin Abdullah in Bantaeng, Abdullah Azwar Anas also tried to gain support and trust from other stakeholders by increasing the accountability and transparency of the District Government of Banyuwangi. Displaying the amount of APBD allocation in various fields via big screens throughout the city and establishing a Public Service Mall that integrates all existing services in Banyuwangi into one location to minimise the occurrence of illegal levies are two of the many initiatives taken by Anas's government to foster mutual trust between the executive and other stakeholders in Banyuwangi and to increase accountability and transparency of his government. Unfortunately, these efforts were perceived as insufficient by some parties who called upon the District Government of Banyuwangi to continue to work towards improvements to meet the expectations of various parties.

An interview with a member of the DPRD of Banyuwangi District found that the relationship between the executive and the legislature was essentially good enough despite experiencing ups and downs in the process. In terms of infrastructure development, for example, infrastructure development planning, according to the DPRD member has begun to be carried out from the bottom up, involving the community and the lowest level of governments such as RT, RW, wards and sub-districts, and controlled by DPRD members who have constituents in various locations. Previously,

this did not always happen where there were still many programs that arose suddenly without any coordination with the DPRD (interview with a DPRD member 2017). Along with the spirit of accountability and transparency echoed by the government of Abdullah Azwar Anas, these things have been better implemented over time. On that basis, the DPRD member I interviewed wanted that coordination between the executive and the legislature to be improved.

The transparency of the District Government of Banyuwangi was assessed by DPRD member to be of a fairly good level, rated 70 out of 100. However, the level of transparency was considered to be lacking because, according to that DPRD member, there was still some information that was not fully conveyed to members of the DPRD (interview with a DPRD member 2017). The same thing also occurred where the level of accountability of the District Government of Banyuwangi was also assessed by that member of the DPRD to be rated at 70 out of 100, which means it was still not very accountable. In this case, the information provided by the District Government of Banyuwangi to the DPRD was seen as not always being in accordance with the information requested. In the context of development, information exchange, according to DPRD member, must go both ways where the information provided must be in accordance with the information requested so that the development process could run effectively.

With NGOs and civil society, Abdullah Azwar Anas worked hard to build mutually beneficial political relations but, unfortunately, it did not go smoothly as happened in Bantaeng. The case of the gold mine on Mount Tumpang Pitu, as illustrated in sub-section 5.3.1, is one example of the magnitude of Abdullah Azwar Anas's challenge to build good political relations with NGOs and civil society in Banyuwangi District. The same thing happened for the case of the development of Banyuwangi Industrial Estate Wongsorejo which is a main case in this thesis. In that case, Anas was unfortunate as he had inherited unfavourable political relations with the people of Bongkoran Village, Wongsorejo Sub-district, as a result of a prolonged land dispute which started before his time in office. In this context, the poor relationship was formed because the previous District Government of Banyuwangi was also unable to resolve the land dispute.

The big challenge of Abdullah Azwar Anas in building good political relations with NGOs and civil society in Banyuwangi is illustrated by the results of my interview with one NGO activist in Banyuwangi, although it may not represent all NGOs' views in the region. According to the activist, NGOs in Banyuwangi District function as government control institutions. Not many of them have been involved as working partners to help oversee development programs carried out by the regional work unit (SKPD) as was done by Nurdin Abdullah in Bantaeng (interview with NGO activist 2017). This statement was strengthened by one of the academics in Banyuwangi who I

interviewed, who said similar things where he had not seen good cooperation between NGOs and the government, especially the executive in Banyuwangi District (interview with an academic 2017).

The District Government of Banyuwangi is seen as not active enough to assist or support the activities of NGOs and civil society, except to hold regular quarterly meetings with NGOs, civil society and the media to communicate and seek information about the condition of the community and what NGOs and media are concerned about. There may be regulatory facilities and community empowerment programs carried out by Abdullah Azwar Anas's government to increase civil society participation in developing Banyuwangi, but that was not evident from my interviews with the NGO activist and academic who were respondents in this research.

Abdullah Azwar Anas's government was also seen as not yet actively involving academics of Banyuwangi District in the development planning process (interview with an academic 2017). Development planning forums held by the District Government of Banyuwangi often invited only high-up officials in educational institutions at the level of the chancellor, and very rarely invited academics at the level of the dean or below. In terms of conducting research such as feasibility studies and environmental impact analysis (AMDAL) for infrastructure development, for example, academics in Banyuwangi also felt they were rarely involved because the District Government of Banyuwangi more often used several well-known universities such as University of Brawijaya Malang, Jember State University and Surabaya Institute of Technology that they consider to have better research capacity. As a leader who does not have a strong research tradition like Nurdin Abdullah in Bantaeng, research-based policy may not be the first choice for Abdullah Azwar Anas in supporting the policy-making process in his government.

With businesspeople and investors, Abdullah Azwar and his government were said have built a very good political relationship with both by many media outlets. Abdullah Azwar Anas's government is said to be very supportive of investors to invest in Banyuwangi and one of the ways was by issuing regional regulation (*Perda*) 2/2015 concerning Provision of Incentives and Provision of Investment Ease for investors who want to invest their capital in Banyuwangi (kabarbisnis.com 2015; Detik.com 2015b). The District Government of Banyuwangi was also described as a local government that rolls out the 'red carpet' to investors to grow and develop together, because the presence of investors will create jobs and improve the living standards of the Banyuwangi people (Kompas.com 2013; SWA.co.id 2016). What is described by the media above does not always work in practice. In the case of the development of Banyuwangi Industrial Estate Wongsorejo, an interview with an investor from PT Wongsorejo, as the only investor involved in the infrastructure

development plan to date, found that the implementation of *Perda 2/2015*, in reality, had limited effect (interview with investor 2017).

The District Government of Bantaeng, according to the investor, did not provide optimal assistance to the investor in the Banyuwangi Industrial Estate Wongsorejo development process. In matters relating to the provision of infrastructure such as roads, water, electricity, and gas, the investor said that the District Government of Banyuwangi's support was very minimal, or even non-existent. This was also expressed by a member of the DPRD of Banyuwangi District who I interviewed, who said that the support of the District Government of Banyuwangi to build such infrastructure was lacking (interview with a DPRD member 2017). The support of the District Government of Banyuwangi to help resolve land disputes that occurred between PT Wongsorejo and residents of Bongkoran Village was also described as minimal, where the District Government of Banyuwangi chose not to be directly involved in the dispute resolution process and seemed to want to avoid this complex problem.

As an individual, Abdullah Azwar Anas is known to be open to new ideas, disciplined, logical, efficient, responsive, easy to get along with and willing to work with anyone. He is also described as a hard worker and an active individual who has good ability to influence, mobilise and motivate others, and cares about the progress of his region (Riwis 2016). Abdullah Azwar Anas, like Nurdin Abdullah, is also a smart and visionary young leader, who is capable of producing various breakthroughs and innovations that are useful for his region. My field research in Banyuwangi and a search of news media found that he was a leader who also enjoyed listening and discussing. Similar to Nurdin Abdullah, Abdullah Azwar Anas is a leader who is eager to listen to input, suggestions, opinions or complaints from anyone, including from his subordinates or from the Banyuwangi community.

However, some information from my interviews with several respondents in Banyuwangi also mentioned that Abdullah Azwar Anas was often referred to as having 'thin-ears' (*tipis telinga*) meaning he is not happy to be criticised. He was also portrayed as a leader who loved publicity, but when faced with heavy work, often he does not seem dedicated to seeing things through. His ability to innovate branding to portray Banyuwangi as a developed region has made him popular among the media, government agencies and development practitioners.

Based on information from several informants, Abdullah Azwar Anas is also known as a leader who is often 'hit and run', in the sense that he launched big programs and policies, but the follow-up often did not go as expected. This is clearly seen in the case of the development of Banyuwangi Industrial Estate Wongsorejo where the initial plan was grandiose, but the follow-up, up until the

time of writing, did not go as expected by many parties (interviews with NGO activist and academic 2017). Likewise, with the Red Island (*Pulau Merah*) development program as a main tourism destination in Banyuwangi which was launched with massive promotions, the conditions are currently described as lacking and the issue tends to be ignored by the District Government of Banyuwangi (interview with DPRD member 2017).

To summarise, local politics in Banyuwangi District is running so dynamically with ups and downs in political relations between executives and other stakeholders, tainting the government of Abdullah Azwar Anas for two periods (2010-2015 and 2015-2020). The level of accountability and transparency of the District Government of Banyuwangi is considered lacking and yet to reach optimal levels.

5.4 Conclusion

A broad overview of Bantaeng and Banyuwangi districts covering their geographical, historical, sociocultural and political backgrounds has been discussed comprehensively in this chapter.

The positive political background of the Bantaeng community, supported by the willingness of the District Government of Bantaeng to provide channels and mechanisms for the delivery of information for its citizens, has resulted in good implementation of the three governance indicators in the process of developing an industrial estate and port. On the contrary, the sociocultural characteristics of Banyuwangi District which are marred by unfavourable stigma about the characteristics of the people, a history of violence and stories of civil society resistance to his government, have meant that Abdullah Azwar Anas and the District Government of Banyuwangi faced great challenges in implementing the three governance indicators in the process development of industrial estates and ports.

The details about local governance and local politics of the two districts also gives us insight on how these two factors contributed significantly to the ways the two local governments implement the three governance indicators to attract investors to invest in the development of industrial estates and ports in their regions.

The local governance of Bantaeng District and harmonious political relations between the executive and other stakeholders in this district have fostered the implementation of the three governance indicators in the process of developing an industrial estate and port, and the success of the District Government of Bantaeng to attract many investors to invest in these two infrastructure projects. Meanwhile, the local governance of Banyuwangi District is sound but not supported by harmonious political relations between the executive and other stakeholders in this district and has resulted in

the poor implementation of the three governance indicators in the same process and the lack of success of the District Government of Banyuwangi to attract many investors to invest in their two projects. The consequences are also different, where the process of developing an industrial estate and port in Bantaeng is going well while, in Banyuwangi, the development process of these two projects is not proceeding optimally.

This chapter provides an in-depth understanding about the two districts to enable readers to link these circumstances with the discussion in the following chapters, in particular, the fieldwork findings and analysis of the implementation of governance practices in two sites. The next two chapters detail the implementation of governance practices in Bantaeng and Banyuwangi districts through exploration of the phases of development of industrial estates and ports in the two districts. Bantaeng District used the phases designed in the Nickel Processing Industry Development Program to develop the Bantaeng Industrial Park and the Port Bonthain development plans. Meanwhile, Banyuwangi District used the phases listed in the Manufacturing Industry Development Program to develop the Banyuwangi Industrial Estate Wongsorejo. For the development of Port Tanjung Wangi, I was unfortunately unable get information from PT Pelindo III regarding the phases and programs used to build this port. Therefore, in Chapter 7, discussion is limited to the current condition of Port Tanjung Wangi and PT Pelindo III's views regarding the port's development plan.

CHAPTER 6 GOVERNANCE PRACTICES IN THE DEVELOPMENT OF BANTAENG INDUSTRIAL PARK AND PORT BONTCHAIN

6.1 Introduction

This chapter describes the processes involved in developing the infrastructure for the Bantaeng Industrial Park and Port Bonthain. The chapter is more descriptive than analytical. The analysis comes in Chapter 8.

The first of two phases of the development of Bantaeng Industrial Park are expected to be completed by 2025. When the fieldwork was undertaken in 2017, this infrastructure development project had entered its sixth phase (see Table 6.1). For the development of Port Bonthain, there was no information available to the researcher regarding the timing of the construction of this port, except for information pertaining to the different stages that must be completed to build the port.

The three major players in the development of Bantaeng Industrial Park are the District Government of Bantaeng, investors and the local community. However, the DPRD and NGOs also have significant roles in supporting the industrial estate development plan. For the development of Port Bonthain, the three main players in the construction of the port are the District Government of Bantaeng, the Central Government represented by the Ministry of Transportation and the local community.

With respect to voice and accountability and transparency, especially in terms of capturing the voices and aspirations of the community and conveying information to stakeholders, I concluded from my fieldwork that the District Government of Bantaeng believed that they had actively conducted consultation with stakeholders in Bantaeng regarding the Bantaeng Industrial Park development plan. They also felt that they had listened to the voices and aspirations of the community in order to obtain input and suggestions and to accommodate them in the form of programs and policies. The community also believed that it was easy to get the information they needed. The District Government of Bantaeng made sure to support investors and other stakeholders in order for the desired industrial estate development to be realised.

Investors involved in the Bantaeng Industrial Park development process acknowledged this. They expressed that it was easy to obtain the information they needed, specifically related to the procedures and stages in administering licenses and the rules they had to follow. Investors also felt that the District Government of Bantaeng's transparency was exceptional, as there were no fees charged to investors for managing various licenses. Also absent were the illegal levies that are

common in other areas. Investors saw the District Government of Bantaeng as very accountable, and felt assisted and well supported by the District Government of Bantaeng, which is the main reason their company chose Bantaeng as a place to invest. Communication with the District Government of Bantaeng was well-established, making it easier for them to invest in Bantaeng.

Local communities and NGOs viewed the District Government of Bantaeng's levels of accountability and transparency as high, with relations between executives and other stakeholders, such as the DPRD, NGOs, academics and local communities, being harmonious with no obstacles in communication and information exchange between them. Development policies and programs were regularly delivered through various meetings with stakeholders and through the media. All information related to the Bantaeng Industrial Park development plan has been available to stakeholders for a long time. Both internal and external parties could easily access information about industrial estate development plans. The District Government of Bantaeng was also considered to be very open and never secretive about the plans. The community was given a role in the BIP development process and was actively involved in the negotiation process to determine the selling price of the land. In terms of regulatory quality, the regulations applied were of good quality and helped facilitate investors to invest in Bantaeng. In relation to the control of corruption, investors and NGOs both argued that there is no place for corrupt practices in Bantaeng because, according to them, the system has been structured to prevent corruption in this region.

From what has been mentioned above, it is argued in this chapter that voice and accountability, regulatory quality and control of corruption have been well-implemented in processes to develop infrastructure and attract investors to invest in the development of Bantaeng Industrial Park. In the case of the construction of Port Bonthain, this thesis found that voice and accountability and transparency have also been implemented well in Bantaeng. The community responded well, gave positive reactions and clearly expressed their views regarding the Port Bonthain development plan. With regard to regulatory quality, the District Government of Bantaeng prepared policies and regulations covering the implementation of the development of Port Bonthain. As for control of corruption, policies and regulations applied in the Bantaeng Industrial Park development process were also applied to the Port Bonthain development, as these policies and/or regulations apply generally to infrastructure development programs in Bantaeng District. The next sub-section will discuss the implementation of three governance indicators in the phases of the Nickel Processing Industry Development Program.

6.2 The Development of Bantaeng Industrial Park

In this section, I use the phases of the Nickel Processing Industry Development Program, as stipulated in *Rencana Induk Pembangunan Industri Nasional/RIPIN* (National Industrial Development Master Plan) 2015-2035 to explain the process of developing Bantaeng Industrial Park in Bantaeng District (Department of Public Works of Bantaeng District and Center of Technology of Hasanuddin University, 2016). According to the RIPIN 2015-2035, local government, in this case the District Government of Bantaeng, needs to adhere to two phases of the Development Program of Nickel Processing Industry in order to be successful in developing the nickel processing industry. Each phase lasts for ten years with different development programs. The first phase takes place between 2016 and 2025, while the second phase is planned for 2026 to 2035. The two phases of the Nickel Processing Industry Development Program are shown in Table 6.1 below.

Table 6.1: Nickel Processing Industry Development Program

Year	Development Program
2016 – 2025 (Phase 1)	<ol style="list-style-type: none"> 1. Preparing Road Map or Master Plan for the development of ferronickel and nickel matte-based metal industry; 2. Promoting investment of nickel processing industry, both for domestic and foreign investment; 3. Preparing the infrastructure for the establishment of nickel processing and refining industries, including land, electricity, water, transportation, sewage treatment, and other supporting facilities; 4. Ensuring the availability of raw materials (quality, quantity, and continuity) through coordination with relevant stakeholders and partnerships and integration between upstream and downstream sides supported by adequate infrastructure; 5. Drafting regulations that provide a conducive climate for potential investors; 6. Facilitating the building of the nickel smelter industry to produce <i>ferronickel</i>, <i>Nickel Pig Iron</i>, and <i>nickel matte</i>; 7. Facilitating the building of <i>stainless steel long</i> industry and <i>flat product</i>; 8. Facilitating the building of <i>nickel hydroxide</i> industry; and 9. Facilitating the building of <i>Mixed Hydroxide Precipitate</i> (MHP) and <i>Mixed Sulfide Precipitate</i> (MSP) industries.
2026 – 2035 (Phase 2)	<ol style="list-style-type: none"> 1. Facilitating the construction of stainless steel industry for decorative, machining, and medical purposes; 2. Facilitating the construction of nickel metal, nickel electrolytic, nickel sulfate, and nickel chloride industries; 3. Strengthening the preparation of infrastructure for the establishment of nickel refining and processing industries, such as land, electricity, water, transportation, sewage treatment, and other supporting facilities; and 4. Strengthening the warranty for the availability of raw materials (quality, quantity, and continuity) through coordination with relevant stakeholders and partnerships.

Source: Department of Public Works of Bantaeng District and Center of Technology of Hasanuddin University, 2016

Based on my field research in Bantaeng, in 2017, the District Government of Bantaeng had completed the first five steps in the first phase of the development program and was in the sixth step of the development program: facilitating the development of the nickel smelter to produce ferronickel, nickel pig iron and nickel matte. This is a project that has risks of environmental damage and therefore, assessing the environmental impact is an important part of the process. (discussed further in sub-section 6.3). It highlights the importance of transparency.

The first step, preparing the road map or master plan for the development of the ferronickel and nickel matte-based metal industry, was completed in 2014 when the District Government of Bantaeng, facilitated by the Ministry of Industry of the Republic of Indonesia, drafted the Master Plan for the Development of the Nickel Industrial Estate in Bantaeng, South Sulawesi. In relation to the facilitation of the drafting of this master plan, one of the officials of the Ministry of Industry stated the following:

So as long as there is an Industrial Allotment Area already clear in the Spatial Plan (RTRW) of a province or a district, we [the Ministry of Industry] can provide facilitation in the form of putting together the Feasibility Study or Master Plan [of industrial estate] (Interview 2017).

Initially, the District Government of Bantaeng in drafting the Master Plan of the Development of Nickel Industrial Area drew from the first phase of the Nickel Processing Industry Development Program which started from 2016-2025. This was mainly due to the inflow of investment in the processing industry sector in Bantaeng that began in 2012. This was affirmed by the same official from the Ministry of Industry:

Around 2012, still [in the era of President] SBY, [and] still [under the policy of] MP3EI, investment in the smelter had already begun to flow [into Bantaeng]. But [at that time] we did not call it a priority industrial estate, because our approach was the MP3EI approach (Interview 2017).

With the inflow of smelter investment since 2012, the District Government of Bantaeng wanted the development of Bantaeng Industrial Park to be realised quickly, as investors who had invested in Bantaeng needed a place to centralise their industrial activities, equipped with adequate facilities and infrastructure, and developed and managed professionally by the Industrial Zone Company. Therefore, in 2014, without waiting for the National Industrial Development Master Plan to be endorsed in 2015, the District Government of Bantaeng took the initiative to request assistance and facilitation from the Ministry of Industry of the Republic of Indonesia in drafting the Master Plan for Development of a Nickel Industrial Estate in Bantaeng, South Sulawesi. At that time, taking into account the determination and strong support from the District Government of Bantaeng to develop Bantaeng Industrial Park, the Ministry of Industry was willing to assist the District Government in preparing the Master Plan for the Development of a Nickel Industrial Estate in Bantaeng. The next

sub-sections will outline each step completed by the District Government of Bantaeng in developing Bantaeng Industrial Park.

6.2.1 Step 1: Preparing the Master Plan for the Development of a Nickel Industrial Estate in Bantaeng

Preparing the Master Plan for the Development of a Nickel Industrial Estate in Bantaeng was the first step of the Nickel Processing Industry Development Program, which was also the starting point of the process of the industrial estate development. By preparing the Master Plan, the District Government of Bantaeng provided a frame of reference for the next steps to be taken in developing Bantaeng Industrial Park. Without the Master Plan, it would have been almost impossible for the District Government of Bantaeng to realise its dream of having an integrated industrial estate that can accommodate many investors and become the centre of industrial activities in Bantaeng and South Sulawesi Province.

As mentioned previously, in preparing the Master Plan for the Development of a Nickel Industrial Estate in Bantaeng, the District Government of Bantaeng requested assistance and facilitation from the Ministry of Industry of the Republic of Indonesia. However, before submitting the request to the Ministry, the District Government consulted on the plan to develop Bantaeng Industrial Park with stakeholders such as the legislature (DPRD members), NGOs, academics, investors and the local people in order to seek input and accommodate community aspirations related to the plan..

According to the District Head of Bantaeng, consulting on the plan to develop infrastructure, including the development plan of Bantaeng Industrial Park, can be done in a formal or informal manner. Nevertheless, since he does not particularly like formal methods of consultation, Nurdin Abdullah opted to do it in an informal and relaxed manner, such as gathering with DPRD members at Marina Beach or delivering religious speeches at Friday prayers around Bantaeng. At these informal events, he could freely discuss the plan to develop Bantaeng Industrial Park with DPRD members and the local people and request support from them. Nurdin Abdullah considered that there was nothing to hide when it came to infrastructure development in Bantaeng. According to him, accountability and transparency are very important to mutual trust among government agencies in Bantaeng District (Interview of Nurdin Abdullah 2017).

Besides the informal events preferred by Nurdin Abdullah, the consultation on the plan to develop Bantaeng Industrial Park was also conducted through a series of formal events. With regard to this, one NGO activist conveyed the following:

In planning the infrastructure development, the local government conducted socialisation or consultation with other stakeholders [in Bantaeng]... I think it was done by the SKPD. [They]

conducted socialisation from the lowest level [of government], including villages, wards, sub-districts, up to district level. [The socialisation] was conducted through *Musrenbang* as well. And when the work began, they [usually] surveyed the locations. At that time, they were involving village apparatus from village level up to district level. [They explained] that this was the area in which [infrastructure] will be developed... (Interview with NGO activist 2017)

The same person also added:

In relation to regulations, the same is true. When they wanted to develop Peraturan Daerah/Perda [Regional Regulation], including Peraturan Bupati/Perbup [Head of District Regulation], they conducted socialisation and provided local residents with an understanding of the need to develop Perda and Perbup. Because Bantaeng people knew only of Kitab Undang-undang Hukum Pidana/KUHP [Criminal Code] which explains the breach of regulation (Interview with NGO activist 2017).

The statement of that NGO activist was strengthened by one official from the Department of Transportation who said:

So, prior to the execution of an infrastructure project, the local government usually conducts socialisation, consultation, or public hearing with related stakeholders. The people were informed first. With the people, they [conducted] a direct question and answer [session]. The local people understand [the infrastructure development plan]. The problem is, if they were never approached by the local government, there could be issues. They would feel that the government wasn't paying attention to them (Interview 2017).

Once the District Government of Bantaeng received input from stakeholders in Bantaeng, they compiled the input and made it the basis of the information to be provided to the Ministry of Industry. This is important because, in order to prepare the Master Plan for the Development of a Nickel Industrial Estate in Bantaeng, the Ministry of Industry required supporting data and information. Among the data and information needed by the Ministry of Industry were data regarding (1) regional spatial plan (*Rencana Tata Ruang Wilayah/RTRW*) of Bantaeng District; (2) geographical condition; (3) area administration; (4) physical condition of the region; (5) potential for natural disasters; (6) population; (7) potential of natural resources; (8) economic potential of the region; and, (9) potential mining, quarrying and processing industries. These data and information were needed to gain a broad understanding of Bantaeng District as a region in which to develop an industrial estate.

Additionally, to fully form a picture of Bantaeng Industrial Park, the Ministry of Industry also requested that the District Government of Bantaeng provided data and information related to (a) geographical condition and administration of Bantaeng Industrial Park; (b) its basic physical conditions such as topography, geological and soil conditions, climatology, hydrology and potential of natural disasters in Bantaeng Industrial Estate; (c) land use; (d) ownership and value of land; (e) review of internal and external potentials; and, (f) investors/companies related to Bantaeng Industrial Estate. The availability of data and information on these matters made it easier for the

Ministry of Industry of Indonesia to identify whether the proposed location of Pa'jukukang Sub-district as the location of Bantaeng Industrial Park was in accordance with the criteria set forth in the Minister of Industry Regulation 35/2010 on Industrial Estate Technical Guidelines.

Responding to the request from the Ministry of Industry regarding the data and information needed to prepare the Master Plan for the Development of a Nickel Industrial Estate in Bantaeng, the District Government of Bantaeng provided all necessary data and information to the Ministry of Industry. However, to gain an understanding of the real conditions in the field and to supplement the technical data and information required to prepare the Master Plan, the Ministry of Industry also conducted direct surveys of the proposed location for Bantaeng Industrial Park, Pa'jukukang Sub-district (Interview with Author 2017). In conducting the survey, the Ministry of Industry carried out direct observation and testing of physical conditions in the field, as well as conducting interviews with various stakeholders related to the development of Bantaeng Industrial Park other than the District Government of Bantaeng. The data and information obtained from the District Government of Bantaeng and collected from the surveys were used to prepare the Master Plan for the Development of a Nickel Industrial Estate in Bantaeng.

From my discussion with the official from the Ministry of Industry, the process of collecting data and information to prepare the Master Plan was found to be easy as the District Government of Bantaeng was very cooperative in providing data and information needed. The District Government was even willing to provide a budget to collect the required data in order to support the preparation of the Master Plan. The willingness of Bantaeng District Government to support data collection was similar to that experienced by an academic from Hasanuddin University when assisting the District Government of Bantaeng in preparing the spatial plan of Bantaeng District. According to that academic:

The District Government of Bantaeng provided information, [but sometimes] not detailed information, [so] we went looking for it, because we needed this information, so we had to [get it] in detail. [But] they provided space [for us] to dig... For example, the map. [When I asked], 'Do you have a map for the industrial estate?' [They replied], 'Oh here is the map'. [Then I asked again], 'Do you have to buy this?'... For example, [they have to purchase a map wherein] the image is very detailed. Quick Word, for example, with a very high-resolution scale, [where] a one-metre object can be seen... Finally, they provided a budget of approximately IDR 65 million [to buy the map] (Interview 2017).

The ease with which the Ministry of Industry was able to obtain data and information in the process of preparing the Master Plan was basically in line with what was stated by the official from the Department of Industry, Trade, Mining, and Energy:

If any outsiders want to know the [infrastructure development] plan [including] the budget or programs owned by Pemda [the local government], [it is] easy to get the information ... Easy, Sir.

Just come to the agency [in Bantaeng], or if that's too difficult, [just come] to Bappeda. [It's all] available there, Sir (Interview 2017).

The Ministry of Industry is just one example of an outsider easily obtaining data and information related to the infrastructure development plan in Bantaeng. In reality, there were many other outsiders who also experienced this ease, though it may have related to different issues. According to Bappeda Bantaeng (2014, p. 56), this is what distinguishes the old Bantaeng from the present Bantaeng. The openness of information shown by the current government of Bantaeng District is the key to the success of the District Government of Bantaeng in attracting investment to the region.

This ease of obtaining data and information was not only perceived by outsiders such as the Ministry of Industry, but also internal parties and other stakeholders in Bantaeng District such as DPRD members, NGOs and investors. One of the DPRD members I interviewed stated that communication and the exchange of information between the executive and the legislature was functioning very well, and was one of the main factors that contributed to development activities in Bantaeng running effectively. DPRD hardly ever had difficulty in obtaining information from the executive, and vice versa.

The relationship between the two government agencies in Bantaeng District is very harmonious and they always consult and coordinate with each other in generating various local regulations, according to that DPRD member. The level of transparency of the District Government of Bantaeng, according to her, is very high. The District Government is very open and transparent, and nothing is covered up (Interview 2017). Information could also be easily accessed by other stakeholders such as NGOs, which, like the DPRD, serve a supervisory function to the District Government. In this regard, one NGO activist stated as follows:

In relation to infrastructure projects, they [the District Government of Bantaeng] are indeed open. So, all the data related to the infrastructure projects in Bantaeng, we [can] get. For example, the activities at [the Department of] Agriculture, at the Department of Education, Youth and Sports, at Bapedalda, or elsewhere, including the installation of street lights, we oversee it, [we] get all the information. So, we have the data as well. Because, according to the MoU, all SKPD programs such as procurement, or development, are to be supervised by us... Starting from project preparation. So, when dissecting the budget, we were also involved. Budget discussion in DPRD, we [were involved]... So transparent, even in [the discussion] of the figures, we were also involved... And we were also involved in the data collection (Interview 2017).

The same respondent also added:

In the context of [infrastructure development]... to obtain the information related to technical aspects of the project... It was actually easy but difficult. But alhamdulillah... As long as I've been here, I have never experienced difficulties. This is because I have a partnership [with] some SKPDs, and my relationship with them is good, they trust me. Sometimes, I ask this and that. Because in this way, sometimes I can help them if there are NGOs [coming] from outside [Bantaeng]... I helped [the SKPDs related to] the information and I set up the meeting between them. So, I said to SKPDs "how can I help [you] in giving an explanation to the NGOs coming

from outside [Bantaeng] if I do not have the data". From that [situation] we become accustomed to exchanging information (Interview 2017).

Taking into account the above conditions, it is understandable that if the process of preparing the Master Plan for the Development of Bantaeng Industrial Park isn't hampered by obstacles, the Ministry of Industry can easily draft the Master Plan with the support of adequate data and information from the District Government of Bantaeng. At the end of 2014, the Master Plan of the Development of Bantaeng Industrial Park was finally completed by the Ministry of Industry and subsequently used as the basis for the implementation of the next steps. The next sub-section will discuss how the District Government of Bantaeng, by using the completed Master Plan, promoted investment in Bantaeng Industrial Park to investors, both domestic and foreign.

6.2.2 Step 2: Promoting investment in nickel processing industry to domestic and foreign investors

This sub-section discusses the second step of the Nickel Processing Industry Development Program in promoting investment in Bantaeng Industrial Park to domestic and foreign investors. Once the Master Plan of the Development of Bantaeng Industrial Park was finalised in 2014, the District Government of Bantaeng then used this Master Plan specifically to promote investment in Bantaeng Industrial Park to local and foreign investors. The mandate to promote investment in Bantaeng District had actually been stipulated three years earlier through the issuance of Regional Regulation of Bantaeng District 3/2011 on Investment that regulates general investment policy in Bantaeng District. Thus, the presence of the Master Plan basically served to complement and strengthen that Regional Regulation in order to attract more investment to Bantaeng Industrial Park, one of the business fields open to investment in the region.

Complete information about when and how the District Government of Bantaeng promoted investment in Bantaeng Industrial Park to domestic and foreign investors was not fully available during my field research in Bantaeng. However, from documentary research I found that, in general, the District Government of Bantaeng promoted investment in Bantaeng Industrial Park in several ways, namely: (1) promoting investment in cooperation with central government; (2) promoting investment through various interviews with media (printed media such as newspapers and magazines, electronic media such as television and radio, and online media such as online newspaper) and researchers (from various universities and research institutes) conducted by the District Head and other Bantaeng officials; and (3) promoting investment at formal events such as seminars, socialisation, workshops, conferences or other formal meetings initiated by the District Government of Bantaeng itself or initiated by other parties but inviting the District Government of Bantaeng to present the plan to develop industrial estate in its territory.

Regarding the first of these methods, the District Government of Bantaeng is usually involved as a member of the Indonesian delegation at events such as overseas business forums and road shows aimed at promoting the business climate and investment in Indonesia to potential investors and ratings agencies in several countries. At these events, the District Government of Bantaeng, by using the Master Plan of the Development of Bantaeng Industrial Park, could talk about the development of Bantaeng Industrial Park as part of the Government of Indonesia's efforts to reduce domestic economic inequality. Additionally, they also commonly described the economic potential of Bantaeng District both currently and in the future, especially after Bantaeng Industrial Park commences operation. To convince the investors, the District Government of Bantaeng also offered support from local government as well as various facilities provided by the District Government of Bantaeng aimed at making it easy for investors to invest in Bantaeng District (Rakyatku.com 2018). With regard to this, one official from the Department of Industry, Trade, Mining and Energy said:

So, [regarding] the infrastructure in [Bantaeng], we are in cooperation with the central government [who] are helping us. Why? We [need] to sell that [industrial] area, we [must] promote the [industrial] estate, and, of course, there should be feedback from the government. If you want people to invest, of course, the government should provide the best services, such as [for example] starting [from] licensing and so on, including the existing infrastructure, including convincing the investors that the workforce is ready (Interview 2017).

The explanation about the support given by the District Government of Bantaeng, and the facilities provided for the investors, is the type of thing that usually attracts investors to invest their capital in Bantaeng. As stated by Investor 2 who has invested in Bantaeng:

The District Government of Bantaeng is very enthusiastic in welcoming the investors, including us, they are very enthusiastic. In addition to possible [similar] programs with the Central Government, they [the District Government of Bantaeng] have their own policy [which relates to] licensing policy, [where] the permits are essentially simplified and made easier. That's what they offer [us]. So, as I said before, the investors are very interested. Because the district head said, [you] run [the business] first, the share in the result later, after the production. [That's] good for us, Sir. So, the assistance and facilities provided by the local government are real ... and not just in theory ... Everything can be realised and applied (Interview 2017).

Among the investment promotion events that the District Government of Bantaeng took part in as the Indonesian delegation were the Road Show for Promoting Investment of Bantaeng Industrial Park initiated by *Kamar Dagang Indonesia/KADIN* (Indonesian Chamber of Commerce), held in China in 2014, and the Business Forum Regarding Investment Opportunities in Indonesia Economic Zones instigated by *Badan Koordinasi Penanaman Modal/BKPM* (Investment Coordinating Board), held in Japan in 2016 (Detik.com 2014b; Neraca.co.id 2016; Metrotvnews.com 2016).

For the second of the previously mentioned methods, promoting investment through various interviews with media and researchers, my documentary research found numerous interviews conducted by the District Government of Bantaeng, most notably those conducted by the District

Head, to explain and promote investment in Bantaeng Industrial Park. There were interviews conducted specifically to discuss and promote the Bantaeng Industrial Park but there were also various interviews exploring the success of Nurdin Abdullah in developing Bantaeng in general, which incorporated discussions on the development of BIP. In each of these interview opportunities, Nurdin Abdullah and other Bantaeng officials always tried to describe BIP as stemming from the Master Plan of the Development of Bantaeng Industrial Park in order to disseminate information about BIP and various support and facilities provided by the District Government of Bantaeng.

So far, the interviews conducted by the District Government of Bantaeng have proven to be quite effective in promoting investment in BIP. From the list of investors obtained from the Department of Trade, Industry, Mining and Energy of Bantaeng District, there has been much investor interest. In 2014, there were 32 investors who had agreed to build their smelters, factories, power plants or oil and gas refineries at BIP, or to move their business to this industrial estate. Of the 32 investors, almost all of them had signed MoUs with the District Government of Bantaeng (Department of Trade, Industry, Mining and Energy of Bantaeng District 2014). Some investors have moved to the next stage of land acquisition, while, based on my field research in Bantaeng, two investors (PT. Huadi Nickel Ally Indonesia and PT. Titan Mineral Utama) have even built a smelter and were ready to begin operations at the end of 2017.

In the context of the development of BIP, besides promoting the idea of its development, District Head Nurdin Abdullah played a vital role as the main proponent of BIP. He, along with other Bantaeng District Government officials such as the Head of Bappeda and Heads of Department, became the champions of investment promotion in Bantaeng Industrial Park. Without the active involvement of all government elements in Bantaeng District in promoting this industrial estate, it would have been impossible for Bantaeng Industrial Park to attract so many investors. The same thing was done by Nurdin Abdullah and his staff in negotiating various matters with the Provincial Government of South Sulawesi and Central Government in order to gain support to build BIP.

For the third method of promoting investment at formal events, the function is similar to the first in which the District Government of Bantaeng described and promoted BIP as a future integrated industrial area that could become a centre of industrial activity in South Sulawesi Province. With the advantages offered by this industrial estate, BIP became a magnet for investors looking for new areas to grow their business in the future. The difference between this method and the first method is that it was mostly carried out in Indonesia, with the main target being domestic investors engaged in the processing industry (ferronickel) and other industries supporting the processing industry. At

these events, Nurdin Abdullah as Bantaeng District Head often acted as the main speaker who explained the development of Bantaeng Industrial Park and the advantages to investors who invest their capital in this industrial estate. In cases where the district head could not attend events, a representative was sent, such as the Director of Perusda Bajiminasa who became the manager of Bantaeng Industrial Park.

In brief, using these three methods, the District Government of Bantaeng wanted BIP to attract as many investors as possible in order to grow and develop into a promising industrial area. To be able to grow and develop as an advanced industrial area, BIP needs high-level participation and deep involvement of the investors as the backbone of the growth of the industrial estate. This is particularly so when investors are involved in activities that might have environmental impacts. In the next sub-section, this thesis will discuss the efforts of the District Government of Bantaeng to prepare the infrastructure for the establishment of nickel processing and refining industries including land, electricity, water, transportation, sewage treatment and other supporting facilities.

6.2.3 Step 3: Preparing infrastructure for the establishment of nickel processing and refining industries

The third step of the first stage of the Nickel Processing Industry Development Program was to prepare infrastructure for the establishment of nickel processing and refining industries. This is a step in which the District Government of Bantaeng prepared the necessary infrastructure for BIP to run to plan. In this step, the District Government of Bantaeng had to provide land where the industrial estate was to be built that met the criteria set in Minister of Industry Regulation 35/2010 on Industrial Estate Technical Guidance. As well as land, Bantaeng District Government must also prepare other infrastructure such as electricity, water, transportation, sewage treatment and other supporting facilities to make BIP an ideal place for processing industry investors.

To respond to this land requirement, the District Government of Bantaeng prepared the land that will be used as the location for BIP. The site is in Pa'jukukang Sub-district, ten kilometres from Bantaeng city centre (Ministry of Industry of Indonesia 2014b). The selection of Pa'jukukang Sub-district as the location of the BIP development was based on the land condition in that sub-district; an infertile and unproductive agricultural area that is difficult to develop because it is a dry and barren area with very little rainfall. Nevertheless, the amount of land available in the area was quite large and strategic in terms of location. Considering these matters, the District Government of Bantaeng then stipulated Pa'jukukang Sub-district as the area to develop Bantaeng Industrial Park, with a land area of 3,000 hectares. Related to this, the official from the Department of Trade, Industry, Mining and Energy of Bantaeng District said:

Of the eight sub-districts in Bantaeng District, there is one sub-district that the District Government of Bantaeng see as very minimal in terms of agricultural development. It is a barren region, a dry area, with very little rainfall. However, [the size] of the land is large and strategic. From there, the district head considered it necessary to create a new policy. [So] a [new] regional development plan was born in the form of industrial estate, under the name of Pa'jukukang Industrial Park (Interview 2018).

The same official continued his statement as follows:

In Pa'jukukang Sub-district, the communication [between] the Local Government [of Bantaeng District] and the Central Government began... It meant that together, the local government [and] all stakeholders in the region could communicate [with each other] [and] synergise to build an [industrial] area and, alhamdulillah, it was really materialised... Speaking of the infrastructure, of course, the local government was very concerned about building the existing infrastructure there. In addition to the preparation of land as per the rules [in the form of] Perda-perda (regional regulations) existed in Bantaeng, the Local Government [of Bantaeng District] continuously built the infrastructure there. Besides that, of course [we want] to sell this area to the investors (Interview 2017).

In the effort to provide land for the development of BIP, the District Government of Bantaeng faced challenges with land acquisition. With regard to this, an official from the Department of Public Works and Spatial Planning stated:

The challenge [that emerged] is inseparable from [the issue of]... land acquisition. It is not that [we] can't [liberate the land] but just that [the process] that somewhat hampered. [That's normal], because first we [must] negotiate with landowners. So, it's just a matter of time. It is not that [we] can't [liberate the land]. It will happen, it's just a matter of time (Interview 2017).

However, according to one official from the Department of Trade, Industry, Mining and Energy, the challenge that emerged was not an obstacle to the efforts of Bantaeng District Government in realising the development of BIP. According to him, because the Bantaeng District Government works with the system, then all issues including land acquisition can be solved easily (Interview 2017). The biggest problem, he added, is actually the provision of necessary infrastructure and facilities capable of supporting the operation of BIP. Since Bantaeng is a small region in South Sulawesi Province with a small APBD, the limited fiscal capacity to finance the construction of infrastructure, according to that official, is the issue that needed to be solved by the District Government. What was presented by the official from the Department of Trade, Industry, Mining and Energy is in line with what was stated by the official from the Department of Public Works and Spatial Planning:

The other challenge is the source of financing ... because, as we know, our region has a minimal budget, but this won't stop us. We create opportunities for investment. We guarantee the security [of investors who come to Bantaeng]. The district head guarantees the ease of licensing, and there is support from [government] agencies and the community (Interview 2017).

In relation to how the District Government of Bantaeng acquired the land to be used as the location of BIP, the two investors I interviewed revealed that, at that stage, almost the whole process had

been smooth. The investors felt there were no significant obstacles in the process of land acquisition, as stated by Investor 1:

There was no overreaction from the society when they heard that there was a plan for their land to be freed. Yes, there were ripples, there always will be. There were ripples, [and] the provocateurs were [also] there. But the district head himself handled it directly, [he] went to their house and explained [the purpose of] the utilisation [of the land] (Interview 2017).

This is in contrast to what is usually experienced in other areas, where, in the process of land acquisition, there is usually opposition from the community or the asking price of the land is very high and cannot be controlled by the investors or local government. With regard to this, Investor 2 clearly stated:

Prior to the land acquisition, all [related stakeholders] were invited, either the landowners or local people, to the village office. So, it had been socialised that there would be investors coming to this region to conduct land acquisition. Well, there it is, the process of socialisation began and the land price was negotiated The local government gave us that standard [price] (Interview 2017).

What was mentioned by Investor 2 is basically in line with what was stated by the official from the Department of Trade, Industry, Mining and Energy:

So, to ease and facilitate the process of land acquisition, we certainly [conduct] socialisation to the Bantaeng society whose land will be used. [In doing] socialisation, all government elements, from heads of sub-districts to heads of villages, were involved. If the land is to be bought by investors, there has to be a price [agreed by both the investors and Bantaeng society]... So, this is all under the supervision of the Local Government, so investors feel [very] served [by us] (Interview 2017).

The same sentiment was echoed by an official from the Department of Public Works and Spatial Planning.

Of course we did it [the socialisation]. So, at the beginning we conducted the survey, we involved heads of sub-districts, head of villages. [We] gathered at the sub-district office to convey an understanding that there will be the development of [industrial estate]. The aim is to provide such understanding that they [the people] can lower the price of land (Interview 2017).

The relatively smooth process of acquiring land for BIP was similar to the process of providing other infrastructure such as electricity, water, transportation and sewage treatment. The District Government of Bantaeng made various cooperative efforts with other parties such as state-owned enterprises and private companies to meet the needs of supporting infrastructure for industrial areas.

For example, to provide electricity to BIP, the District Government of Bantaeng signed a MoU in 2013 with *Perusahaan Listrik Negara/PLN* (State Electricity Company) and three nickel smelter investors (PT. Titan Mineral Utama, PT Cinta Jaya and PT. Cheng Feng Mining). In the MoU, it was agreed that PLN would distribute electricity with a total power of 134 megawatts (MW) to three nickel mining companies that would build smelters at BIP. PT. Titan Mineral Utama would

obtain a power supply of 60MW, PT Cinta Jaya would obtain 35MW of electricity supply and the remaining 39MW would be supplied to PT. Cheng Feng Mining (Ministry of Energy and Mineral Resources of Indonesia 2013; Bisnis.com 2013; Tempo.co.id 2014b).

According to the plan, the three companies' smelters would be served with special services so as to ensure better supply quality. The particular form of service would be negotiated on a business to business basis and further articulated in *Perjanjian Kerja Sama (PKS) Penyaluran Tenaga Listrik* (Cooperation Agreement of the Distribution of Electricity). Before signing the MoU with the above three nickel smelter investors, the District Government of Bantaeng and PLN also signed three MoUs with three other nickel smelter companies (PT Bhakti Bumi Sulawesi, PT Eastone Mining and Mineral Mining, and PT Macro Link International Mining). The nickel smelters of these three companies would be supplied by PLN with 120MW, 70MW and 300MW respectively (Ministry of Energy and Mineral Resources of Indonesia 2013).

In addition to cooperating with PLN, the District Government of Bantaeng also worked with several private companies interested in building power plants in BIP. This was appropriate, as stated by the District Head, “to support the development of Bantaeng Industrial Park, it cannot be only PLN that handles all the electricity matters, but all must be involved” (Interview 2017). Based on media research, in 2014 the District Government of Bantaeng established cooperation with China Machinery Engineering Corporation (CMEC) (a Chinese state-owned Enterprise) and PT Biidznillah Tambang Nusantara (BTN) Power Sdn. Bhd from Malaysia to build a steam power plant (*Pembangkit Listrik Tenaga Uap/PLTU*) with a capacity of 2X300MW at BIP.

In building this PLTU, the two foreign investors partnered with an Indonesian company, PT Bantaeng Sigma Energi (BSE), and will work with an estimated project value of IDR 10 trillion. The breaking of ground for construction of this power plant began in October 2014. Meanwhile, the electricity generated by this power plant is planned to be distributed to smelters owned by five companies, namely, PT Huadi Nickel Alloy Indonesia, PT Titan Mineral Utama, PT Mitra Tambang Refinery, PT Mitra Selaras Successful Prosperous and PT Zhonghing Mining and Metallurgy. Before commencing the construction of the plant, PT Bantaeng Sigma Energy signed an agreement on electricity supply with those five smelter companies (Beritasatu.com 2015b; Tempo.co 2015b).

In August 2017, the District Government of Bantaeng signed another cooperation agreement on the construction of a power plant for BIP. At that time, the Head of Agreement (HoA) was signed with PT Energi Nusantara Merah Putih (ENMP) to build an LNG Receiving Terminal and Gas and Steam Power Plant (*Pembangkit Listrik Tenaga Gas dan Uap/PLTGU*) with a capacity of 600MW.

A company based in the Philippines, Atlantic, Gulf and Pacific Company of Manila (AG&P), which owns and operates LNG infrastructure and solutions would also participate in this important project. To build this LNG Receiving Terminal and PLTGU, PT ENMP will cooperate with its subsidiary, PT. Pasifik Agra Energi, as the owner and builder of the LNG Receiving Terminal and with PT. Power Merah Putih as the owner and builder of 600MW PLTGU to guarantee energy availability in BIP. The total investment cost for this project is estimated at USD 980 million and is expected to be completed and ready to operate by 2021 (Antaranews.com 2017).

To complement the electricity infrastructure and counteract the interruption of the electricity system in BIP, it was necessary to develop gas infrastructure. This is also one of the key developments of the new industrial estate. From the economic side, nickel smelter entrepreneurs prefer natural gas because it's cheap and clean, making the product more competitive in the market. To achieve these objectives, in 2016, the District Government of Bantaeng established cooperation with PT Pasifik Agra Energi, a privately held Indonesian company focused on high impact oil and gas exploration in Indonesia, who cooperate with Osaka Gas and JFE Engineering, two Japanese companies, to build an integrated LNG Receiving Terminal at BIP (Tribunnews.com 2016a; Detik.com 2016a; aei-1.com 2018)..

The beginning of the development of integrated LNG Receiving Terminal was marked by the signing of the MoU between the President Director of Perusda Bajiminasa and the President Director of PT Pasifik Agra Energi at the Office of the Bantaeng District Head. It was agreed that the investment to be invested by PT Pasifik Agra Energi would reach IDR 7.5 trillion. Additionally, it was also agreed that PT Pasifik Agra Energi would supply gas amounting to 750 MMSCFD to BIP, using open access gas transmission pipes connected to distribution pipes 175 kilometres long (Detik.com 2016a; aei-1.com 2018; bantaeng-industrialpark.com 2017).

To meet the water needs of BIP, the District Government of Bantaeng, represented by Perusahaan Daerah/Perusda (Local Company) Bajiminasa as an industrial estate management company, initiated cooperation with Korean company, Doosan Heavy Industries and Construction Co Ltd, to supply and manage clean water needs and smelter wastewater at BIP (bantaeng-industrialpark.com 2017). The company, in addition to utilising groundwater as a source of clean water that will be used in the industrial estate, will also treat sea water to provide fresh water for industrial needs. Using this method, it is expected that a fresh water supply of about 2,800 litres per second for the industrial estate can be fulfilled.

Information and communication technology (ICT) infrastructure is also essential for the industrial estate and, therefore, needs to be established along with the infrastructure mentioned above. To

meet the need for ICT, the District Government of Bantaeng has established cooperation with Indonesian state-owned enterprise PT Telkom to develop Base Transceiver Stations (BTS) that will meet the communication needs of all industrial areas, including the needs for data and internet. Through this cooperation, PT Telkom will provide a digital solution for BIP in the form of services for intelligence assistants, service desks, surveillance systems and corporate business solutions, microcell pole, media advertising and fibre optic, as well as other ICT solutions needed by the companies of the industrial estate (bantaeng-industrialpark.com 2017).

Finally, based on the researcher's observation while conducting field research in Bantaeng, the road infrastructure connecting Bantaeng city centre and BIP had been constructed very well. The main road of Bantaeng-Bulukumba, which is a national road connecting Bantaeng with other districts in South Sulawesi such as Bulukumba, Sinjai, and Selayar through BIP, is in good condition, wide and smooth, and adequate for industrial vehicles. Public transportation facilities available at Bantaeng are also quite good and facilitate mobility to and from Bantaeng Industrial Park.

To anticipate heavy traffic flow along the Bantaeng-Bulukumba road when Bantaeng Industrial Park commenced operation, the District Government of Bantaeng submitted a proposal to the Central Government to relocate the national road from its previous location in front of BIP to a new location behind the estate. This was done so that the mobility of people travelling to Bulukumba, Sinjai and Selayar was not disturbed by the activity of industrial vehicles entering and exiting BIP. With regard to the plan to move the national road, the official from the Department of Trade, Industry, Mining and Energy said:

Yesterday, a Deputy for Economic Affairs of Bappenas came here, Sir... [They] came [to] see our infrastructure and have promised to... [move] the national road... So, [according to] the plan, this [national road] will be moved so that this [industrial] area is not disturbed. The budget will be from the Central [Government], sir. We have already established communication [on this matter]. Next year, the road will be built, Sir (Interview 2017).

The same person then added:

So, the present road [will] be the [industrial] estate road. The national road [will] be moved to the north, outside the [industrial] area towards Bulukumba. This is Bulukumba lane, Sir. [Towards] some other districts. Bulukumba, Sinjai, Selayar... Because [they] have seen the potential is great enough, so eventually they [the Bappenas] are willing to move [the road] so as not to disturb the [industrial] area. All of this is the role of the [District] Government, Sir, in this case, the leader [the district head]. The role of the district head in lobbying the Central Government ... And of course, we are lobbying not without reason. Please, [Bappenas], see [for yourself]. Our [request] is logical... Indeed, we need that road (Interview 2017).

In an interview with the researcher, Investor 1 said:

[This] national [road] will be moved. Later on, [its location] will be behind [the industrial estate], Sir. [The road in front] will be the [industrial] estate road... so as not to cause disturbance.

Secondly, with such a system, we use the abandoned land behind [the industrial estate]. Eventually [the area] will grow, so there is a value [to the land]. Here, in the past, the land had no value, Sir. One hectare is sometimes sold for just IDR50,000 (Interview 2017).

In short, to prepare the infrastructure for the establishment of nickel processing and refining industries, the District Government of Bantaeng undertook various measures. Several cooperation agreements to build infrastructure were successfully signed, either with the Central Government, SOEs, or private companies. The development process itself has started running, as witnessed by the researcher while doing field research in Bantaeng. In the future, it is hoped that the development of this infrastructure will run smoothly and be completed along with the smelter development for nickel processing.

In relation to good governance practices, in every decision and action taken by the Bantaeng District Government to prepare infrastructure such as land, electricity, water, transportation, sewage treatment and other supporting facilities to support the establishment of a nickel processing and refining industry, the Bantaeng District Government has directly instilled good governance practices in every stage of the provision of the infrastructure. Accountability, transparency and stakeholder participation are among the good governance practices embedded by the Bantaeng District Government. Accountability is demonstrated by the decisions and actions of the Bantaeng District Government to gather people living in areas that will be converted into industrial estate (especially land owners), discuss the land acquisition process with them, and socialize and inform all stakeholders about the BIP development plan. Transparency is shown in the form of signing the MoU openly with parties who are ready to cooperate in the development of BIP such as central government, SOEs, and local, national and international private companies and the determination of companies that are ready to supply all the infrastructure needs of industrial estates. The participation of stakeholders, meanwhile, is shown by the involvement of the community and land owners in determining the selling price of land and planning the relocation of the national road from the front of the industrial estate to the a new location behind the industrial estate. These three examples of good governance practices complement the inclusion of other governance practices that are the main focus of this thesis (regulatory quality and control of corruption) in every decision and action taken by the Bantaeng District Government to prepare the supporting infrastructure for BIP. The inclusion of good governance practices in the form of regulatory quality and control of corruption in the decisions and actions of the Bantaeng District Government to support the establishment of BIP will be discussed in Sub-section 6.2.5 Drafting Regulation.

In the next sub-section, the thesis will discuss the efforts of the District Government of Bantaeng in ensuring the availability of raw materials for the nickel smelter at BIP in coordination with relevant stakeholders.

6.2.4 Step 4: Ensuring the availability of raw materials

This sub-section discusses the fourth step of the Nickel Processing Industry Development Program, which was ensuring the availability of raw materials (quality, quantity and continuity) through coordination with relevant stakeholders. At this stage, the District Government of Bantaeng has conducted coordination with investors related to their ability to provide the raw materials needed to operate the nickel smelters. The main raw material, nickel ore, must be available in sufficient quantities so that the nickel smelters can operate smoothly. Related to this, two investors who built the smelter in BIP (PT Huadi Nickel Alloy Indonesia and PT Titan Mineral Utama) said that they are equipped with the raw materials needed.

The investor from PT Huadi Nickel Alloy Indonesia said that they have sufficient quantity of raw nickel ore materials obtained from their two mines in Morowali District, Southeast Sulawesi Province and Kabaina District, Central Sulawesi Province. This was confirmed by the investor from PT Titan Mineral Utama who said that the need for raw nickel ore materials for their smelter will be supplied from a nickel mine in Kabaina District, Central Sulawesi Province. Both investors were certain that, for the initial phase of their operations in Bantaeng, the raw materials available to them would be sufficient to run their smelter at BIP. In relation to this, Investor 1 stated:

We have [nickel] mines in Morowali and Kabaina. Morowali was in Southeast Sulawesi Province, [while] Kabaina was in Central Sulawesi Province. In Kabaina we have [a nickel mine] of 6,000 hectares. In Morowali we have [a nickel mine] covering an area of 26,000 hectares (Interview 2017).

Meanwhile, Investor 2 stated as follows:

For [raw] materials... Our [nickel] mine is in Kabaina, Sir. But it [possibly] cannot meet our [nickel requirements]... For future production, [it] cannot meet our needs. So, automatically we will take from other spots that have the materials... We have lots of suppliers (Interview 2017).

The Ministry of Industry confirmed that there are various sources for procurement of raw materials. In this case, the Ministry of Industry said that raw nickel ore for smelters that will operate in BIP will be obtained from dozens of mining companies who have committed to supply nickel ore (Ministry of Industry of Indonesia 2016). Based on the latest data I obtained from the Department of Trade, Industry, Mining and Energy of Bantaeng District (2014), there were at least four companies supplying nickel ore that have signed MoUs with the District Government of Bantaeng

for supply to smelters in BIP. Among the suppliers are PT Bumi Sultra Mandiri, PT Cahaya Exindo Pratama, PT Laba-aba Nusantara Mineral and PT Aswar Makmur Perkasa.

To summarise, in this fourth step, the District Government of Bantaeng appears to have also been quite successful in its efforts to secure and ensure the availability of raw materials for nickel smelting at BIP. With the commitment of dozens of mining companies to supply nickel ore to smelters that will operate in BIP, and with the signing of the MoUs between the District Government of Bantaeng and suppliers, it is expected that this situation will ameliorate concerns regarding insufficient supply of nickel ore raw materials to BIP. The next sub-section will elaborate on the fifth step of the first phase of the Nickel Processing Industry Development Program, which is drafting regulations that provide a conducive climate for potential investors.

6.2.5 Step 5: Drafting regulations

Drafting regulations that provide a conducive climate for potential investors is the fifth step of the first stage of the Nickel Processing Industry Development Program. This is a step that needs to be undertaken by the District Government of Bantaeng in order to provide legal certainty to potential investors who want to invest in BIP. With the availability of various regulatory frameworks that facilitate investment in Bantaeng, it is expected that investment will flow swiftly to this region.

The various regulations governing BIP and investments in this area were issued by the District Government of Bantaeng several years before the Nickel Processing Industry Development Program began. Chronologically, it started with the issuance of an investment policy in Bantaeng District as stipulated in the Regional Regulation 3/2011 regarding Investment. This investment policy requires the District Government of Bantaeng to create conditions that ensure ease of licensing and non-licensing services to investors. On that basis, in the period 2012-2016, the District Government of Bantaeng consecutively issued a series of regulations aimed at providing convenience to investors investing their capital in Bantaeng. The various regulations mentioned above include:

1. Regional Regulation (*Peraturan Daerah/Perda*) 2/2012 on Regional Spatial Plans (*Rencana Tata Ruang Wilayah/RTRW*) of Bantaeng District for the year 2012-2032, in which one of the articles stipulated use of a large industrial allotment area in BIP which is located in Pa'jukukang Sub-District;
2. Head of the District Regulation (*Peraturan Bupati/Perbup*) 36/2014 on the Delegation of the Authority of the Licensing and Non-Licensing Administration Service to the *Kantor Pelayanan Terpadu Satu Pintu/PTSP* Office;

3. *Perbup 55/2014* on Procedures of Licensing;
4. Head of the District Decision (*Keputusan Bupati/Kepbup*) 500/2014 on the Establishment of Investment Coordinating Team;
5. *Perbup 38/ 2015* on the General Plan of Investment;
6. *Perbup 32/2016* on Guidelines for Procedures of Investment Licensing Services; and
7. Memorandum of Understanding between BKPM and Bantaeng District 20/2016 and 503/2016 on Ease of Investment, Direct Construction (Abdullah 2016, pp. 15-17).

Investors said that the existence of these regulations provided them with convenience in realising their investment in BIP. The main thing the investors commented on was related to licensing. In this case, they felt well facilitated in the area of licensing. As said by Investor 2,

Regulations related to licensing, all of them must be in accordance with the SOPs. If we want to invest [we have to] follow the licensing [procedures] set by the local government. And we follow all the procedures. Because why wouldn't we [follow them]? They simplified [all the processes]. So, we follow all the stages. Licensing can be taken care of while we build [smelters]. In essence, [we are] facilitated, as I said [before] (Interview 2017).

The same person added:

There is no problem with licensing. [The putting together of the] Environmental Impact Analysis (AMDAL) is still running. Coordination with the Local Government [also] has no problem. The local government is very helpful, very helpful with [their] facilitation. Therefore, many investors are interested to invest here... When we were taking care of our permits [before], including location permits, they were all coordinated, transparent ... There are no so-called fees, there are no so-called illegal levies... At the time of taking care of the location permit and principal permit, we did not pay [any cost] to local government (Interview 2017).

The same thing was also felt by Investor 1 who stated:

The reason this company chose Bantaeng was because of the policy of the District Government of Bantaeng that 100% supports creation [of industrial estate] with [various] facilitation... Firstly, here we [can] build first, and after that we just [organise] the permits. Secondly, with all the permits it's not us who take them to the Local Government, but they who come and bring the ball to us... So, like the building permit, it's [them] from urban planning [office] that come here. In other regions, it's we [who] take documents there (Interview 2017).

Regarding transparency, Investor 1 also conveyed the same feeling as Investor 2, stating:

If we talk about transparency, the transparency of [Bantaeng District Government] is remarkable. Here has never been like the [other] regions that for [taking care of] permits we have to give money... Nothing, all free. I can swear that as long as I am here, I know that we never [must] give money. And it has been promised by the district head.[If there is someone] who asks for money, tell him, [the district head] will dismiss [the person] (Interview 2017).

Investor statements regarding the possibility of building infrastructure even though they had not yet completed all of the required licensing/permits were closely related to the program of *Kemudahan Investasi Langsung Konstruksi/KILK* (Ease of Investment, Direct Construction). KILK is a program

initiated by *Badan Koordinasi Penanaman Modal/BKPM* (the Investment Coordinating Board) to ease the process of investment throughout Indonesia. BIP was selected as one of the industrial estates to implement this program based on the Decision of Head of BKPM 24/2016 concerning the Stipulation of 14 Industrial Estates (bantaeng-industrialpark.com 2016). Bantaeng is the only region outside Java Island included in the pilot project for this program. Through this program, an investor who has obtained an Investment Permit or Principal Permit to invest from the Central Government's One-Stop Integrated Service (*Pelayanan Terpadu Satu Pintu/PTSP*) at BKPM or One-Stop Integrated Service at the provincial or district level is allowed to directly carry out construction activities in BIP as long as they meet the regulations of the industrial estate. Investors who are facilitated by the KILK program, still have to deal with licensing and non-licensing in accordance with laws and regulations and must obtain licenses before conducting business.

Using a good governance lens, the implementation of KILK by the Central Government and Bantaeng District Government is a clear manifestation of governance indicator of regulatory quality. As a facility or program provided by the Government to investors so that they can immediately carry out construction, the launch of KILK is determined through the issuance of the Decree of the Head of BKPM No. 41 of 2018 concerning the second Amendment to the Decree of the Head of BKPM No. 24 of 2016 concerning the Establishment of Certain Industrial Estate for Ease of Investment, Direct Construction. In this context, the central government, which is supported by local governments, issues quality regulations to facilitate the investment process in Indonesia. In the author's view, KILK is also a program designed to avoid, reduce and eradicate corrupt practices that usually occur in the licensing process which is often long and convoluted. By implementing KILK, the Central Government and local governments hope to protect investors from rampant corrupt practices, and attract their interest to immediately invest in Indonesia.

Besides KILK, the District Government of Bantaeng also conducted innovations in licensing, such as the programs of *perpanjangan izin otomatis* (automatic permit renewal) and *pemotongan waktu pengurusan izin* (express licensing) for business sectors and investors (Center for Public Policy Transformation 2016; Bappeda Bantaeng 2014, p 57). Under the initiative of automatic permit renewal, business sectors whose licenses expire will get an automatic permit renewal without needing to visit *Dinas Penanaman Modal dan Pelayanan Terpadu Satu Pintu* (Department of Investment and Integrated One Stop Services) to extend their business licenses. The renewed business licenses will be delivered directly by an officer from *Dinas Penanaman Modal dan Pelayanan Terpadu Satu Pintu* to the business actors/investors.

Meanwhile, under the program of express licensing, the District Government of Bantaeng shortened the time taken to obtain licenses for investors, from what was previously one to two working days to less than one hour. From many sources interviewed by the researcher, it was commonly said that “*sebelum air di gelas habis dituang, izin usaha sudah keluar*” (before the water in the glass was poured out, the business license was issued). To support the smooth process of obtaining licenses, the District Government of Bantaeng has removed the cost of many licenses, though for a small number of licenses there are still costs that need to be paid by the business sectors/investors.

In addition to issuing the regulations on investment and licensing, the District Government of Bantaeng also issued a series of policies and regulations related to control of corruption. These policies and regulations were aimed at convincing investors that their investment in Bantaeng is safe from corrupt practices and that the District Government of Bantaeng is serious in their efforts to prevent and eradicate corruption in their administration. The policies and regulations related to corruption issued by the District Government include strengthening the role of the Inspectorate of Bantaeng District and improving the function of the Department of Investment and One Stop Integrated Services to prevent and eradicate corruption.

Strengthening the role of Inspectorate of Bantaeng District was done by changing the role from a 'watchdog' that oversaw each SKPD (Regional Work Unit) in Bantaeng District, to an institution that performs more accommodative and progressive roles as a consultant and a quality assurance apparatus for the governance of activities in SKPDs (Bappeda Bantaeng 2014, p. 27). The consequence of this change was that the attitude, focus and communication of the audit of the Inspectorate of Bantaeng District also changed to incorporate more thorough stages across the audit process. The audit approach that initially detects a problem became one that prevents the occurrence of the problem, in this case, the problem of corruption. To support the strengthening of this role, the District Government of Bantaeng provided greater budget to the Inspectorate of Bantaeng District to conduct an independent assessment of bureaucracy reform in Bantaeng District, as well as to increase its quality of human resources.

To achieve these objectives, Bappeda Bantaeng (2014, p. 27) reported that the Inspectorate of Bantaeng District revised its annual work program to adjust its audit methods from what was previously a comprehensive audit to an audit that secured the governance of programs and activities in each SKPD in Bantaeng District. They implemented their new role by guiding the SKPDs to reduce the impact of capital expenditure risks commonly occurring. The Inspectorate began to function to prevent problems of corruption by auditing the *Rencana Anggaran Biaya SKPD* (SKPD Budget Plan) for capital expenditure. In this context, the Inspectorate conducts a rigorous audit of

the integrity of the Self-Estimated Price (*Harga Perkiraan Sendiri/HPS*) established by an SKPD before it is submitted to the Procurement Services Unit (*Unit Layanan Pengadaan/ULP*) for tender. These changes have, in part, contributed to the general improvement of governance in Bantaeng District.

Meanwhile, improving the function of the Department of Investment and One Stop Integrated Services was done through the formation of *Satuan Tugas Sapu Bersih Pungutan Liar/Satgas Saber Pungli* (Illegal Levy Eradication Task Force) and the implementation of the program of *Pelayanan Transparan dan Anti-Pungli* (Transparent and Anti-Illegal Levy Service) that operates under the Department of Investment and Integrated One Stop Services (Abdullah 2016, pp. 20-23). The Illegal Levy Eradication Task Force has the main task of identifying possible illegal levies in the licensing process. This task force cooperates with law enforcement institutions in Bantaeng District such as police and attorneys to prevent and eradicate any corruption behaviour in Bantaeng. At the same time, the Transparent and Anti-Illegal Levy Service operates by returning twice the operational cost incurred by the service user if it is proven that there is an illegal levy in the Department of Investment and Integrated One Stop Services. Furthermore, the District Government of Bantaeng also created a *kotak aduan* (complaint box) which serves as an instrument for Bantaeng people to report illegal fees levied by the Department of Investment and Integrated One Stop Services. These complaint boxes are placed in strategic places like activity centres and business/shopping centres with the intention of making it easier for the Bantaeng community to submit their complaints related to illegal levies. Additionally, the District Government of Bantaeng also conduct services evaluations every three months to evaluate the effectiveness of services.

Finally, as the culmination of all efforts of the District Government of Bantaeng to prevent and eradicate corruption in Bantaeng District, Warta Timur (2014) reported that the District Government of Bantaeng, together with members of DPRD, NGOs and other civil society elements in Bantaeng, signed a declaration to eradicate corruption and illegal levies in Bantaeng. With the signing of this declaration, all elements of government and society in Bantaeng expressed a strong desire to put a top to corrupt behaviour, to improve the development process. This is in line with what District Head, Nurdin Abdullah, wanted for Bantaeng District. In his interview with Warta Timur, Nurdin Abdullah clearly said:

Bantaeng has now become a national property. All eyes will be on Bantaeng and more attention will be given to whatever will be done by Bantaeng. A few small mistakes, especially those related to corruption, will wipe out all the success that Bantaeng has earned so far. To that end, all elements in Bantaeng must cooperate so that the current condition is maintained and the image of Bantaeng remains good in the eyes of the people of Indonesia (Warta Timur 2014).

The strong desire of Nurdin Abdullah and the efforts of the District Government of Bantaeng in controlling corrupt behaviour and practices in Bantaeng has made an impact which is deeply felt by investors. When asked by the researcher about the indications of corruption or the tendency of local government employees to commit corruption, the two investors I interviewed showed confusion in answering the question. They do not see any loopholes that can be used by local government employees to engage in corrupt activities, especially those related to investments in BIP. Investor 1 stated as follows:

If we talk about the potential [to do] corruption, I think ... What do they want to corrupt, Sir? If it is said that they commit corruption, I'm also confused, what do they want to corrupt, because everything is completely transparent. We buy the land, for example, the payment is through the bank, not directly to the community, but paid to the bank. We open the account for them. What is the size of your land, this is the price, you receive the money in the bank. So, we never pay cash (Interview 2017).

Meanwhile, Investor 2 expressed a similar sentiment:

[Related] to the indication or a tendency to corrupt, as far as [I] know... Where is the opportunity to commit corruption? Because illegal levies and corruption usually [occur] in... The process of obtaining permits. For example, the Head of the Department or Chief of the TSP asks for a portion [before] giving their signature. This is [the opposite]. All [of it] I feel [is] so easy... Because the district head directly [said], 'Do not make it difficult for [investors]'. [The district head] has given an ultimatum that if there are illegal levies, they will be punished. (Interview 2017)

Briefly, in the context of drafting regulations that provide a conducive climate for potential investors, the thesis found that the District Government of Bantaeng has been quite successful in their efforts to draft such regulations. The regulations that currently exist in Bantaeng related to investment and licensing have been proven to create a conducive, competitive and attractive environment for investors to invest their capital in Bantaeng.

On the other hand, policies and regulations related to corruption (prevention, control and eradication of corruption) which have also been implemented by the District Government of Bantaeng, have increased investor confidence to invest in BIP. The investors who have invested in BIP feel secure with their investment because it is well guaranteed by the District Government of Bantaeng. They are, therefore, increasingly confident about the prospects of their business in the future and expect that their nickel smelters will provide substantial benefits to the company, the District Government of Bantaeng and the Bantaeng community as a whole. In the next sub-section, the thesis will describe the sixth step undertaken by the District Government of Bantaeng in developing the Nickel Processing Industry, namely, facilitating the building of the nickel smelter industry to produce ferronickel, nickel pig iron and nickel matte.

6.2.6 Step 6: Facilitating the building of the nickel smelter industry

In the final step undertaken to date, the District Government of Bantaeng has been quite successful in facilitating the construction of nickel smelters which will produce nickel ore into ferronickel, nickel pig iron, and nickel matte at BIP. After several production delays in early May 2018, one of the smelter investors, PT Huadi Nickel Alloy Indonesia, said that they were ready to start production in May 2018 to then engage in the first export of their nickel products to destination countries as soon as possible (Tribunnews.com 2018; Kabar.news 2018).

In short, up to this time, the District Government of Bantaeng reached the sixth of nine steps in the first phase of the Nickel Processing Industry Development Program. After a long journey from preparing the master plan for the development of the ferronickel industry to drafting various regulations that provide a conducive climate for potential investors, BIP was realised and the industrial estate would soon start production with the smelter of PT Huadi Nickel Alloy Indonesia. The commencement of production of ferronickel at BIP in May 2018 showed that if something is planned well from the beginning, then success is possible, and that is what the District Government of Bantaeng demonstrated in the development process of BIP.

The six steps that have been undertaken by the District Government of Bantaeng in their efforts to realise the development of BIP show how governance practices in the form of voice and accountability, regulatory quality and control of corruption were implemented by the District Government of Bantaeng in order to obtain financial support from investors for the construction of BIP. In addition, the steps also demonstrated that the efforts to develop and improve governance practices in Bantaeng District successfully attracted many investors to invest in BIP, not only in the form of nickel smelter development but also other infrastructure development to support smelter operations. In the next section, the thesis will explain more specifically about the Port Bonthain development plan and the governance practices implemented by the District Government of Bantaeng to realise the development of that port.

6.3 Environmental Impact of Nickel Smelter and Anticipatory Measures by the Bantaeng District Government

Several studies highlight negative impacts on the environment and human health (see for example Kashulina, Reimann and Banks, 2003; Singh & Li, 2014; Voskoboynik, 2016; Luhn, 2016; Opray, 2017; Smith, 2018; Vickstrom, 2018; Jong, 2019; Morse, 2020). Opray (2017) highlights the environmental degradation that occurs around nickel mining and processing (smelting) sites in Australia, Canada, Indonesia, Russia and the Philippines where the plumes of sulphur dioxide fill the sky and cover the earth, making the air and ground unsafe and developing cancer-causing dust. There are also some studies arguing that the toxic elements emitted from the smelter are not always

harmful to the environment, especially for the local wild food and fish population in waters close to the smelter (Hansen et al, 2017; Lappalainen, Tammi & Puro-Tahvanainen, 2007). Poorly managed nickel processing waste has made the river runs red, as happened in Norilsk, Russia, causing an environmental concern that is far from resolved in the most polluted city in the country (Luhn, 2016). Voskoboynik (2016) elaborates demands for justice from former BHP Biliton workers in Córdoba province, Columbia and local communities for the devastating impact of nickel smelter on their health (skin defects, cancer and respiratory illness), livelihoods, environment and safety.

In the case of Indonesia, Smith's (2018) study reveals that nickel processing has an impact on the environment since intensive nickel processing uses enormous amounts of energy, pollutes more waters, and has a negative impact on biodiversity. The same opinion is echoed by Vickstrom (2018) which states that in Indonesia, the very tight competition between the interests of nickel mining and processing and its tropical rainforest has made this country experience more and more losses in its biodiversity as global demand exceeds environmental concerns.

The devastating impact on the environment of nickel smelters was also conveyed by Morse (2020) who highlighted the efforts and lobbies by several nickel mining companies to the Indonesian Government to dispose of their waste (known as tailings) into the sea which has the potential to destroy coral reefs and reef fishes. Morse's (2019a, 2019b) study also found that nickel smelters in Morowali, Central Sulawesi, have made the sea in this area turn red due to piles of slag, the waste of nickel smelters, which fill the coast and contaminate water with toxicants, with fishermen have to go further afield in search of fish because the marine life around the coast has disappeared and the exhaust of smelters has triggered increased respiratory problems. In another study, Jong (2019) describes that the potential for the emergence of these impacts raises resistance from local communities, for example in the remote island of Wawonii, Southeast Sulawesi Province, who reject the presence of nickel mines and smelters in this region for fear that their existence will demolish the area of agriculture and fisheries, as well as destroying their fragile island ecosystems and damaging their livelihoods.

With all the descriptions above, the Bantaeng District Government should be concerned about the negative impact of the nickel smelter. Field research and interviews with Bantaeng District Government officials and other stakeholders led the author to the opinion that the Bantaeng District Government seems to care about this. In connection with the Bantaeng Industrial Park development plan, which is a nickel processing industrial estate, the Bantaeng District Government has conducted an Environmental Impact Analysis (*Analisis Mengenai Dampak Lingkungan/AMDAL*) to map the possibilities of environmental pollution and prepare the necessary steps to minimize

environmental damage. The author obtained several AMDAL documents which contain measurable and planned strategic steps to reduce adverse environmental impacts.

Among the anticipatory steps taken by the Bantaeng District Government are identifying potential impacts (primary and secondary) that could arise as a result of planned activities. The potential impacts are then evaluated to obtain hypothetical significant impacts, for example an interaction study between the activities to be carried out and the environmental components that will be affected. These include physical and chemical components (air quality, noise, vibration, hydrology, aesthetics, oceanography, soil and land, water quality, and accessibility) and biological components that include terrestrial (*biota darat*) and aquatic biota (*biota perairan*) (PT ISDN Bantaeng Corporation, 2016, pp. II-69 - II-82). However, there is not enough evidence to say that the anticipatory steps in the development process of Bantaeng Industrial Park will minimize the negative impact on the environment after the industrial estate operates. At the time this thesis was written, the BIP construction process was still ongoing and further research was needed to determine whether nickel processing in Bantaeng Industrial Park had a negative impact on the surrounding environment.

6.4 The Development of Port Bonthain

This section elaborates on the process of developing Port Bonthain by using the three phases of the Port Bonthain Development Plan, as set out in the Environmental Impact Analysis document issued by the Department of Transportation of Bantaeng District. Based on the document, the development process of Port Bonthain is divided into three phases: (1) Pre-Construction Phase; (2) Construction Phase; and, (3) Operation Phase. More detailed information about the three phases of the development process of Port Bonthain is shown in Table 6.2 below.

Table 6.2: Port Bonthain Development Plan

Pre-Construction Phase	Construction Phase	Operational Phase
<ul style="list-style-type: none"> • Socialisation; • Public consultation 	<ul style="list-style-type: none"> • Mobilisation of construction workforce; • Mobilisation and demobilisation of equipment and heavy tools; • Preparation and operationalisation of base camp, warehouse and <i>keet</i> board; • Fencing and stockpiling (reclamation); • Transport of materials and building materials • Construction of stacking fields; • Mainland allotment (construction of basic facilities and supporting facilities) • Waters allotment (construction of basic water facilities and water supporting 	<ul style="list-style-type: none"> • Reception of operational manpower; • Operationalisation of the dock; • Passenger services and the flow of goods; • Operationalisation of office, service building and trade area; • Operationalisation of roads, parking lots, and drainage; • Operationalisation of Green zone; • Operationalisation of water facilities; • Operationalisation of fuel tanks; • Operationalisation of reservoir

	facilities)	substation; <ul style="list-style-type: none"> • Operationalisation of generators; • Maintenance of port facilities; and • Maintenance of the cruise line
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Source: AMDAL Document of the Department of Transportation of Bantaeng District 2015

During my field research in Bantaeng in 2017, the development of Port Bonthain was in the first phase, the Pre-Construction Phase; an uncertain condition because the development process itself had not yet been officially announced by the Ministry of Transportation or the District Government of Bantaeng. This was because the approval from the Ministry of Transportation to finance the development of Port Bonthain had not yet been obtained by the District Government. As mentioned previously, to develop Port Bonthain as an asset of the Central Government, the District Government of Bantaeng must use funds from the APBN (state budget) through the Ministry of Transportation. The amount of budget needed, based on the information from one official of the Department of Transportation of Bantaeng District, was approximately IDR 200 billion for the initial phase of development.

However, based on my interview with an official from the Ministry of Transportation in Jakarta, the Ministry of Transportation had not yet approved the development plan for Port Bonthain. This was because the Ministry of Transportation did not yet agree with the *Rencana Induk Pelabuhan/RIP* Bonthain (Port Bonthain Master Plan) proposed by the District Government of Bantaeng in 2012 (Interview 2017). The statement of the official from the Ministry of Transportation was in accordance with the information collected from one DPRD member of Bantaeng District interviewed by the researcher. According to her, the proposal (including the budget plan) for the construction of Port Bonthain had not been approved by the Central Government (Ministry of Transportation). The DPRD member also did not see any signs that the proposal would be approved in the immediate future (Interview 2017).

Field research revealed differences in information conveyed by the official from the Ministry of Transportation and officials from the Department of Transportation of Bantaeng District. Officials at the Department of Transportation of Bantaeng District claimed that the Port Bonthain development plan had been proposed and approved by the Ministry of Transportation. The proposed budget was also reported to have been approved to be disbursed in the 2018 fiscal year. According to the official from the Ministry of Transportation, the Port Bonthain development plan proposed by the District Government of Bantaeng had not been approved by the Ministry of Transportation. The Ministry of Transportation's assessment of the Port Bonthain Master Plan showed that the development of Port Bonthain was not seen as urgent and, therefore, was not a priority.

Additionally, the Port Bonthain development budget plan had not been included in the Port Bonthain Master Plan. The Port Bonthain Master Plan proposed to the Ministry of Transportation only covered the size and types of facilities planned. If there was a budget plan, according to the official, it was still very rough (Interviews 2017).

Nevertheless, despite the difference in information between the Ministry of Transportation and the Department of Transportation of Bantaeng District, and the unclear future of the development plan of Port Bonthain, the District Government of Bantaeng conducted early consultation and dissemination of information about the Port Bonthain Development Plan with related stakeholders in Bantaeng District. Consultation and dissemination of information were done in multiple forums such as working meetings with various agencies, *Musrenbang* and community forums with targeted people. A DPRD member interviewed said that he had attended one event about the development plan for Port Bonthain held by the District Government of Bantaeng (Interview 2017). According to him, activities to inform the Bantaeng people about planned infrastructure programs and projects are quite often held by the District Government of Bantaeng. These activities are useful to make the Bantaeng community aware of the infrastructure development programs planned by the local government. According to District Head, Nurdin Abdullah, the consultation events, besides disseminating information to the people of Bantaeng, are also a manifestation of the transparency the District Government of Bantaeng provides to its people and stakeholders. Regarding the process of consultation on infrastructure development plans, the District Head said:

I go through it all relaxed... We [the Executive and Legislative] are [regularly] gathered at Marina [Beach]. [I often] get together with the DPRD [members] [and] we tell stories. Nothing to hide, nothing. So, it is same as when I [went] overseas, what do we get? I told them [that] we get this and this... The process of delivering the information is running well, Sir. Transparency is important [to me]... you can check in the community. Whatever [the local government] wants to do, the people know it first. How can it be so? Because I talk everywhere, Sir. [There's] nothing I cover up, nothing to hide. Finally, the DPRD is also happy because the transparency is finally built (Interview 2017).

Based on the *Analisis Mengenai Dampak Lingkungan/AMDAL* (Environmental Impact Analysis), the dissemination of information and public consultation activities undertaken by the District Government of Bantaeng were directed to communities affected by the Port Bonthain Development Plan. In this case, the community in question was in Bontojai Village, Bisappu Sub-district, a community who work as fishermen and seaweed farmers, as a specific target of public consultation activities. The activities were aimed at changing attitudes and minimising negative perceptions the Bontojai Village community may have had regarding the Port Bonthain Development Plan, as well as mitigating community unrest and social conflicts that may occur during the construction of Port Bonthain (Department of Transportation of Bantaeng District 2015, pp. II-3-II-5).

To change attitudes and minimise negative perceptions from the Bontojai Village community towards the Port Bonthain Development Plan, the District Government of Bantaeng used two approaches, namely, socioeconomic approach and institutional approach. The socioeconomic approach was done by:

- a) Providing clear information to the public about the benefits of the Port Bonthain Development Plan;
- b) Providing clear information to the community, community leaders, religious leaders and other communities around the Port Bonthain development site on the activities to be undertaken and the types of impacts that will arise; and
- c) Providing information around the fact that the people who work in fisheries can still access certain zones to ensure their livelihood, and seaweed farmers can still plant seaweed at certain locations around the port so that the seaweed farming is not disturbed by the activities of the port.

The institutional approach was conducted by collaborating with Bontojai Village Chief and Head of Bisappu Sub-district to provide understanding to the residents regarding the Port Bonthain Development Plan.

Meanwhile, to stem community unrest and social conflict that may occur during the port development process, the District Government of Bantaeng used similar approaches (socioeconomic and institutional), but in different ways. Through the socioeconomic approach, the District Government of Bantaeng sought to prevent social jealousy and security issues, and to create and maintain harmonious social interactions between initiators and local communities by reassuring fishing communities and seaweed farmers that they can still carry out their daily activities in stipulated zones. To ensure success, the District Government of Bantaeng also cooperated with the Bontojai Village Chief and Head of Bisappu Sub-district.

With regard to the consultation and dissemination of information about the development plan, the results of interviews with two members of the Bantaeng community and one NGO activist showed that they responded well to the activities, as well as to the Port Bonthain Development Plan. There was no apparent resistance from either the community or the NGO activist to the Port Bonthain Development Plan. They participated in the socialisation activities and also provided input regarding the stages of development for Port Bonthain. In general, the Bantaeng community hoped that the development of the port would increase people's income which, in turn, would improve people's welfare. The development of Port Bonthain was also expected to provide more

employment for the Bantaeng community which would result in the decline in unemployment in the District (Interviews 2017).

The community's expectations were in line with the District Government of Bantaeng's plan, as stated in the AMDAL document, which was to maximise the provision of employment and business opportunities in the informal sector for residents who live near the Port Bonthain development site (Department of Transportation of Bantaeng District 2015, pp. II-3–II-5). In the document, it is stated that the mobilisation of construction workers during the construction phase had the potential to employ large number of workers (approximately 415). The opportunity to work in the Port Bonthain development project would primarily be given to residents in the vicinity of the port development site and adjusted to the needs, education and skills they have, before being offered to workers from other regions in Bantaeng or from outside of Bantaeng. Residents living near the site who do not get the opportunity to work on construction projects would have the opportunity to open businesses in the informal sector that support the Port Bonthain development process.

Not only were they accepting of the Port Bonthain Development Plan, the Bantaeng community had a positive reaction to the plan. The positive reaction was mainly due to the government's plan to: (1) provide employment and business opportunities in the informal sector for the population affected by the Port Bonthain Development Plan; (2) increase in community income; (3) maintain positive public perceptions related to labour recruitment; and, (4) minimise community unrest and social conflicts as well as security disturbances that may occur during the construction phase.

Furthermore, the Bantaeng community also reacted positively to the District Government of Bantaeng's plan to build settlements for communities relocated from the proposed location of the Port Bonthain development.

An interview with an official from the Department of Public Works and Spatial Planning of Bantaeng District revealed that the District Government of Bantaeng would build settlements for the community (fishermen and seaweed farmers) whose houses were to be demolished to allow for the development of Port Bonthain. The settlements to be built were planned in the form of flats/apartments as well as some houses. According to the official, it was the local government's responsibility to the communities affected by the planned development. In addition to building settlements, the District Government of Bantaeng would also provide financial compensation (*uang ganti rugi*) which could be used to rent flats/units after the demolition of their houses (Interview 2017).

Despite the positive response to the Port Bonthain Development Plan, the feelings of the Bantaeng community, especially residents of Bontojai Village, were quite clear. Those who work as

fishermen and seaweed farmers still wanted to carry out their daily activities in the locations they are accustomed to, even during the process of developing Port Bonthain. In addition, they also wanted the opportunity to work on the Port Bonthain development project when the construction phase started. From a social perspective, the people of Bontojai Village did not want to be disadvantaged as a result of the construction of Port Bonthain. They want to be treated equally to workers from outside the region, in terms of recruitment and placement. This was to minimise potential social unrest, jealousy and criminality that can lead to social conflict and security disturbances. From an economic standpoint, they also wanted an increase in income as a result of their involvement in development projects and in embracing business opportunities in the informal sector to support the development of Port Bonthain.

In addition to conducting early consultation and dissemination of information regarding the development plan of Port Bonthain, the District Government of Bantaeng also prepared policies and regulations to guide the implementation of the development of Port Bonthain.

In connection with the control of corruption, policies and regulations applied in the BIP development process, such as strengthening the role of the Inspectorate of Bantaeng District and improving the function of the Department of Investment and One Stop Integrated Services to prevent and eradicate corruption, also applied to the case of the Port Bonthain development, as these policies and regulations apply generally to infrastructure development programs in Bantaeng District. The difference is that, when conducting field research for this thesis, the Port Bonthain development activities had not yet commenced, so the researcher was not able to identify indications of corrupt practices or tendency to commit corruption by local government officials. This was different from BIP, where the development process was already underway and the researcher could interview various sources including investors regarding indications of corruption.

6.5 Conclusion

By using the phases of the Nickel Processing Industry Development Program and Port Bonthain Development Plan, this chapter has described how the governance practices facilitated the development in Bantaeng District. The complexity of moving from stage 1 to stage 6 of the smelter illustrates contingencies, interdependence and connections between parts that are required in successful infrastructure development. If voice and accountability, regulatory quality and control of corruption are insufficiently developed the implementation chain will be broken.

Through the phases of those two programs (Nickel Processing Industry Development Program and Port Bonthain Development Plan), this chapter explained how the District Government of Bantaeng

(1) successfully considered the voice of stakeholders and the input provided in relation to the development plan of Bantaeng Industrial Park and Port Bonthain; (2) was concerned about how accountability should be applied in the context of disseminating information to stakeholders; (3) had an understanding of how regulations that provide assurance to investors should be enacted; and (4) understood that control of corruption must be strictly enforced to give investors a sense of security. In Chapter 8, the thesis will analyse these findings by using the definition of voice and accountability proposed by Goetz and Jenkins (2002), the World Bank's (2016) definition of regulatory quality and the two categories of corruption proposed by Rafi, Lodi and Hasan (2012) to explain the control of corruption.

CHAPTER 7 GOVERNANCE PRACTICES IN THE DEVELOPMENT OF BANYUWANGI INDUSTRIAL ESTATE WONGSOREJO AND PORT TANJUNG WANGI

7.1 Introduction

This chapter presents findings from Banyuwangi District concerning the implementation of governance practices (voice and accountability, regulatory quality and control of corruption) in the development of the Banyuwangi Industrial Estate Wongsorejo (BIEW) and Port Tanjung Wangi. The development of the BIEW was expected to be completed in 2016, however, when the fieldwork was undertaken in 2017, the project had not yet begun. This chapter also explains the factors that caused the BIEW development to be delayed.

In the development process of BIEW and Port Tanjung Wangi, there were three main players: the District Government of Banyuwangi, the investor and the local community. My fieldwork discovered that the District Government of Banyuwangi believed that their accountability and transparency were of satisfactory quality. Delivery of information to the public was carried out very openly. The community also believed it was easy to get the information they wanted. The District Government felt that they had carried out their duties and obligations to facilitate the development of industrial estates. Problems on the ground that were not under their authority caused unanticipated issues in the process of industrial estate development.

In contrast, investors involved in the development process of BIEW, PT Wongsorejo, did not feel the same way, stating that they had difficulty in obtaining the information they needed. They also felt that the transparency and accountability of the District Government of Banyuwangi was of a low level. Communication between the District Government and the investor was not effective. Banyuwangi District Government's support in terms of policies and provision of supporting infrastructure was lacking, according to the investor. In general, they were disappointed and dissatisfied with the support and services provided by the District Government of Banyuwangi.

The local community generally considered the accountability and transparency level of the District Government of Banyuwangi and the investor to be low. Regarding the development plan for BIEW, neither party actively consulted with stakeholders, most notably, the residents of Bongkoran Village. The District Government and the investor were seen by the local community as not having considered the voice or aspirations of the community as important, and tended to ignore the rights of the farming community. The farming community was not involved in the process of granting HGB (Right to Build) and, therefore, their interests were ignored. The view of the local community

was that the District Government of Banyuwangi prioritised investor interests and chose to side with them on all matters. In the dispute resolution process, the involvement of the District Government was minimal and they were reluctant to intervene directly to help resolve conflict. Local people had difficulty expressing their voices and aspirations and, even when they could express their aspirations, these aspirations were often not heeded by the District Government.

Based on the matters above, it is argued in this chapter that Banyuwangi District was not successful in implementing voice and accountability and regulatory quality in the development process of BIEW. As for control of corruption, its implementation could not be examined by the researcher because the process of developing this industrial estate had not yet begun. In the case of the development of Port Tanjung Wangi, the implementation of these three indicators also could not be studied because the responsibility for developing and managing this port is not under the authority of the District Government of Banyuwangi but, rather, under the authority of PT Pelindo III, a state-owned enterprise engaged in the port terminal operator service. The process however is described in this chapter, and discussed in Chapter 8.

Many factors delayed the development of BIEW, including the ongoing land dispute between Bongkoran Village residents and PT Wongsorejo, the ignoring of the voices and aspirations of the people by the District Government of Banyuwangi related to dispute resolution efforts and the BIEW development plan; the inability of the District Government of Bantaeng and the investor to satisfy the community; and the failure to meet some community demands relating to land disputes and industrial estate development. The next sub-section will discuss the implementation of the three governance indicators using phases of the Manufacturing Industry Development Program.

7.2 The Development of Banyuwangi Industrial Estate Wongsorejo

To explain the development process of BIEW, I used the phases from the Manufacturing Industry Development Program, as stipulated in *Studi Perencanaan Teknis Kawasan Banyuwangi Industrial Estate Wongsorejo* (Technical Planning Study of the Banyuwangi Industrial Estate Wongsorejo) issued by the District Government of Banyuwangi in 2014. The phases in this development program were prepared to guide the District Government and the investor in realising an integrated industrial estate development plan with the main purposes to increase investment, stimulate employment and preserve the environment, especially in Banyuwangi District where the development of industrial estates tends to be inconsistent and not centralised (Pemerintah Kabupaten Banyuwangi 2014b, p. I-1).

In the Manufacturing Industry Development Program, there are three phases that must be followed by the District Government of Banyuwangi and the investor. The first phase is the preparation of the Master Plan, the second phase is the establishment of industrial estate enterprises and the third phase is the development of the industrial estate itself. The three phases were planned to be carried out over a five-year period from 2012 to 2016. The three phases of the Manufacturing Industry Development Program are shown in Table 7.1 below.

Table 7.1: Manufacturing Industry Development Program

Development Program	Time				
	2012	2013	2014	2015	2016
Phase 1 Preparation of the Master Plan					
• Making a zoning plan					
• Determination of productive land					
• Determination of unproductive land					
• Determination of the magnitude of the ratio between productive and unproductive land					
• Making master plan details					
• Preparation of Feasibility Study (FS)					
• Preparation of an Analysis of Environmental Impact Studies (AMDAL)					
Phase 2 Establishment of Industrial Estate Business					
• Submission of a Principle Permit for Industrial Estate					
• Submission of a Location Permit for Industrial Estate					
• Submission of Industrial Company Business Permit					
• Development of Facilities and Infrastructure Supporting Industrial Estates					
Phase 3 Industrial Estate Development					
• Analysis of Internal Factor of Industrial Estates					
- Strategic location					
- Capital					
- Completeness of facilities					
- Promotion					
• Analysis of External Factor of Industrial Estates					
- Investment					
- Government Support					
• Availability of Supporting Facilities and Infrastructure					
- Road network development					
- Drainage network development					
- Sanitation network development					
- Electricity network development					
- Construction of a management office					
- Construction of industrial buildings and employee dormitory					
- Construction of landfills					
- Construction of wastewater treatment plants					
- Construction of clean water treatment plants					
- Construction of a fire station					

Source: the District Government of Banyuwangi (2014), adapted.

During my field research in Banyuwangi in 2017, the District Government of Banyuwangi and the investor had just entered the first and second phases of the development program, though not all the steps listed in the phases had been completed. In the first phase, for example, the investor, PT Wongsorejo, had created the Banyuwangi Industrial Estate Wongsorejo Master Plan, including the zoning plan and the feasibility study (FS). The process of the AMDAL study was ongoing and had not been completed as the necessary fieldwork had not been conducted.

In the second phase, the Establishment of Industrial Estate Business, as of 2017, PT Wongsorejo had only obtained the Principle Permit, which had been issued in 2012. Other permits, such as Land Use Permit, Nuisance Permit, Building Permit, Industrial Company Business Permit and Industrial Estate Permit, had not been obtained because the conditions on the field had not made it possible for these permits to be administered.

The third phase, especially the steps to provide supporting facilities and infrastructure, had not been carried out because investors' efforts to start building industrial estate infrastructure had been impeded by residents of Bongkoran Village who had opposed the plans to develop industrial estates. To elaborate, the opposition to the BIEW development plan was mainly due to an unfinished land dispute between them and the investor, PT Wongsorejo, who owns 603 hectares of land, including land that has been occupied by Bongkoran Village residents for decades. Information on the history of the land dispute between the two parties and the implementation of governance by the District Government of Banyuwangi in this case will be discussed in more detail in Sub-section 7.2.3.

In the process of preparing the industrial estate master plan, there were two main differences between Banyuwangi and Bantaeng District. First, the industrial estate master plan for development in Bantaeng was prepared by the District Government of Bantaeng. In Banyuwangi District, the preparation of the industrial estate master plan was carried out by the investor, PT Wongsorejo (Pemerintah Kabupaten Banyuwangi 2014b, p. V-46). There is no explanation as to why the investor and not the District Government of Banyuwangi prepared the master plan, but I assume that this might be due to the assessment of the District Government of Banyuwangi which considered that the investor is more aware of the needs for industrial estates. It is also possible that the cost of preparing the master plan was also a factor in the District Government delegating this responsibility to the investor.

Second, the preparation of an industrial estate master plan in Banyuwangi District was not facilitated by the Ministry of Industry of the Republic of Indonesia, as was the case in Bantaeng District. Based on my interview with an official from the Ministry of Industry, this was because the

Central Government can only provide support for preparing a master plan to local governments, not to investors. However, in the process of preparing the master plan, local governments can consider input from potential investors. The legal basis for the granting of the facility of preparing the master plan by the Ministry of Industry is Law 3/2009 concerning Industry. Another possibility that may have also occurred is that the investor, PT. Wongsorejo, did not ask for assistance from the Ministry of Industry because they were unaware of the process or unwilling to engage with the Ministry of Industry.

The preparation of the industrial estate master plan had been carried out and the next step to be taken by the investor was to implement the master plan into development activities to establish BIEW as soon as possible. It was at this stage that various problems arose which then caused difficulties in the development process of the BIEW. The next few sub-sections will briefly highlight the two phases that had been completed by the District Government of Banyuwangi and the investor in developing BIEW.

7.2.1 Phase 1: Preparation of the master plan

The preparation of the master plan is the first phase of the overall Manufacturing Industry Development Program in Banyuwangi District, which was also the starting point of the development process for BIEW. By preparing the master plan, the District Government of Banyuwangi, together with the investor, intended to provide a frame of reference for the next phases and steps to be taken in developing BIEW. Without a master plan, it was almost certain that the industrial estate development plan would not be realised successfully.

As mentioned earlier, in preparing the Master Plan for the Development of Manufacturing Industrial Estates in Banyuwangi, the investor, PT Wongsorejo, did not get support from the Central Government, in this case, the Ministry of Industry. They compiled the master plan for industrial estate development themselves with the help of a consultant, namely, CSI Consultant. However, unlike the case in Bantaeng where the District Government actively consulted on the development plan of Bantaeng Industrial Park to all stakeholders before preparing the master plan, in Banyuwangi, the District Government and the investor did not actively conduct such activities to seek input and accommodate community aspirations before preparing the master plan. Most notably, the BIEW development plan was not discussed with Bongkoran Village residents in Wongsorejo Subdistrict who would be directly affected by the industrial estate development. Based on information from a local person interviewed, consultation was only done once by the District Government of Banyuwangi and the investor. This was in 2014, shortly after the Right to Build

(HGB) for PT Wongsorejo was issued by the East Java Province National Land Agency (BPN). It was explained by the local person as follows:

Regarding the development plan of Banyuwangi Industrial Estate Wongsorejo, as far as I know this was not socialised [actively] to the people of Bongkoran Village, because on the one hand the community continues to reject it. [The question] is, [why] was the Right to Build issued? Since they [the people of Bongkoran Village] were invited to the sub-district and [offered] to be given 60 hectares [of land], that was claimed by the District Government of Banyuwangi as a socialisation, but the community refused. That was considered socialisation, right? An offering of 60 hectares [of land] which was then rejected by the community. After that, there was no socialisation anymore because the community kept refusing because their rights were not fulfilled (Interview 2017).

In my opinion, the absence of active consultation was mainly due to the views of the District Government of Banyuwangi and the investor who considered that there was no point in conducting active socialisation because, as long as the land dispute remains unresolved, residents of Bongkoran Village will continue to oppose the industrial estate development plan. Therefore, instead of thinking about how to conduct consultation with a community that clearly opposed the development plan, both the District Government and the investor decided to continue the preparation of the industrial estate master plan without obtaining input from residents of Bongkoran Village.

The actions of the District Government of Banyuwangi and the investor showed that neither of them considered the voice of citizens to be important in the process of developing BIEW. They believed the development of the industrial estate could proceed without involving the community. The impact of this was that the voice of citizens could not be used to inform governance, change actions or influence government decisions and priorities. The absence of active consultation also shows the level of accountability of the Banyuwangi District Government to be low, because the planned actions and programs were not well explained to the public. Poor implementation of the governance indicator of voice and accountability had an impact in the form of negative responses and reactions from residents of Bongkoran Village, and will be explained further in Sub-section 7.2.3.

As stated above, in preparing the industrial estate master plan, PT Wongsorejo was assisted by a consulting agency, CSI Consultant. With the help of this company, PT Wongsorejo prepared a master plan by following the steps set out in the Technical Planning Study of the Banyuwangi Industrial Estate Wongsorejo, which included: (1) making the zoning plan; (2) determination of productive land; (3) unproductive land mapping; (4) ascertaining the ratio between productive land and unproductive land; (5) making detailed master plans; (6) preparation of a feasibility study (FS); and, (7) preparation of the Study of Environmental Impact Analysis (AMDAL) (Pemerintah Kabupaten Banyuwangi 2014b, pp. V-10-V-11).

Creating a zoning plan is done by grouping and placing similar activities in one zone. For BIEW, this industrial estate was divided into three zones consisting of the Core Industrial Zone (Private), the Industrial Support Zone (Semi-Private) and the Public Zone. The Private Zone consists of industrial lots. The Semi-Private Zone, meanwhile, consists of a parking lot, housing, wastewater treatment plant, clean water treatment plants, firefighting unit, landfill and electricity substations. The Public Zone contains the management office and the trade centre, among other things. Determining productive land is carried out by identifying land that will be used for production and commercial activities such as factories, warehouses and business centres like shops, offices and hotels. Mapping unproductive land means identifying land that will be used to build social facilities and public facilities such as government centres, educational areas, green areas and sports facilities. When it comes to determining the ratio between productive and unproductive land, this is done by following the technical standards for industrial estates issued by the Minister of Industry and Trade in 1997. Based on these technical standards, the ratio of commercial land (land that can be sold) to non-commercial land (social facilities and public facilities) was 70:30. With regard to the master plan details, this step needed to be carried out before the preparation of the Detailed Engineering Design (DED) because it would underpin the initial preparation of a feasibility study. Preparing a Feasibility Study (FS) is the next step after completing a detailed master plan. This step is important to assess whether the planned industrial estate is feasible and will provide adequate financial benefits. Finally, an AMDAL study is the last step in a series of processes for the preparation of a master plan. This step evaluates whether the planned industrial estate will have a negative impact on the environment around the site. The AMDAL is also required to obtain an industrial estate permit. After the AMDAL is complete, the investor must conduct a study to formulate an Environmental Management Plan and Environmental Monitoring Plan (Pemerintah Kabupaten Banyuwangi 2014b, p. V-11). Regarding the industrial estate master plan, one of the managers of PT Wongsorejo said the following:

So, what we have done was... What we have prepared is, of course, the master plan, the FS, because it is [an obligation] from our side. The FS, the master plan, and then the AMDAL, we prepare all of them. And that's all done, except the AMDAL that we're still [working on]... For the master plan [we] might [be able to provide the data]. The master plan is still permissible, but for the FS and AMDAL ... the FS may be confidential, while the AMDAL is not yet finished (Interview 2017).

According to the manager, in the process of preparing the Master Plan of Banyuwangi Industrial Estate Wongsorejo, they experienced difficulties in obtaining the information needed from the District Government of Banyuwangi. There was no explanation by the investor about what information was needed from the District Government to prepare the master plan. However, from the tone of speech and expression of the manager, it was clear that they were disappointed with the

services provided by the District Government, especially in terms of providing the information they needed to prepare the master plan. As the investor, they felt that the investment they made in Banyuwangi was not adequately supported by the District Government. Regarding this matter, the manager said:

So, the treatment we have felt from the local government to the company, up until now to [reach] the point of satisfaction, it has not [been reached]. So, in the end, we do guerrilla [tactics]. We, in private companies, are used to catching the ball; it's something [we wanted], we chase it ... So, [we did] guerrilla [tactics] here and there. Information [given] at the middle level is good, at the lower level is also good ... But that information is only information, not policy. Supposedly, good information from below should be in line with policies... Our investment in Banyuwangi, we feel, is not facilitated or assisted by the Local Government. Far away, Sir... We were only assisted by [officials] at the subdistrict level. The head of Subdistrict that helped us. Helped in the field. But what we need is policy (Interview 2017).

What was conveyed by the investor, interestingly, was different from that of an official from the Regional Development Planning Agency (*Badan Perencanaan Pembangunan Daerah/Bappeda*) of Banyuwangi District. According to the official, the transparency of the District Government was of a good level. Matters related to APBD (the local budget), for example, had been delivered transparently using screens in public places. Information is given openly to anyone who asks for it. This official stated:

The people [who] come, we always serve. What data do you want? [Information] up to the level of activity [we will provide] if the community asks ... Information dissemination is already very open, [information] is easy to obtain. In the past, if investors wanted to come here, they had to ask first ... But now, there's no need to ask again. [They] just access the website (Interview 2017).

The same thing was expressed by an official from the Department of Industry and Trade of Banyuwangi District who said:

Earlier I said [that what] we [do] is always based on transparency. If you look in several corners of the city, that [is the form of] transparency [that we do]. How many budgets are there, how many are for education? How much for this, everything is there ... On the website, it's also available. Also at intersections. Almost nothing is covered up. With regard to other stakeholders, such as the community, NGOs or academics ... If [it's related to information], they never [ask]. Earlier we said that they did not need to ask for information from us. The problem is, they already know what we are going to say ... [it is] the DPRD [members] who have often [asked for information]. Especially in the hearing process (Interview 2017).

Regarding the two different statements above, I cannot determine which of the two is the more accurate, but from the reality on the ground where the development process of BIEW did not go according to plan, it is likely that what was conveyed by the investor was the closest to the truth. The ineffective exchange of information between the investor and the District Government may be one of the factors that caused BIEW not be realised.

In short, it can be said that the process of preparing the Master Plan of Banyuwangi Industrial Estate Wongsorejo by the investor, PT Wongsorejo, did not proceed as smoothly as it did in Bantaeng District with its Bantaeng Industrial Park Master Plan. PT Wongsorejo, in the absence of assistance and facilities from the Central Government and lack of information from the District Government of Banyuwangi was still able to compile the BIEW Master Plan with the assistance of the consultant. In the master plan, which took the theme of "Eco Industrial Park Wongsorejo–Banyuwangi", the development plan of BIEW was clearly drawn up, showing several areas such as industrial areas, commercial areas and residential areas that contained lots for industrial buildings, warehousing, shops, public and social facilities and housing facilities for industrial estate workers. Also clearly illustrated in the master plan was the location orientation map and its distance from various economic activity centres such as the Banyuwangi City Center, Port Tanjung Wangi and Port Ketapang, Banyuwangi Baru Station and Blimbingsari Airport, and plans to develop several supporting infrastructure projects such as toll roads and new roads and energy network development plans that would support the development of industrial estates.

PT Wongsorejo also prepared plans for site processing of industrial buildings, commercial buildings, residential buildings and supporting facilities, as well as plans for the expansion of location for Phase II and Phase III, which would each use 461.4 and 223 hectares of land, respectively (CSI Konsultan 2014). As complementary material, the master plan also included a three-dimensional picture that illustrates the view of the industrial estate from above and from the front, a view of the shopping, housing and warehousing areas, as well as a cross-section illustration of the road to be built inside the industrial estate.

From the planning side, it can be said that the investor was ready to develop BIEW. However, a number of issues such as the unavailability of supporting infrastructure and supporting policies still remained as obstacles for the development of the industrial estate. The investor could do little but wait for these steps to be taken by the District Government of Banyuwangi, especially in helping them to resolve land disputes with residents of Bongkoran Village. If the problem had been resolved, the investor believed that the development process of BIEW could have been put into action. The next sub-section will discuss how the investor managed their permits to establish an industrial estate business in Banyuwangi District.

7.2.2 Phase 2: The establishment of an industrial estate business

As described in Table 7.1, in Phase 2 there are four steps that must be taken by the investor to be able to establish an industrial estate business. Based on my interview with one of the managers of PT Wongsorejo, as of 2017, they had only completed the first step, obtaining a Principle Permit,

which was granted by the District Government of Banyuwangi in 2012. This could mean that PT Wongsorejo still have the potential to establish an industrial estate business and start the development of the BIEW, because, according to information from an official from the Department of Investment and One Stop Integrated Services of Banyuwangi District, for investors to be able to begin construction of their project, they must first obtain all required permits. In relation to this, the manager explained as follows:

[In terms of] licensing, we have only [reached] the Principle Permit stage. [To obtain] the Principle Permit, at that time [we were] assisted [by the district government]. This Principle Permit only legalised our activities, our plan to develop industrial estates; that by having permit in principle, [we] are allowed to start doing A, B, C, D, for example, right? What we do is based on Principle Permit, that is number one. We are advertising [this industrial estate development plan] to the market. Secondly, because there is no certainty about [the availability of] water, electricity, gas, [then] we look for it ourselves. Our basis is the [Principle Permit] (Interview 2017).

The manager then added:

If there is no Principle Permit, what are we going to talk about? After the Principle Permit, there is a Location Permit and an Industrial Estate Permit. For a Location Permit, because we already have our own [land], it's been acquired, there is no [need] for a Location Permit anymore. So, all that's left is an Industrial Estate Permit. Now, Industrial Estate Permit, like it or not, [we have to] prepare it (Interview 2017).

The fact that the Principle Permit for PT Wongsorejo had been issued many years prior was also revealed by an official from Bappeda of Banyuwangi District when asked about the timing of the construction of the Wongsorejo Industrial Zone. In an interview with local media outlet, Radar Banyuwangi, the Bappeda official clarified as follows:

The Principle Permit for industrial estate development has been issued by the District Government of Banyuwangi. The investor has several times, every year, diligently reported on the progress of the project. The Principle Permit has [also] been extended several times... The Banyuwangi District Government has only issued the Principle Permit [to PT Wongsorejo]. Other permits have not been [granted] (Radar Banyuwangi 2018).

According to the Bappeda official, ongoing land disputes were the main reason for BIEW development plans not being realised. In 2018, there remained many issues related to land in the location where BIEW was to be developed. Land conflicts are a serious obstacle to industrial estate development. A Bappeda official expressed that because there were people who did not agree with the BIEW development plan and were opposing it, the District Government of Banyuwangi had chosen to postpone the implementation because the land conflict had a multidimensional impact (Radar Banyuwangi 2018).

Regarding the duties and obligations of the District Government of Banyuwangi to facilitate the development of industrial estates, the official from Bappeda said that they had been implemented

and it was solely the problems on the ground that were outside of their authority which hampered the development process. In an interview with Radar Banyuwangi, the official stated:

The authority of the local government to realise the industrial estate is actually completed. The District Government of Banyuwangi as a facilitator does not have any problems, everything is completed. The Principle Permit has long ago been issued. So, from the side of the local government there is actually no problem and we are very welcoming to all investors who come. Therefore, the District Government of Banyuwangi encourages investors to approach the people who live at the site so that they are willing to voluntarily leave the location of land needed to build industrial estates... With regard to the land conversion process, we hope that the central government will [be able to help] so that the industrial estate can be realised soon (Radar Banyuwangi 2018).

According to the manager I interviewed, PT Wongsorejo had not yet submitted any other permits, this was due to conditions on the ground that had meant it wasn't possible for them to move on to the next steps. Various attempts by PT Wongsorejo to initiate the development activities of the industrial estate were blocked by residents of Bongkoran Village. The manager of PT Wongsorejo explained:

So here goes, there is indeed a provision [that] for [obtaining] Industrial Estate Permit, the land must be cleared first, mapped first. Yes, [basically] formed first. Now, how are we to form [the land] if, when we bring a backhoe through the village road, we are scolded? We could not ... We brought heavy equipment into [the village], we were scolded [by the villagers] ... So, finally we just laid down (Interview 2017).

From the statements made by the investor and Banyuwangi District Government officials, a picture can be formed as to why the second phase in the Manufacturing Industry Development Program in Banyuwangi District had not yet been completed. Discontinuity of the process of obtaining various permits by PT Wongsorejo, which was triggered by conditions in the field that were not yet possible to overcome, became one of the causes of the delay in the development of the BIEW. What concerns me, seeing the statement from the Bappeda official of Banyuwangi District, is that they did not consider that the various problems occurring on the ground were their responsibility or under their authority while, on the other hand, PT Wongsorejo expected assistance and support from the Banyuwangi District Government to be able to resolve the land dispute with residents of Bongkoran Village. Without the support of the District Government of Banyuwangi, the investor felt that they would not be able to develop BIEW. The investor said:

We have made efforts to the Local Government [of Banyuwangi], to the Provincial [Government of East Java], back again to the Local Government [of Banyuwangi]. Finally, our conclusion is that we cannot [do this] ourselves. There must be a Local Government regulation. But it seems [they] waved a white flag. That means they surrendered... So, we need policy support, security, everything has to be ... It's mandatory. [Everything] must be presented to investors. If all that works, [within] one year everything will change. But it's been three years, and [there's been almost] no progress (Interview 2017).

At the time of fieldwork, the investor and the District Government of Banyuwangi had only reached the second of the three phases of the Manufacturing Industry Development Program that must be completed in order to realise the BIEW. The third phase, Development of Industrial Estates, had not commenced at all, based on my observations. The three-year journey that had been taken by the investor and the District Government of Banyuwangi from 2014 to 2017, at the time when I conducted field research in Banyuwangi, had not yielded encouraging results. Not only was there no tangible evidence of BIEW, the investor was not even able to show me the entrance to the industrial estate. The manager of PT Wongsorejo could only inform me that, to enter the industrial estate, there would be four access roads consisting of three village roads and one plantation road. When it came to other information related to the physical development of BIEW, there was no explanation provided by the investor because there had not yet been physical development in the area designated for the industrial estate.

The two phases that were undertaken by the investor and the District Government of Banyuwangi in their efforts to realise the development of BIEW show how governance practices are implemented by the District Government of Banyuwangi in developing industrial estates. However, it does not fully describe how the District Government of Banyuwangi implements the governance indicators of voice and accountability and regulatory quality, which are the main topics of this thesis. In order to provide a more complete picture of the practices of voice and accountability and regulatory quality in the development process of BIEW, the next sub-section will elaborate by describing it from the historical perspective of land disputes that have occurred between residents of Bongkoran Village and PT Wongsorejo, and complementing it with the current status of the dispute and the development progress of the industrial estate.

7.2.3 History of land disputes and the implementation of governance practices by the District Government of Banyuwangi

Sholahudin (2018, pp. 273-275) revealed in his research that the Bongkoran land dispute in Wongsorejo Subdistrict had been ongoing since the 1950s and remained unresolved. The conflict is now reported to be increasing in intensity. A total of 287 farmer families in Bongkoran Village have lived on 220 hectares of land since the 1950s. In the 1980s, the government granted PT Wongsorejo the Right of Exploitation (*Hak Guna Usaha*/HGU) for a kapok fibre plantation with a total area of 603 hectares, which included land owned by Bongkoran Village farmers. The HGU ended in December 2012. Since August 2012, Bongkoran Village farmers, represented by the Wongsorejo Banyuwangi Farmers Organisation (OPWB), have sent official letters to relevant parties, namely, the East Java Province National Land Agency (BPN), The District Head of Banyuwangi and the DPRD, urging BPN not to extend PT Wongsorejo's HGU, which was to expire on December 31,

2012, because it is on disputed land. The OPWB also requested that the East Java Province BPN block or cancel PT Wongsorejo's HGU because, according to farmers, PT Wongsorejo's HGU was invalid due to the issuance being tainted by manipulation that occurred in the past and the fact that PT Wongsorejo had never operated actively in the field.

In November 2012, the OPWB submitted an 'Application for Ownership Rights of State Land which is Former Land of Dutch Plantations' through the Land Rights Granting/Redistribution Program which is the authority of PPAN. However, the efforts of the local people who were members of the OPWB did not produce satisfactory results. In fact, strong public protests were met with unilateral actions and policies from the East Java Province BPN which, on September 18, 2014, issued a Certificate of Right to Build (HGB) to PT Wongsorejo. The District Government of Banyuwangi and East Java Province BPN aren't considered to be accountable or transparent. Both can be considered to be ignorant of the rights of the farming community of Bongkoran Village. This was conveyed by local Banyuwangi people who I interviewed.

During the process of issuing permits, [HGB] and so on, there was no involvement from the community. Supposedly, [in this case], the community [should] be involved because it relates to their rights ... So far, if you read about investment issues, it has never been involving or seeing the interests of farmers, especially since there has been a long conflict, so the HGB was finally issued in 2014 and ruled out the fact that there are people who have been struggling for a long time to claim rights over their land. From there, we can see from the aspect of accountability, namely that the government was not accountable and only provides a red carpet to investors (Interview 2017).

In addition to not being accountable and transparent, the view of the Bongkoran Village residents was that there is an indication of cooperation between the BPN and the District Government of Banyuwangi to support PT Wongsorejo so that the HGB can be issued.

This is the era of the local government, Sir. To go there [to issue the HGB], there must be recommendations [from the local government], right? Especially as in the Regional Spatial Plan (RTRW) it is stated that the area of [Bongkoran Village in Wongsorejo Sub-district] will be used as an industrial estate, and so far the District Government of Banyuwangi has been very active in realising the industrial [estate] plan. One of the things that we considered was the interest of the district government ... PT Wongsorejo's management changed between those who [got] the HGU and those who [obtained] the HGB. So, the [owner of] the HGB [currently] is the management of the new PT Wongsorejo, and not those who managed the plantation before. From that, actually [the district government] has prepared it, right? [They are preparing] the company, including the regulations (Interview 2017).

To compensate for the disappointment of the residents of Bongkoran Village over the issuance of the HGB to PT Wongsorejo, and in an effort to find a solution to the dispute that occurred, the District Government of Banyuwangi and PT Wongsorejo invited the Bongkoran residents to the Wongsorejo Subdistrict office for a discussion regarding land issues. On this occasion, the District Government of Banyuwangi and PT Wongsorejo offered a solution by offering 60 hectares of land to the residents of Bongkoran Village, which was to be managed as agricultural land. The offer was

not received well by residents. They rejected the offer and demanded management rights for over 220 hectares of land. It was described by the local people I interviewed as follows:

At that time, when the HGB was issued, the community was indeed invited to come to the [Wongsorejo] Subdistrict office. They were invited and offered [land] from the HGB. The community was offered to 60 hectares of land. That might be considered a solution according to the district government version. Of course [that] was rejected by the community because the community, for them to be able to grow crops and live, need at least a total of 220 hectares of land. So, every family there had a 3/4 hectare of agricultural land. Farmers need to grow crops. If the farmers don't have land to grow crops, what work they will do? (Interview 2017)

With regard to the offer of the District Government of Banyuwangi and PT Wongsorejo, the Chair of the OPWB in his interview with other researchers revealed the following:

The offer given by the company to the residents of Bongkoran Village is very detrimental. We want to prevent horizontal conflicts, conflicts between communities. Who will be responsible when later [from] 60 hectares of land [there are residents] who only get 10 metres of land? If calculated from a total of 300 [hectares] of land, divided by ten metres, multiplied by how many acres is it for planting? Do you think it will not cause horizontal conflict? Will there not be a war between the communities? (Anwar et al. 2016)

The negative response of the residents of Bongkoran Village to the development plan of the BIEW, when traced back, was mainly because they felt cheated by BPN, the District Government of Banyuwangi and PT Wongsorejo. As stated earlier, before PT Wongsorejo's HGU ended in 2012, the OPWB, together with residents of Bongkoran Village, had made an effort to stop the extension of the HGU. The OPWB had visited the Central BPN in Jakarta and sent a letter to follow up. The OPWB and the residents of Bongkoran requested of the Central BPN that the Bongkoran land dispute issue be resolved by the government as the authority holder. Responding to the request of the Bongkoran residents, one of the central BPN officials from Deputy Five said that the process of extending the concession could not be continued until the land dispute was resolved. What happened next was very surprising to the OPWB and Bongkoran Village residents because PT Wongsorejo was still able to obtain an extension of the HGU which became a HGB in 2014, issued by the East Java Province BPN (Anwar et al. 2016, p. 2). This, according to the Chairman of the OPWB, shows that the government ignored the community and chose to side with PT Wongsorejo.

The issuance of HGB by the East Java Province BPN also demonstrates weak citizen influence over the government. In this case, residents of Bongkoran, who had previously made various efforts to prevent the issuance of the HGB for PT Wongsorejo, in practice, could not influence the government process. As a result, the extension of the HGU proceeded and PT Wongsorejo was able to finally obtain the HGB and use it to pressure residents to surrender their land, which would be used to develop industrial estates. This issue certainly contributed to the ongoing land disputes. Unfortunately, in the context of conflict resolution, the District Government of Banyuwangi, rather

than helping to resolve the conflict, requested that the dispute resolution be carried out by the residents of Bongkoran Village and PT Wongsorejo. This also shows that the District Government of Banyuwangi was reluctant to intervene directly to help resolve the conflict. As one local person I interviewed said:

The District Government of Banyuwangi has never intervened in conflict cases. They have never helped solve the problem when a conflict occurs. As far as I know, there is no [effort from the district government to help]. The proof is that they [some residents of Bongkoran Village] are imprisoned. Because of what? Yes, because the interest of the district government is how to be able to pass [the development plan] of this industrial estate (Interview 2017).

The reluctance of the District Government of Banyuwangi to be involved or intervene directly in resolving land disputes raises questions about their political will in this case. With the issue of land disputes between the residents of Bongkoran Village and PT Wongsorejo still unresolved, the prevailing view is that the District Government of Banyuwangi lacks the strength of political will to resolve this issue. The local resident and the investor that I interviewed voiced the same thing in this regard. A local resident stated:

If they [the district government] have good intentions, there is a desire to [be able to realise the development of industrial estates], at least they will help find ways to resolve the conflict. If the district government has political will and is in favour of farmers, it should be that the people's demand to get 220 hectares is recommended, right? Recommended by the regional head to the BPN. It can be [done] now with the TORA mechanism that has been issued by the District Government of Banyuwangi. That's a measure of political will ... So the measure is when local governments are considered to have political will, [they] can fulfil what has been the request of farmers, right? 220 hectares. But the reality is not [like that]. From here actually we [can] see where the local government is taking sides (Interview 2017).

The investor, meanwhile, recounted the events they had experienced with the residents of Bongkoran Village and related them to the lack of support from the District Government of Banyuwangi to help resolve the conflict, as follows:

They [the people of Bongkoran Village] controlled [the 200 hectares] of land. If we entered, [the land] was like theirs ... In the past, my people were arrested, treated like thieves. Some brought sickles, some had prepared gasoline, and some had brought bamboo spears. [My people] don't want to be killed ... We passed by car, [we] were surrounded [by the masses] ... Then, our people were beaten, we were making a dividing road, our people were beaten, some were beaten [in their heads]. That's the man [who was beaten], he is still here. Beaten with a stone, I saw the video myself, using a crowbar, a crowbar iron that is 12 millimetres ... The next day in the newspaper, they [said] that they were beaten by PT [Wongsorejo] people. [For these problems], the local government has no support. There is no such thing. The so called security, it [has to be] the number one [priority]. Before infrastructure, the security is number one. (Interview 2017)

The unresponsive approach from the District Government of Banyuwangi, who did not want to facilitate conflict resolution, served to increase Bongkoran residents' opposition to the development plan of BIEW. According to them, the development of industrial estates would not only cause misery for farmers but also had the potential to significantly reduce the amount of agricultural land

in Banyuwangi, especially in Wongsorejo Subdistrict, which had been known as a corn and chili farming centre. The industrial estate was seen by the people of Bongkoran as unsuitable to be developed in the Wongsorejo area where the majority of the population are farmers. Changes in profession from farmers to labourers once the industrial estate began operating was not seen by the residents of Bongkoran Village as a guarantee that the community would become more prosperous. On the contrary, it was feared that the community would actually become less prosperous because the income they would get from working in the industrial estate as unskilled labour would be far less than their income as farmers. Furthermore, Bongkoran village farmers believed that industrialisation only benefits certain groups and not the community in general (Arifianto 2018).

The reaction of the residents of Bongkoran Village was overwhelmingly negative. They explicitly opposed the plan to develop BIEW. According to the Chairperson of the OPWB:

The land dispute in Bongkoran Village should be resolved if the District Government of Banyuwangi pays attention to the interests of the Bongkoran community, which is predominantly farmers. In addition, there has been a letter from the Human Rights Commission dated April 24, 2014 recommending the termination of industrial estate development plans in the region (Arifianto 2018).

The negative reaction was also evidenced by the attitude of the Bongkoran Village residents who did not want to move from the location they had occupied for decades even though, according to one of the officials from the District Government of Banyuwangi, they did not have the right to occupy the land (Radar Banyuwangi 2018). In addition, the residents of Bongkoran Village also firmly stated that they refused to be employed in an industrial estate because it was not in accordance with their culture as farmers (Tribunnews.com 2014).

In opposition to the planned development of the industrial estate, a number of actions were taken by the residents which triggered a dispute with PT Wongsorejo and the security forces. Among these actions included the felling of the company's kapok trees (Anwar et al. 2016), collective violence against PT Wongsorejo company workers, hampering of the construction of a permanent post by PT Wongsorejo in the area owned by the Bongkoran Village farmers, and disruption of the process of placing building materials by PT Wongsorejo at the disputed site (Tempo.co 2015c). Furthermore, they also carried out a number of demonstrations demanding the cancellation of the development plan of BIEW (Kabar Banyuwangi 2012; Tribunnews.com 2014; Arifianto 2018; Setyawan 2018).

From the various actions that triggered clashes with PT Wongsorejo and the security forces, and from the demonstrations they held, the position of the residents of Bongkoran Village was clear; they demanded the right to occupy and continue to manage the 220 hectares of land they had occupied for decades. In addition, they also demanded that the District Government of Banyuwangi

and PT Wongsorejo, based on recommendations from the National Commission on Human Rights, cancel the plan to use Bongkoran Village as the site for an industrial estate. Alternatively, if this demand could not be met by the District Government of Banyuwangi and the investor, the residents demanded that the development plan for BIEW be postponed until the local government provided sufficient training for residents to adapt their lifestyles as farmers to become industrial workers (Tribunnews.com 2014).

Another thing expressed by hundreds of farmers who were members of the OPWB was their desire to be able to meet the District Head of Banyuwangi, Abdullah Azwar Anas, to discuss the best solution to resolve this land problem. Unfortunately, after repeatedly asking to meet with Abdullah Azwar Anas, none of their requests were fulfilled by the District Government of Banyuwangi. Regarding this matter, the Chairperson of OPWB stated as follows:

I once submitted a second hearing letter, but failed, we [the OPWB] could not meet [the district head]. What I read in the media at the time, was that Mr. Anas was having an overseas event. Then we [sent another letter] with friends from Walisongo Mimbaan Islamic Boarding School, alumni of the Islamic boarding school [led by] Kyai Kholil [As'ad]. We had [sent another letter], the data of the letter was still there, but even then there was no clarification from the government that we could meet [the district head]. Then, from the Banyuwangi DPRD, at the last hearing [conducted] in 2006, the Banyuwangi District Government and the DPRD agreed and promised to resolve this issue after PT Wongsorejo's HGU expired in 2012. However, [not only] was the promise not fulfilled, but now HGB has been issued [for PT Wongsorejo] (Forum Rakyat Banyuwangi 2016).

The same thing was also stated by the local people I interviewed.

As far as I know, [the residents of Bongkoran Village] have never been met by the district head. As far as I know, [they] have never been accepted by the district head [in his office]. [They were] never accepted by the local government. At best... They were only [accepted by] the Licensing Service Office and the DPRD. But there has not been good progress to date. The District Government of Banyuwangi itself has never provided formal or informal channels or mechanisms to discuss this (Interview 2017).

The lack of formal or informal channels or mechanisms for the residents of Bongkoran Village to voice their aspirations, desires and interests regarding the development of BIEW shows the nature of the relationship between government officials and citizens in this case, which can be characterised as having a lack of accountability. In this regard, the District Government of Banyuwangi is not considered to be very accountable in conveying their actions and programs to the public. As stated earlier in sub-section 7.2.1, consultation on the development plan for BIEW was not carried out comprehensively by the District Government of Banyuwangi and the investor. As a result, the public, especially residents of Bongkoran, had difficulty expressing their aspirations and desires related to land disputes and industrial estate development plans. Even when they did voice their aspirations, their wishes were often not heeded by the Banyuwangi District Government. According to a local resident I interviewed, this may have happened because the residents of

Bongkoran might have been considered to be dissidents by the District Government of Banyuwangi (Interview 2017). They are considered to be a group that has consistently opposed the government, and, therefore, the District Government of Banyuwangi does not see the need to seek input from this group. When it came to development, the Government of Abdullah Azwar Anas has distanced itself from the land dispute problem indefinitely.

Related to the development plan of BIEW itself, the District Government of Banyuwangi was still not sure whether the plan could proceed. Interviews with a number of Banyuwangi District Government officials indicated that there was doubt and uncertainty regarding the sustainability of the industrial estate development. In his interview with me, an official from the Department of Industry and Trade of Banyuwangi District answered my question in an uncertain tone, as follows:

Regarding infrastructure development related to industrial development, especially in Banyuwangi, which according to the plan was to be developed in the northern region of Banyuwangi, Wongsorejo Subdistrict, [this] in principle will continue. But if, in the past, the master plan might have been more directed towards the manufacturing industry, with the development of the current situation and conditions, the District Government of Banyuwangi has changed its plan into an agro-industrial area. For example, how the area will be used as a place for growing plants such as cayenne pepper, as a place to grow several tourism objects, and also [as a place] for [growing] several other plants (Interview 2017).

The same official further stated:

So, the industry [will] be more directed to the agro-industry. However, later there will also be a number of industries related to the manufacturing industry, and so on. Because of what? Because when the Regional Government wants to create an industrial estate there [in Wongsorejo Subdistrict], there are several obstacles. The main obstacle is the high price of land now. So, the industry players who want to enter [Banyuwangi], investors in Banyuwangi are constrained by it (Interview 2017).

In addition to being unsure of the sustainability of the BIEW development, the official also said that his party was not aware of the details of the development process for the industrial estate. As far as the Department of Industry and Trade of Banyuwangi District knew, the project was still in the process of developing the master plan. It was said that the master plan had been subject to many changes, and was still being discussed in the Bappeda of East Java Province (Interview 2017).

Doubts and uncertainties were also conveyed by an official from Bappeda who said that the plan to develop an industrial estate in Wongsorejo Subdistrict was still running. It was just that, according to him, the process of development was going very slowly.

For the Wongsorejo Industrial Estate, it is [indeed] we who are slow. [For this problem actually] there is no need for intervention by the Central Government. In this year, the progress has only [slightly improved] compared to last year. The process continues even though it is very slow (Interview 2017).

Furthermore, when asked when the BIEW development project will be realised, the official from the Bappeda said he did not know for sure. He said that the investor, PT Wongsorejo, who had begun the process, knew more about the development of the Wongsorejo industrial estate. This shows that transparency did not work well in the development process of BIEW. Many Banyuwangi District Government officials themselves were unsure about when the development of this industrial estate would be realised, and residents of Bongkoran Village had never specifically received clear information about this matter. In this context, the transparency of the District Government of Banyuwangi was considered low by residents of Bongkoran Village in regards to the planning and development process of BIEW. Information regarding this matter was not conveyed completely, transparently or comprehensively to the residents of Bongkoran. Additionally, they had difficulty when they requested information related to the development. A local resident explained:

Discussing the transparency of the District Government of Banyuwangi regarding the Banyuwangi Industrial Estate Wongsorejo development plan, how should I [explain it]? On the one hand, the [Banyuwangi] Regional Government is indeed transparent in certain areas. But for things that are suspected of violating human rights, for me ... [it was] not participatory, [and] also [not] transparent, meaning that the community to this day does not know the process, for example, when [the industrial estate] will be developed? Things like that. Then, who is involved? (Interview 2017)

Furthermore, the same person added:

Information like that, the community did not get it. They did not know the information. The version that was circulating was because [this plan] had been rejected [by the community] first, so the Banyuwangi District Government felt it was useless to deliver the [plan], because the point is if the problem [of land dispute] is not yet over, [the District Government of Banyuwangi] considers that the information will not be conveyed [properly]. They [residents of Bongkoran Village] will continue to refuse. [In my opinion], what happens is not like that. The longer [the] information is stored [by the local government], the more the community does not know [the information], the people do not get access to information and [as a result] the community cannot behave properly, right? In fact, if only the information was conveyed, it could [possibly] have reduced the demonstration [carried out by the people] (Interview 2017).

The lack of transparency of the District Government of Banyuwangi in terms of infrastructure development, especially industrial estates, was also highlighted by one of the DPRD members from the National Mandate Party (PAN) interviewed by the author. The DPRD member stated:

Transparency is [basically] already running, there is already [transparency]. But in my opinion, it is still lacking. The delivery of information ... institutionally, when talking about the institutions, between institutions, well [I think] that's enough. But there is still something that needs to be improved. The information is still not ... there is something that has been covered up or not all the information been conveyed [to us]. Still, there are several things that become... still not transparent enough for us (Interview 2017).

It wasn't only the local people and the DPRD member that noticed the low level of transparency of the District Government of Banyuwangi in the development process of BIEW; the investor also felt the same way. In realising the development plan of BIEW, the investor felt that the transparency

and accountability of the District Government was low and that they were not supported in obtaining the information they needed. According to the manager I interviewed, information and policy support was also an obstacle in building relationships with the District Government. In terms of delivering information, the manager said that they were the ones who had been more proactive in conveying information to the District Government, rather than the District Government to them. In addition to information problems, communication is also a problem that impedes the development of industrial estates. PT Wongsorejo's manager said that the communication between them and the District Government of Banyuwangi had not been developed properly and had not been effective, which was affirmed by the investor as follows:

Regarding the industrial estate development plan, in terms of information, so far we [are the ones who are] proactive. So until I can say ... Until now, none of the local governments have come to us and asked what our needs are. Whereas, we want to put [our] money here, [the amount] is not small... [Until now] it has been around 50 to 100 billion [Rupiah]. But [the exact amount] I don't know... So, with us bringing investment here, our hope is that the host will help us. They will ask what we need. Do you need telephone, electricity, gas and water? [But in reality], the host never offers water, electricity, gas, telephone. What business do I want to make here? I can't do that (Interview 2017).

The absence of local government officials to identify the needs of the investor and offer assistance to meet those needs shows another form of lack of support from the District Government of Banyuwangi to the investor in the process of industrial estate development. In relation to governance indicators, which are the main discussion in this thesis, the lack of support from the District Government of Banyuwangi to the investor is closely related to the implementation of regulatory quality, which I would gauge as being at the mid-level when assessing the District Government's actions during the development process of BIEW. It was said by the investor that poor implementation of regulatory quality was one of the factors contributing to the slow development of industrial estates and that, according to him, needs to be improved. In contrast, the District Government of Banyuwangi has a strong ability to formulate sound policies and regulations that allow for and promote private sector development.

Their ability can be categorised as high because, related to the BIEW development plan, the District Government of Banyuwangi prepared various policies and regulations with the purpose of supporting and accelerating the development of the industrial estate. Among the sound policies and regulations that were prepared by the District Government are policies and regulations governing investment, spatial planning and licensing, which include: (1) *Perda* 8/2012 which regulates the Regional Spatial Planning of the Banyuwangi District, which, in one of its articles, regulates the stipulation of a large industrial allotment area in the BIEW located in Wongsorejo Subdistrict; (2) *Perda* 2/2015 concerning Provision of Incentives and Provision for Investment Ease in Banyuwangi; and (3) *Peraturan Bupati/Perbup* (District Head Regulation) 8/2018 concerning

Standard of Licensing Service at the Department of Investment and One Stop Integrated Services (PTSP). Unfortunately, these well-formulated policies and regulations have not been well implemented in the field, especially in the context of the development of the BIEW.

The poor implementation of regulatory quality by the District Government of Banyuwangi can be seen from the implementation of *Perda 2/2015* concerning the Provision of Incentives and Provision of Investment Ease in Banyuwangi District, which has not had the intended effect. One of the articles in the *Perda* stated clearly that the District Government would provide the necessary infrastructure support to investors to accelerate investment, but this did not happen in practice, as clearly and firmly voiced by the investor in an interview with the author. It was stated by one of PT Wongsorejo's managers that the District Government, at the time of the interview, had not provided the support they needed. Infrastructure support, in particular, which is the main basis of industrial estate development, was not available. In matters relating to the provision of infrastructure such as roads, water, electricity and gas, the District Government, according to the investor, provided very minimal support. Furthermore, the investor even dared to say that the support of the District Government in providing this critical infrastructure was non-existent. The support from the District Government, according to the investor, was limited to taking care of a principle permit. In essence, they felt dissatisfied by the lack of support and services provided, as stated by the manager:

So, it's like this. Let's say we are the investor. When the investor comes to an area to invest, there are certain conditions that we want to be met [by the local government] ... First, security, second, good governance and third, infrastructure. It means, that is [the] support [that we want], [starting] from the security forces, government policies, then from the people as well. Third, of course [the most important] is infrastructure. This [is said to be] supportive, [but] the infrastructure does not exist. It's not working. It's useless, right? So, these factors are actually a condition [that] we [proposed]. If the question is like that, indeed [at the moment] we have not reached the point where [we are] satisfied with [the support] given by the local government (Interview 2017).

The lack of support from the District Government of Banyuwangi to the investor was also a concern of the DPRD member I interviewed. The DPRD member also highlighted the lack of political will of the District Government regarding acceleration of the BIEW development. In this context, the DPRD member considered that the District Government was not entirely serious about developing an industrial estate. The support that should have been given to the investor was also seen by the DPRD member as inadequate, so the investor did not receive optimal support to develop an industrial estate. The DPRD member stated:

So, I happened to be the Chairperson of the Special Committee for Detailed Spatial Planning for the District (RDTRK). RDTRK for the Wongsorejo industrial estate, indeed, [at that time] had been prepared, meaning that it had been prepared by the Banyuwangi Regional Government for infrastructure. But, honestly, as a board member, I said that there was already a company, PT Wongsorejo ... who was ready. But, of course, because the [industrial] estate needs ... infrastructure, the most important is [the availability of] gas and water. It's automatic, electricity, gas and water. But the problem here is gas and water. Well, it should be [that there is] intervention

by the local government. In fact, to this day it may be seen by the district head as less attractive, [especially] because of these [energy] problems... This means that this is the job that [really needs] hard work But if you bring gas, it means he [the district head] has to make pipelines from Probolinggo to here ... and so on, and it's not an easy job (Interview 2017).

The same respondent further added:

Although it is not the responsibility of the local government, but at least, the local government then makes such efforts. Acceleration [or] whatever it is ... Supporting it to be faster, whether to the ministry or wherever. Here there is someone who is ready, PT Wongsorejo that belongs to Mr. Marzuki Ali, is ready. Why didn't you respond? In fact, the condition is absolute, the port is there, the others are there ... [The problem] is why there is no will? [There is no] enthusiasm to [accelerate] ... Now they [the Banyuwangi District Government] just leave it like that, there is still no follow up ... So PT Wongsorejo is left alone ... [For] the time being this has stopped, it's stagnating. Because what is needed is gas and water, that is the condition. If there is no water, then how? The gas is also [important] (Interview 2017).

Noting the conditions in 2017, the DPRD member mentioned that he did not see any signs that the industrial estate would be operating in Banyuwangi any time soon. Furthermore, he did not see signs of the construction process beginning. To be able to begin the development process of BIEW, he emphasised the importance of providing infrastructure such as gas and water as an integral prerequisite needed by the investor, and the supply process must be assisted by the District Government of Banyuwangi. The DPRD member believed that having an industrial estate in Banyuwangi would remain a dream if it was not supported by strong political will and commitment of the District Government to provide the supporting infrastructure needed by investors (Interview 2017).

In summary, from the description of the history of land disputes between the residents of Bongkoran Village and PT Wongsorejo, and the latest developments in the dispute, it can be seen that the District Government of Banyuwangi has not been successful in implementing the two governance indicators of voice and accountability and regulatory quality in the development process of BIEW. In terms of voice, the voice of citizens in Banyuwangi, and especially residents of Bongkoran Village, was not able to be used to influence governance, actions or government decisions and priorities. The residents of Bongkoran did not respond favourably to the development plan for BIEW.

The relationship between government officials and citizens in Banyuwangi District, especially the residents of Bongkoran Village, falls into the category of 'lack of accountability', which means that the District Government of Banyuwangi was seen as not very accountable in carrying out its obligations to explain their programs and actions to the public. Some parties, such as a local resident, a DPRD member and even the investor himself, considered that the District Government was not entirely transparent in conveying information about the industrial estate development plan.

Regarding regulatory quality, even though the District Government was considered to have strong ability to formulate sound policies and regulations that enable and promote private sector development, this was not followed the ability to implement these policies and regulations effectively in the field. As for the indicator of control of corruption, since the development process of BIEW had not commenced, I was unable to identify how this governance indicator was implemented. In the next section, the thesis will explain the development plan of Port Tanjung Wangi and the governance practices implemented by the District Government of Banyuwangi to realise the development of this port.

7.3 The Development of Port Tanjung Wangi

As mentioned in Section 7.1 of this chapter, as the development of Port Tanjung Wangi was not carried out by the District Government of Banyuwangi but by PT Pelindo III as an SOE that has the task of managing port terminal operator services, I could not effectively examine the implementation of the three governance indicators (voice and accountability, regulatory quality and control of corruption) by the District Government in the process of developing Port Tanjung Wangi. Simply put, there was no information available from either the District Government or PT Pelindo III describing the implementation of the three governance indicators above.

To some extent, this may be a question for readers when a selected case may not provide a tangible outcome for the study, and there could be suggestions to remove this case from the study. Nevertheless, in the case of the development of Port Tanjung Wangi, even though it does not fully provide an overview of governance practices which are the main focus of this thesis, but I still consider the use of this case is important in this research for the reason that at least this case can provide insight and important information to other researchers and readers, and also further studies related to infrastructure development (especially ports), that in practice the task of developing ports in Indonesia can be the responsibility or the authority of the Government of Indonesia (both central and regional) or an SOE in charge of managing port terminals operator services. The use of the development of Port Tanjung Wangi case in this thesis is considered important by the researcher because it can also serve as a comparison for a similar case (the development of the Port Bonthain in Bantaeng) where governance practices can be identified. Therefore, in this section, I will provide views from PT Pelindo III regarding the development plan of Port Tanjung Wangi based on my interviews with one of the managers of PT Pelindo III.

PT Pelindo III has been involved in managing Port Tanjung Wangi since 1991, which began with the issuance of Government Regulation 58/1991 concerning the Transfer of the Form of Public Company (*Perusahaan Umum/Perum*) of Port III into a Corporate Company (*Persero*)

(Pelindo.co.id 2018a; Sukei n.d.). Starting with Port Marina Boom in Banyuwangi, PT Pelindo III's involvement continued to Port Tanjung Wangi when the company's management decided to move the pier where large ships were docked from Port Marina Boom to Port Tanjung Wangi because the existing pier at Port Marina Boom was not sufficient for large ships to dock. The transfer was based on Port Tanjung Wangi having more favourable conditions, namely a depth of port pool between -12 to -14 Low Water Spring (LWS) with the potential to handle ships as large as 40,000 DWT (Pelindo.co.id 2018a; timesindonesia.co.id 2017; Antaranews.com 2011; Sukei n.d.). In its development, due to the ability of Port Tanjung Wangi to accommodate large vessels, various industries grew in Banyuwangi such as Bosowa, Pertamina and Pusri that rely on large ships to distribute raw materials and their products to and from Port Tanjung Wangi.

In practice, aside from being a manager, PT Pelindo III also invest to develop and/or build Port Tanjung Wangi, as stated by the manager:

We can develop, [conduct the] investments. Later, the income [will be the income] of each branch. But it means we still have the authority to build [Port Tanjung Wangi] based on [internal] proposals ... Pelindo now basically has to be independent. So, you have to [use] your own capital, [if you suffer a] loss or whatever, [you have to] bear it [by yourself] (Interview 2017).

The Master Plan for Port Tanjung Wangi development was formulated by PT Pelindo III. However, as stated by the manager, after the enactment of Law No. 8 about Ports, local governments have been allowed to build their own docks in ports in their area. This happened in Probolinggo, where the local government built their own piers in front of PT Pelindo's piers. According to PT Pelindo, this is not entirely appropriate because it interferes with their authority as port manager. The same thing also occurred in Port Tanjung Wangi in 2011-2012, where the Ministry of Transportation built a new pier with a length of 31 metres using APBN funds, followed by the Provincial Government of East Java building a 23 metre pier in 2013 using APBD funds. According to the manager, these constructions were not appropriate because the piers were not used actively for activities related to the port operations. However, because the builders were the Central Government and regional governments, PT Pelindo III could not object.

Regarding the development plan of Port Tanjung Wangi, the manager of PT Pelindo III explained that they did not have plans to further develop the port in the near future, especially the pier. The current condition was considered adequate to support the operation of Port Tanjung Wangi. The manager of PT Pelindo III stated:

Regarding the plan to develop [Port Tanjung Wangi], if [it's] for the pier, we don't [have a plan], Sir, because here it isn't considered to be too crowded. It can still be managed. The queue is zero. Unless, at the same time there are [three ships carrying] fertiliser, asphalt and liquid bulk, for example, then that must be regulated. In essence, [if there are] three large ships coming in, it will just be a queue. [A pier length of] 530 metres is sufficient to [accommodate] three ships to dock.

So, with that capacity, the current traffic for incoming and outgoing goods is still covered (Interview 2017).

When asked about the development plan of BIEW and its relation to further development of Port Tanjung Wangi to support the plan, the manager of PT Pelindo III revealed that it was something they were waiting for. However, they had chosen to continue to wait for the actual realisation of BIEW before deciding to develop this port further. In the past, PT Pelindo III made a miscalculation by freeing up land to build warehouses, in the hope that they'd be used by the Glenmore sugar factory to store the raw materials. In fact, at the time the interview was conducted, the manager of PT Pelindo III said that the Glenmore only produced small amounts of sugar and it did not need the warehouses to store raw materials. This was not in line with the expectations of PT Pelindo III, which hoped for maximum use of the warehouses they prepared. Given this history, they were cautious in responding to the development plan of the industrial sector in Banyuwangi, especially related to the requests to further develop Port Tanjung Wangi.

Based on the manager's observations, the District Government of Banyuwangi focused their attention on developing the tourism sector. Development of the industrial sector, in the manager's view, had not received the priority of the tourism sector. PT Pelindo III had attended a hearing with the District Head and DPRD, but the plan was still to materialise. The manager said that he had not seen any physical development of the industrial estate. Therefore, when the Head Office of PT Pelindo III in Surabaya asked what was needed for Port Tanjung Wangi, the management at Port Tanjung Wangi could not provide an answer because they did not see any need to further develop the port. At the time of interviewing the manager, the development process of the industries that the District Government of Banyuwangi had promised was yet to be seen.

In response to these conditions, the manager of PT Pelindo III said that they would continue their plans to build warehouses that were previously planned to be used by the Glenmore sugar factory. Their plan for the future was that those warehouses would store foodstuffs such as corn, soybeans and crops exported by other companies, which would be used to supply industries around Banyuwangi that use these raw materials. At the time of the interview, the loading and unloading process could not be carried out at Port Tanjung Wangi as there were no warehouses that met the specified requirements. PT Pelindo III, in this case, seeks to maximise the potential of these warehouses to increase company revenue. To do this, PT Pelindo III does not need to coordinate with the District Government of Banyuwangi as it is purely the business of PT Pelindo III.

Finally, the manager said that, in essence, PT Pelindo III was ready to carry out further development of Port Tanjung Wangi if it was needed to support the development plan of BIEW and

accelerate the growth of the industrial sector in Banyuwangi. Once the development process of BIEW was underway, PT Pelindo III would immediately prepare itself to develop the port in accordance with the needs of the industrial estate. The expectation of PT Pelindo III's management is that many sectors and industries will develop in Banyuwangi in the future, which will open up opportunities for the company to continue the development of Port Tanjung Wangi. Unfortunately, this expectation had not yet been realised and there was nothing that could be done by PT Pelindo III other than wait, while continuing to develop its business in order to increase company profits.

7.4 Conclusion

This chapter, by using the phases of the Manufacturing Industry Development Program and the history of land disputes between the residents of Bongkoran Village and PT Wongsorejo, has provided a description of how governance practices in the form of voice and accountability and regulatory quality are not well implemented in Banyuwangi District. Through the phases in the Manufacturing Industry Development Program and information obtained from the history of land disputes in Wongsorejo Subdistrict, this chapter explains how the District Government of Banyuwangi did not properly consider the voices, aspirations, input and demands of stakeholders, especially the residents of Bongkoran Village, in the development process of BIEW; was not concerned about how accountability must be applied in the context of disseminating information actively to stakeholders; was not transparent in providing information needed by stakeholders; and did not successfully implement the sound policies and regulations that had been formulated. In Chapter 8, the thesis will analyse these findings by using Goetz and Jenkins' (2002) definition of voice and accountability and the World Bank's (2016) definition of regulatory quality.

CHAPTER 8 ANALYSIS AND DISCUSSION

8.1 Introduction

This chapter analyses and discusses the findings in Chapters 6 and 7 concerning the implementation of governance practices (voice and accountability, regulatory quality, and control of corruption) in the development of industrial estates and ports in Bantaeng and Banyuwangi districts. The main analysis in this chapter revolves around how these two districts differ in terms of the implementation of the three governance indicators and why these three indicators are important to attract investors to invest in infrastructure development in the regions.

Chapters 6 and 7 may give the impression that everything is perfect in Bantaeng, and far from perfect in Banyuwangi. Several features are notable. In Banyuwangi there was a high level of contestability because of the land dispute, while in Bantaeng that level of contestability did not exist. In Banyuwangi there was deflection of responsibility in that some processes were not seen as responsibility of the local government, whereas in Bantaeng the local government embraced the development. In Banyuwangi the local government had competing priorities (a focus on tourism), and also there were mixed and unclear expectations. Together these shape the analysis below.

The very positive picture of Bantaeng comes from media reports and from fieldwork interviews. The author has reported respondents' views and has not added to them. Media reports both local and national, document impressive achievements of Bantaeng, especially in the development of industrial estates and ports, with very few media and/or sources on the internet that convey negative things about infrastructure development in the Nurdin Abdullah era.

Fieldwork interviews within the local community also provided many narratives about the success of infrastructure development in Bantaeng. Those interviewed are generally proud and happy with the current conditions of infrastructure in Bantaeng. The active involvement of the central government (for example the Ministry of Industry, BAPPENAS, and BKPM) in encouraging and providing support for the acceleration of infrastructure development in Bantaeng was another factor upon which the description of Bantaeng in Chapter 6 was based.

In contrast, the less than ideal description of Banyuwangi in Chapter 7 was not intended to make Banyuwangi appear "worse" than Bantaeng and thus create a distinction that would be interesting to analyze, but rather it is a realistic reporting of fieldwork and media and other documentary research.

To analyse the differences in the implementation of the three governance indicators, I use the definition of voice and accountability proposed by Goetz and Jenkins (2002), the World Bank's

(2016) definition of regulatory quality, and the two categories of corruption proposed by Rafi, Lodi and Hasan (2012) to explain the control of corruption. Further, these are related to theories and previous studies of these three governance indicators to ascertain their alignment, or lack thereof, with the phenomena in Bantaeng and Banyuwangi districts. Meanwhile, to understand why good implementation of voice and accountability, regulatory quality, and control of corruption is important to attract investors to invest in infrastructure development, I describe three benefits that will be obtained by local governments if they apply these three governance indicators properly, all of which are conclusions from field research in Bantaeng and Banyuwangi.

In the finding chapters (chapters 6 and 7) it was generally found that voice and accountability, regulatory quality, and control of corruption were implemented well in Bantaeng District in the case of the development of Bantaeng Industrial Park (BIP). For the development of Port Bonthain, however, the implementation of the control of corruption indicator could not be ascertained as the port development process had not yet commenced. Conversely, in Banyuwangi District, the implementation of two governance indicators (voice and accountability and regulatory quality) was suboptimal in the development of the Banyuwangi Industrial Estate Wongsorejo (BIEW), with the implementation of control of corruption also problematic for the same reason in that the development was not yet underway. In the case of the development of Port Tanjung Wangi, the examination of all three governance indicators proved difficult as the responsibility for the development of this port is not in the hands of the District Government of Banyuwangi, but under the authority of PT Pelindo III. As such, pertinent information was not available.

This chapter argues that the good implementation of the three governance indicators by the District Government of Bantaeng is one of the factors that attracted investors' interest in investing in the development of BIP and Port Bonthain. Accordingly, the poor implementation of the three governance indicators in Banyuwangi is a factor that discouraged investor engagement.

8.2 The Findings

The implementation of voice and accountability, regulatory quality and control of corruption in Bantaeng District and Banyuwangi District in the development of BIP, Port Bonthain, and BIEW is summarised in Table 8.1. As there were no quantitative indicators, I have made qualitative judgements. These are based on my fieldwork and on analysis of documents and literature. The cells in Table 8.1 contain these judgements.

In the case of the development of Port Tanjung Wangi, since the responsibility for the development of this port was not in the hands of the District Government of Banyuwangi but under the authority

of PT Pelindo III, the researcher was again unable to assess the three governance indicators as pertinent information was unavailable. Nevertheless, the researcher decided to keep using this case in this study for the reasons stated earlier in Sub-section 7.3 concerning the Development of Port Tanjung wangi.

Table 8.1: Findings on Voice and Accountability, Regulatory Quality and Control of Corruption

Governance Practices	Bantaeng District		Banyuwangi District
	Bantaeng Industrial Park (BIP)	Port Bonthain	Banyuwangi Industrial Estate Wongsorejo (BIEW)
Voice and Accountability			
a. Response of Citizens	Good	Good	Not Good
b. Reaction of Citizens	Positive	Positive	Negative
c. Expression of Citizens	Clear and Positive	Clear and Positive	Clear but Negative
d. The Nature of Relationship between Citizens and Government	Highly accountable	Highly accountable	Lack of Accountability
e. Transparency	High	High	Low
f. Control of Citizens	Strong	N/A	Weak
Regulatory Quality			
a. The ability to formulate sound policies and regulations that allow and promote private sector development	High	High	High
b. The ability to implement sound policies and regulations that allow and promote private sector development	High	High	Low
Control of Corruption			
a. Grand Corruption	Non-Existent	N/A	N/A
b. Petty Corruption	Non-Existent	N/A	N/A

The question that arises from Table 8.1 is why is it that voice and accountability, regulatory quality and control of corruption was implemented well in Bantaeng District, while in Banyuwangi District it was not? Based on my research in Bantaeng and Banyuwangi, the success of the District Government of Bantaeng in implementing these three governance indicators was mainly supported by:

- (1) adequate explanation from the District Government of Bantaeng regarding the benefits of industrial estates that was accepted by the community;
- (2) the persuasive approach taken by the Bantaeng District Government and investors in communicating with the community regarding land acquisition;

- (3) the ease with which the community could express their opinions;
- (4) the high level of accountability of the District Government of Bantaeng;
- (5) the high level of transparency of the District Government of Bantaeng;
- (6) citizens having influence with the District Government;
- (7) the ability of the District Government of Bantaeng to formulate and implement sound policies and regulations; and
- (8) the ability of the District Government of Bantaeng to prepare policies and regulations, as well as systems which can prevent and eradicate corruption.

Furthermore, it was also influenced by a high level of political participation of the Bantaeng community; the nature of the relationship between the District Government and stakeholders; strong collaboration between government and stakeholders; and a smaller geographical size.

On the other hand, the lack of success of the District Government of Banyuwangi to implement voice and accountability and regulatory quality in the development of the BIEW was primarily due to:

- (1) ongoing land disputes between Bongkoran Village and PT Wongsorejo, with the District Government of Banyuwangi providing no support to reach a resolution;
- (2) the absence of a persuasive approach by the District Government and the investor when dealing with the community;
- (3) the difficulty the community had in expressing their aspirations;
- (4) the low level of accountability of the District Government;
- (5) the low level of transparency of the District Government;
- (6) lack of citizens' influence over the District Government; and
- (7) the medium level of ability of the District Government of Bantaeng to formulate and implement sound policies and regulations.

Moreover, the lack of success of the District Government of Banyuwangi in implementing the three governance indicators was also influenced by the nature of the relationship between the District Government of Banyuwangi and stakeholders, poor collaboration between government and stakeholders and larger geographical size.

With respect to the role of governance, I argue that the successful implementation of voice and accountability, regulatory quality and control of corruption in Bantaeng District is one of the factors that caused investors to invest in the development of BIP and Port Bonthain. Conversely, the poor

implementation of the two examined governance indicators (voice and accountability and regulatory quality) by the District Government of Banyuwangi discouraged investors from investing in the development of BIEW. The sole investor was not optimistic that the development of the industrial estate would be realised within the planned timeframe.

8.3 The Implementation of Governance Practices to Attract Investment

As discussed in Chapter 2 (Literature Review), good governance is an important prerequisite for countries and regions to attract investment (Mengistu and Adhikary 2011, p. 282). Proper implementation of the principles of good governance have an important role in minimising political risk, reducing the transaction cost of investment and increasing the trust and confidence of investors. The development process in each country, especially related to infrastructure development, is significantly influenced by governance (Akanbi 2013, p. 114). Weak governance accompanied by high levels of corruption will lower overall sector investment and have an enormous negative impact on investment in infrastructure (Kenny 2007, p. 6; Akanbi 2013, p. 114). Some major international development institutions, such as the World Bank, IMF, African Development Bank and the United Nations, have prescribed good governance as the main pillar in poverty reduction strategies. In the process of eliminating poverty, infrastructure development supported by proper implementation of good governance is crucial to achieving the desired objectives (Akanbi 2013, p. 115).

Goetz and Jenkins (2002, pp. 6-9) argued that in order to influence the government's decisions, citizens can use voice to express their interests, react to government decision making and respond to problems surrounding the provision of public goods such as education and health services, infrastructure and defense. Accountability is a mechanism that can be used by citizens to monitor and control the actors' behaviour.

This study used the World Bank's (2016) definition of regulatory quality to measure the government's ability to formulate and implement sound policies and regulations that allow for and promote private sector development (see Chapter 2). Lastly, regarding control of corruption, the study used two categories of corruption according to Rafi, Lodi and Hasan (2012) (grand corruption and petty corruption) to investigate the presence or absence of corrupt behaviour in the district governments of Bantaeng and Banyuwangi when implementing infrastructure development, specifically industrial estates and ports. Grand corruption, as defined by Rafi, Lodi and Hasan, generally takes the form of bribes and kickbacks, which are usually given by companies to government officials in order to obtain support or assistance. This type of corruption is commonly carried out by companies or contractors to secure the tender process to win a contract from the

government. On the other hand, the general form of petty corruption relates to cash bribes which usually target low- or middle-level government officials as recipients. Companies or contractors usually use petty corruption for administrative matters to facilitate, simplify and expedite daily services.

The next section focuses on the implementation of the indicators by using the theoretical framework discussed in Chapter 2. The discussion begins with Bantaeng District then continues to Banyuwangi District.

8.3.1 **Voice and accountability, regulatory quality and control of corruption in Bantaeng District**

The discussion here is divided into two parts, namely, the implementation of voice and accountability, regulatory quality and control of corruption in the development of BIP and the implementation of these three governance indicators in the development of Port Bonthain.

8.3.1.1 *Voice and accountability, regulatory quality and control of corruption in the development of Bantaeng Industrial Park*

As shown in Chapter 6 in regard to the development process of BIP, citizens in Bantaeng District were able to use their voice to influence government policies and priorities, while, at the same time, the District Government of Bantaeng was highly accountable in reporting their programs and actions related to public policy, and very transparent in conveying information about the development of BIP to citizens. All of this, based on findings on the ground, is the result of strong control by citizens. The ability of the District Government to formulate sound policies and regulations was high, supported by the ability to implement those policies and regulations. In the process of developing BIP, the researcher did not find any indication or suggestions of grand or petty corruption by government officials. Based on information from investors, this was mostly because the District Government had anticipated this by preparing various policies and regulations, as well as systems to prevent and eradicate corrupt behaviour in this region. More detailed information about the implementation of voice and accountability, regulatory quality and control of corruption in the development process of BIP is summarised in Table 8.2 below. As noted above, qualitative judgements were made by the researcher and assessments of “good”, “positive”, “clear”, “highly accountable”, “high”, “strong”, and “non-existent” are assigned.

Table 8.2: Voice and Accountability, Regulatory Quality and Control of Corruption in the Development of Bantaeng Industrial Park

Voice and Accountability
Voice
1. Response of Citizens: Good

- The Bantaeng community responded well to the development plan for Bantaeng Industrial Park. They accepted the explanation of the District Government of Bantaeng that industrial estates will help increase people's income.
- The community realised that industrial estates would open up employment opportunities and help reduce unemployment in Bantaeng District. In addition, it would also help reduce the number of people who leave Bantaeng for work opportunities.
- Industrial estates also create a good multiplier effect in the form of creating opportunities to establish businesses that support the operations of industrial estates such as restaurants, boarding houses, laundries, etc.

2. Reaction of Citizens: Positive

- The community reacted positively to the planned development of BIP. They appreciated the persuasive approach by the District Government and investors in explaining the purpose of the establishment of BIP. There was no negative reaction from the community regarding land acquisition for industrial estates.
- Land acquisition facilitated by the District Government ran smoothly, safely and without constraints. Payments were made directly from investors to the community, facilitated by the banking sector without interference from the District Government. The community was happy with this method and showed appreciation to the government.

3. Expression of Citizens: Clear and Positive

- The expression of the community was clear and positive. They hoped to be included in the process of developing industrial estates and benefit from the results of industrial estate development, including the opportunity to work in industrial estates and open businesses that supported industrial estate operations.
- The community wanted BIP to be successful but they also wanted to remain safe from the hazards of industrial waste. The community wanted investors to manage waste properly so that it would be safe for the environment.
- Communities were able to easily convey aspirations related to the development of BIP via a series of formal and informal meetings (socialisation, consultations, public hearings and informal gatherings with DPRD and local communities) organised by the District Government. The mechanism of *Musyawarah Rencana Pembangunan (Musrenbang)* was also carried out from the village to district levels to seek community input.

Accountability

1. The Nature of the Relationship between Citizens and Government Officials: Highly Accountable

- DPRD Members, NGOs, academics and the local community considered the relationship between the District Government of Bantaeng and stakeholders in Bantaeng District to be harmonious.
- Communication and information exchange between institutions (executive, legislative, NGOs and civil society) ran smoothly.
- Development policies and programs were delivered through various meetings with stakeholders and the media (print and electronic). Clear information was delivered for all policies and programs including the plan to develop BIP.
- Investors considered the District Government to be very accountable. All information related to the BIP development plan was conveyed to stakeholders in Bantaeng. Investors found it easy to get information from local government.

2. Transparency: High

- DPRD Members, NGOs, academics and the local community considered the level of transparency of the District Government to be very high. The District Government was considered by DPRD members to be very open and transparent, never covering up any issues.
- Plans for the development of BIP were available for a long time (since 2014) to stakeholders in Bantaeng District. Both internal and external parties could easily access the information about the planned development of BIP.
- Investors believed that the District Government was very transparent and well coordinated, especially when it came to managing permits.

3. Control by Citizens: Strong

- The community was given a role developing BIP in overseeing the development of industrial estates, together with other stakeholders such as the DPRD and NGOs.
- The community was involved in the negotiation process to determine sale price of the land to be used as the location of industrial estates and in the process of building industrial roads and relocating national roads that passed through

industrial estates.

Regulatory Quality

1. The ability to formulate sound policies and regulations that enable and promote private sector development: High

- The District Government of Bantaeng issued a regulation on general investment policies in Bantaeng District (Regional Regulation 3/2011 on Investment).
- The District Government also had a regulation on spatial planning, one of the articles in which stipulated a large industrial allotment area for Bantaeng Industrial Park, which is located in Pa'jukukang Sub-District (Regional Regulation 2/2012 on Regional Spatial Plans).
- There were also several other regulations governing licensing and investment (Head of District Regulation [Perbup] 36/2014, Perbup 55/2014, Head of District Decision [Kepbup] 500/2014, Perbup 38/2015 and Perbup 32/2016).
- The District Government also signed a Memorandum of Understanding (MoU) with BKPM in order to facilitate the investment process in Bantaeng District (MoU 20/2016 and MoU 503/2016).
- The District Government carried out various innovations in the licensing sector that made it easier for business actors and investors to run businesses.
- The District Government issued a series of policies and regulations related to control of corruption with the aim of convincing investors that their investments were safe from corrupt practices.
- Investors said that these regulations provided convenience to them in realising their investment in BIP.

2. Ability to implement sound policies and regulations that enable and promote private sector development: High

- All of the above regulations were implemented effectively and valid at the time of writing.
- The District Government implemented the program of *Kemudahan Investasi Langsung Kontruksi/KILK* (Ease of Investment, Direct Construction), which was implemented in collaboration with *Badan Koordinasi Penanaman Modal/BKPM* (Investment Coordination Board). Through this program, an investor that has obtained an Investment Permit or Principal Permit is allowed to directly carry out construction activities provided they meet the regulations of the industrial estate.
- The District Government of Bantaeng launched the programs of *perpanjangan izin otomatis* (automatic permit renewal) and *pemotongan waktu pengurusan izin* (express licensing) for business sectors and investors, which assisted in the process of renewing business licenses and shortened the time taken to obtain licenses. The cost of many licenses was waived by the District Government.
- Investors said that they felt well facilitated in the area of licensing.

Control of Corruption

1. Grand Corruption: Non-existent

- In a wider context, to avoid grand corruption, the District Government of Bantaeng strengthened the authority of the Inspectorate of Bantaeng District in overseeing the performance of Regional Work Units (SKPD). The Bantaeng District Inspectorate made adjustments to their auditing methods to ensure the implementation of programs and activities in each SKPD was in accordance with principles of good governance.
- The Inspectorate worked to prevent corruption by auditing the *Rencana Anggaran Biaya SKPD* (SKPDs' Budget Plan) for capital expenditures.
- They also conducted a rigorous verification of the fairness of the Self-Estimated Price (*Harga Perkiraan Sendiri/HPS*) established by SKPD before it was submitted to the Procurement Services Unit (*Unit Layanan Pengadaan/ULP*) for tender.
- Investors indicated no incidence of grand corruption or loopholes, stating that the system in Bantaeng was built to prevent corruption in this region.

2. Petty Corruption: Non-existent

- In a wider context, the District Government improved the functions of the Department of Investment and One Stop

Integrated Services through the formation of *Satuan Tugas Sapu Bersih Pungutan Liar/Satgas Saber Pungli* (Illegal Levy Eradication Task Force) and the implementation of *Pelayanan Transparan dan Anti-Pungli* (Transparent and Anti-Illegal Levy Service).

- The District Government also provided complaint boxes (*kotak aduan*) for Bantaeng people to report illegal fees levied by government departments or officials.
- Together with members of DPRD, NGOs and other civil society elements in Bantaeng, the District Government signed a declaration to develop Bantaeng without corruption and illegal levies.
- Investors saw no indications of petty corruption, nor any opportunity to commit petty corruption with District Government officials. All licensing processes in the DPM-PTSP were easy and convenient.

The positive response of the Bantaeng community was due to their acceptance of the explanation from the District Government regarding the various benefits of the planned industrial estate. The positive reaction was stimulated by the persuasive approach taken by the District Government and investors in regard to land acquisition. The clear and positive expression was mainly due to the ease with which the community could express their aspirations, as various formal and informal channels and mechanisms for doing so were facilitated by the District Government.

A high level of accountability of the District Government was evident. Stakeholders in Bantaeng District interviewed by the researcher, such as DPRD members, NGOs, academics, investors and local communities, all said that the District Government, under the leadership of Nurdin Abdullah, was very accountable, open and transparent in its running of the government and in providing information regarding the development plan of BIP (see Chapter 6). The high level of accountability of the Bantaeng District Government was also influenced by the strong influence that citizens had on government actions. In the development process of BIP, citizens from Bantaeng District were given a significant role in overseeing the development of BIP. The community was involved in the processes of land acquisition (especially in the negotiation process with investors to determine the selling price of land), building industrial roads and relocating national roads that pass through industrial estates, and in overseeing the occurrence of corrupt behaviour by District Government officials at each stage of the development of BIP.

This phenomenon is in accordance with the statement of O'Neil, Foresti and Hudson (2007, p. 4) that voice and accountability has a two-way relationship, with each affecting the other. On the one hand, voice can strengthen accountability, one of which is by encouraging greater transparency. On the other hand, accountability can encourage voice by demonstrating that exercising voice can make a difference. The control of Bantaeng citizens over the actions of the District Government is also consistent with Smyth's (2012, p. 231-232) study which emphasizes that the very important core of accountability relationships is "a form of control" based on "reward and sanction". What happened in Bantaeng District is an illustration of the nature of the relationship between citizens and government officials where one party makes decisions that have an impact on the other party, or

which have indeed been delegated by the other party to them (O'Neil, Foresti & Hudson 2007, p. 3).

Using the World Bank's (2016) definition of regulatory quality, this thesis found a high level of regulatory quality was implemented by the District Government in the case of the development of BIP. In this context, the ability of the District Government to formulate sound policies and regulations that enable and promote private sector development was high, as was their ability to implement those policies and regulations. This is indicated by the ability of the District Government to formulate and issue various regulations governing investment, spatial planning, licensing and control of corruption. These regulations were formulated and issued with the aim of supporting and facilitating the planned development of BIP, which, in turn (as discussed in Chapter 6), was expected to create an integrated, competitive, safe and harmonious industrial estate which could increase economic growth and competitiveness in Bantaeng District (Ministry of Industry of Indonesia 2014a, p. 5-1; Pemerintah Kabupaten Bantaeng & Pusat Teknologi Universitas Hasanuddin 2016). These regulations were formulated and ratified to support efforts to create a corruption-free environment so that investors feel safe and comfortable in investing their capital in Bantaeng District.

The District Government's strong ability to implement sound policies and regulations can be seen from the consistent effectiveness of those policies and regulations, and their impact on investment in Bantaeng District. *Perda* 3/2011 concerning Investment and *Perbup* 36/2014 & 55/2014 concerning Licensing, issued in 2011 and 2014 respectively and valid at the time of writing, had a positive impact on the flow of investment to Bantaeng District since 2011. This is evidence that the District Government has a strong ability to implement sound policies and regulations, and this has proven to have had a positive impact on the planned development of BIP specifically, and for the economic growth of Bantaeng District in general.

Both of these phenomena are in accordance with IFC, MIGA and World Bank's (2010, p. 3) study which stated that the purpose of implementing regulatory quality, based on the preferences of development agents (including local governments), is to support sustainable and equitable economic growth, reduce poverty and build better governance. Moreover, they are also consistent with the research of OECD (2012, p. 3) regarding how regulatory policies can improve governance. OECD said that the purpose of regulatory policy is to ensure that regulations are created and implemented to support economic growth and development while, at the same time, functioning effectively in order to achieve broader social goals (social welfare, environmental sustainability and respect of the rule of law). Ernst (2015) supported these conditions, stating that there is a strong relationship

between regulatory quality and economic growth, better quality of governance and higher income per capita. According to Ernst, regulatory quality has a strong role in achieving these three objectives. The results of Ahmad's (2002, p. 29) study focusing on the relationship between corruption and government regulation also supported this, stating that government regulations in the form of prudent policies can be used to reduce corruption, which will, in turn, contribute to improved economic growth.

Control of corruption is defined in this context using two categories of corruption from Rafi, Lodi and Hasan (2012). This study found that there were no indications of grand corruption or petty corruption by the District Government in the development of BIP. Internal policy reforms were carried out by the District Government to reduce or eliminate the negative effects of corrupt behaviour. This is in accordance with the results of the World Bank's (1997, pp. 35-38) study which found that, in many countries, policy reforms were very helpful in reducing opportunities for corruption. However, these reforms must be accompanied by an increase in institutional capacity.

Without increased institutional capacity, well-intended policies will not result in good outcomes and may even lead to greater corruption. Interestingly, this had also been done by the District Government of Bantaeng, as discussed in Chapter 5, where they had provided sufficient budget to the Inspectorate of Bantaeng District to carry out an independent assessment of bureaucratic reform in Bantaeng District and to increase quality of human resources (Bappeda Bantaeng 2014, p. 27). What was undertaken by the District Government is also in line with Transparency International's (2016) guidelines regarding steps that must be taken to stop corruption. One of these steps is public policy reforms that focus on improving financial management and strengthening the role of auditing institutions.

To explain the absence of any indications of petty corruption in the development process of BIP, the researcher's view is that the main cause of this are the efforts to improve the functions of the Department of Investment and One Stop Integrated Services in order to prevent and eradicate corrupt behaviour within the District Government. The establishment of the Illegal Levy Eradication Task Force, the implementation of the Transparent and Anti-Illegal Levy Service, the use of complaint boxes, the conducting of services evaluations every three months and the signing of a joint declaration between the District Government of Bantaeng and the community to develop Bantaeng without corruption and illegal levies were all essential in minimising opportunities for low- or middle-level government officials in Bantaeng District to engage in petty corruption. This was affirmed by Chene (2019, p. 1).

Successful approaches to tackle petty corruption involve using a combination of measures aimed at reducing red tape, enforcing effective sanctions, reforming the public sector, and promoting detection and reporting through the use of new technologies. To be successful, such approaches need to be supported by a strong political will.

The District Government's measures to reduce red tape were in line with the results of Martini's (2012) study, which found that the establishment of one-stop services, sharing and standardisation of data, simplification of procedures, use of information and communication technologies (ICTs) and accountability mechanisms such as ex-ante controls are examples of policies and approaches that can decrease red tape and reduce administrative burden..

From the analysis of the implementation of voice and accountability, regulatory quality and control of corruption, the current study's findings are in keeping with previous studies on governance conducted in Bantaeng District. Studies by *Komisi Pemilihan Umum/KPU* (General Election Commission) of Bantaeng District (2015), Fahrudin (2017), Adibroto et al. (2013), Bappeda Bantaeng (2014), the Centre of Public Transformation Policy (2016), Badu Ahmad (2017) and the report of Warta Timur (2014) all show that the District Government of Bantaeng has successfully implemented voice and accountability, regulatory quality and control of corruption.

As Banfield (1979, p. 98) said, "Decentralised political systems are more corruptible". This thesis argues that the implementation of governance in Bantaeng District in the development process of BIP included both vertical and horizontal accountability, which gave citizens and their associations the opportunity to play a direct role in the decision-making process (Goetz & Jenkins 2002, p. 7) and allowed state actors (such as the legislature, NGOs, media and society) to request explanation from other state actors (Goetz & Jenkins 2002, p. 7; Mulgan 2003, p. 13).

8.3.1.2 *Voice and accountability, regulatory quality, and control of corruption in the development of Port Bonthain*

Findings presented in Chapter 6 also show positive implementation of voice and accountability and regulatory quality in the process of developing Port Bonthain. Control of corruption, however, as stated previously in this chapter, was not possible to ascertain as the development process of Port Bonthain had not commenced at the time of writing. Therefore, an overview of the implementation of this indicator cannot be provided except with reference to processes in the development of BIP.

How the District Government implemented voice and accountability and regulatory quality in the development of Port Bonthain is summarised in Table 8.3 below. The judgments of "good", "positive", "clear", "highly accountable", and "high" are made by the researcher.

Table 8.3: Voice and Accountability, Regulatory Quality and Control of Corruption in the Development of Port Bonthain

Voice and Accountability
<p>Voice</p> <p>1. Response of Citizens: Good</p> <ul style="list-style-type: none"> The Bantaeng community responded well to the development plan of Port Bonthain. There was no resistance either from the community or NGO activists to the development plan. In general, the community hoped that the development of Port Bonthain would increase people's income which would improve people's welfare. The development of Port Bonthain was also expected to provide significant employment for the Bantaeng community which would result in a decline in unemployment in the District. <p>2. Reaction of Citizens: Positive</p> <ul style="list-style-type: none"> The Bantaeng community reacted positively to the planned development of Port Bonthain. They appreciated the persuasive approach by the District Government of Bantaeng and investors in explaining the purpose of the development. A positive reaction was also given related to the government's plan to: (1) provide employment and business opportunities; (2) increase community income; (3) maintain positive public perceptions related to labour recruitment; (4) minimise community unrest and prevent social conflicts as well as security disturbances during the construction phase; and, (5) build settlements for communities that would be relocated from the development site. <p>3. Expression of Citizens: Clear and Positive</p> <ul style="list-style-type: none"> Citizens wanted to be able to continue to carry out their daily activities (fishing and planting seaweed) at their usual locations during the development of Port Bonthain. Citizens wanted the opportunity to work on the Port Bonthain development project. Citizens did not want to be marginalised as a result of the construction of Port Bonthain; they wanted to be treated equally in terms of recruitment and placement of workers. Citizens wanted an increase in their income as a result of their involvement in the development project. <p>Accountability</p> <p>1. The Nature of Relationship between Citizens and Government Officials: Highly Accountable</p> <ul style="list-style-type: none"> The District Government of Bantaeng conducted early consultation and dissemination of information about the Port Bonthain development plan to related stakeholders in Bantaeng District. This was done in multiple forums such as working meetings with various agencies, <i>Musrenbang</i> and community forums. Communities could easily convey their aspirations related to the development of Port Bonthain. <p>2. Transparency: High</p> <ul style="list-style-type: none"> DPRD Members, NGOs, academics and the local community considered the level of transparency of the District Government to be very high. The District Government was considered by DPRD members to be very open and transparent without covering up any issues. Plans for the development of Port Bonthain were accessible from 2012 to stakeholders in Bantaeng District. Both internal and external parties could easily access information about the planned development of Port Bonthain. <p>3. Control of Citizens: N/A</p>
Regulatory Quality
<p>1. Ability to formulate sound policies and regulations that enable and promote private sector development: High</p> <ul style="list-style-type: none"> The District Government of Bantaeng issued a regulation concerning Bantaeng District Spatial Planning for 2012-2032, one of the articles in which regulates the port system and determines a secondary feeder port located at Mattoanging Port, which is in Bissappu Sub-district (Regional Regulation 2/2012). A regulation governing licensing procedures (<i>Perbup 55/2014</i>) which makes it necessary for the port owner

and/or manager to obtain a Building Permit and Location Permit from the Department of Investment and One-Stop Integrated Service in the case of the development of Port Bonthain.

- In 2015, the District Government prepared *Rencana Detail Tata Ruang/RDTR* (Spatial Detail Plan) on Bisappu Sub-district, which included future plans for Port Bonthain.
- The District Government issued various policies and regulations related to control of corruption with the aim of convincing investors that their investments were safe from corrupt practices.

2. Ability to implement sound policies and regulations that allow and promote private sector development: High

- All of the above regulations were implemented effectively and were valid at the time of writing.

Control of Corruption

1. Grand Corruption: N/A

2. Petty Corruption: N/A

Using Goetz and Jenkins' (2002, pp. 6-9) definition of voice and accountability, the thesis found that the Bantaeng community responded positively and conveyed their feelings clearly with regard to the development plan of Port Bonthain. The positive response from the community was due to the high expectation that the development of Port Bonthain would increase people's income, provide job opportunities for the community and reduce the unemployment rate, which, in turn, would increase prosperity in the community. The positive reaction was stimulated by the promise of the District Government of Bantaeng to provide jobs and business opportunities for residents living around the Port Bonthain development site as well as the persuasive approach taken by the District Government of Bantaeng in explaining the purpose of the development. Lastly, the clear and positive expression of the Bantaeng community was mainly caused by the ease of which they could express their aspirations, as various formal and informal channels and mechanisms for doing this were provided by the District Government.

As with the development of BIP, the positive reaction and clear expression of the Bantaeng community were a reflection of the high level of accountability of the District Government and expressed by all stakeholders.

This phenomenon, once again, is in line with the statements of O'Neil, Foresti and Hudson (2007, p. 4) regarding the two-way relationship between voice and accountability, in which each influences the other. In the context of the development of Port Bonthain, the relationship is positive and, therefore, has a positive impact on Port Bonthain's development plan. What happened in the case of the development of Port Bonthain is also an illustration of the relationship between citizens and government officials who have highly accountable characteristics, where both parties can share and play their respective roles to deliver governance in order to improve the welfare of the poor and enhance democracy (Khrisnan 2012, p. 1933).

The current study found that regulatory quality implemented by the District Government of Bantaeng in the development of Port Bonthain was also of a high level. Consistent with the World Bank's (2016) definition of regulatory quality; the issuance of *Perda 2/2012* concerning Bantaeng District Spatial Planning for 2012-2032, which regulates the port system and determines the secondary feeder port of Port Mattoanging located in Bissappu Sub-district; the enactment of *Perbup 55/2014* on Procedures of Licensing, which requires the port owner and/or manager to obtain a Building Permit and Location Permit from the Department of Investment and One-Stop Integrated Service if they want to develop Port Bonthain; the preparation of *Rencana Detail Tata Ruang/RDTR* (Spatial Detail Plan) on the Bisappu Sub-district, which included future development plans for Port Bonthain; and the issuance of a series of policies and regulations governing control of corruption are evidence that the District Government has the ability to formulate sound policies and regulations that promote development. The effectiveness of these policies and regulations and their influence on the Port Bonthain development process indicate that the District Government of Bantaeng has a strong ability to implement sound policies and regulations which promote the development of this small district. The two phenomena above are, again, in accordance with the studies of IFC, MIGA, and World Bank (2010, p. 3), OECD (2012, p. 3), Ernst (2015), and Ahmad (2002, p. 2) which explained the benefits of regulatory quality for economic growth, poverty reduction, quality of governance and eradication of corruption.

With respect to the implementation of control of corruption, as mentioned earlier, the researcher cannot provide an overview of the implementation of this governance indicator due to the fact that the process of Port Bonthain development had not begun at the time of writing. However, by looking at various steps that have been taken and several policies and regulations that were formulated and implemented effectively by the District Government of Bantaeng in the case of the development of BIP, the researcher believes there is a strong possibility that indications of grand and petty corruption (Rafi, Lodi and Hasan 2012) would not be found in the process of developing Port Bonthain.

Good implementation of voice and accountability and regulatory quality in the process of developing Port Bonthain is in keeping with the results of previous research on governance in Bantaeng District. In voice and accountability studies, KPU Bantaeng District (2015), Fahrudin (2017, p. 182), Adibroto et al. (2013, p. 75) and Bappeda Bantaeng (2014, p. 27, 56) stated that the level of participation of Bantaeng people in political events is high, and that the community of Bantaeng is aware that development is their responsibility and, therefore, they must actively participate in the decision-making process related to development.

This finding is in contrast to some of the results of Murwito's (2013, p. 6) study which focused on the role of *Perda* (Regional Regulation) in efforts to create a conducive investment climate in Indonesia. He stated that some regional regulations actually hampered the process of creating a conducive investment climate. The trend in the era of decentralisation to increase PAD through the implementation of local regulations (such as taxes and regional levies) is counterproductive to the efforts of regional governments to attract investment because such regulations generate transaction costs that discourage business operators (Murwito 2013). In the Bantaeng case, this did not happen as the policies and regulations governing investment and licensing eliminated such transaction costs and were effective in creating a conducive investment climate.

8.3.2 Voice and accountability, regulatory quality, and control of corruption in Banyuwangi District

This section will discuss the implementation of the principles of voice and accountability, regulatory quality and control of corruption in Banyuwangi District in the development of BIEW and Port Tanjung Wangi.

8.3.2.1 *Voice and accountability, regulatory quality and control of corruption in the development of Banyuwangi Industrial Estate Wongsorejo*

Chapter 7 contains findings that illustrate the poorer implementation of two indicators of governance (voice and accountability and regulatory quality) in the development process of BIEW. As with the case of the development of Port Bonthain, the researcher is once again unable to identify the implementation of control of corruption because the development process of BIEW had not yet begun.

With regard to the development process of BIEW, the voice of citizens in Banyuwangi, especially the people of Bongkoran Village, were not engaged to influence governance, actions or government decisions and priorities. The District Government of Banyuwangi was not accountable in carrying out its obligations to explain programs and actions to the public and not transparent in conveying information about the development plan of BIEW. The ability of the District Government to formulate sound policies and regulations related to the BIEW development plan was actually strong, however, it was not followed by an ability to implement policies and regulations effectively. Since the District Government is a champion of *Rencana Aksi Daerah untuk Pencegahan dan Pemberantasan Korupsi/RAD-PPK* (Regional Action Plan for Corruption Prevention and Eradication), there is a high possibility that in the development of the BIEW, should it be implemented, there would be no indication of grand or petty corruption by local government officials. Table 8.4 below summarises the processes for BIEW.

Table 8.4: Voice and Accountability, Regulatory Quality, and Control of Corruption in the Development of Banyuwangi Industrial Estate Wongsorejo

Voice and Accountability
<p>Voice</p> <p>1. Response of Citizens: Not Good</p> <ul style="list-style-type: none"> • The Banyuwangi community, especially the Bongkoran Village community whose territory would be used as the location of the industrial estate development, did not respond well to the BIEW development plan due to an ongoing land dispute between the residents of Bongkoran Village and PT Wongsorejo. Instead of helping resolve the dispute, the District Government requested that the dispute be resolved solely by the company and the community. • The Bongkoran Village community argued that the development of industrial estates, in addition to causing hardship for farmers, would also reduce the amount of agricultural land. The industrial estate was considered unsuitable for establishment in the Wongsorejo area where the majority of the population were farmers. • The anticipated change in profession from farming to labouring once the industrial estate was operating was not seen by the people of Bongkoran as a guarantee that the community would become more prosperous. They believed that industrialisation only benefits certain groups and not society in general. <p>2. Reaction of Citizens: Negative</p> <ul style="list-style-type: none"> • The people of Bongkoran Village reacted negatively to the development plan of BIEW. There was no persuasive approach undertaken by the District Government and investors in explaining the purpose of the establishment of BIEW. The people of Bongkoran Village strongly opposed the plan. • Citizens did not want to move from the location they had occupied for decades even though, according to the District Government and PT Wongsorejo, they did not have the right to occupy the land. They also refused to be employed in industrial estates because they considered it incompatible with the culture of the farming community. • Actions by citizens sparked dispute with PT Wongsorejo and security forces, such as cutting down the company's kapok trees, collective violence against PT Wongsorejo company workers, hampering construction of a permanent post by PT Wongsorejo in the area designated for the industrial estate and obstructing the process of placing building materials on the disputed land by PT Wongsorejo. • Citizens conducted various demonstrations demanding the cancellation of the BIEW development plan. Previously, they had also made an effort to stop the extension of PT Wongsorejo's Right of Exploitation (<i>Hak Guna Usaha/HGU</i>) by visiting the National Land Agency (BPN) and sending a letter to follow up on this matter. <p>3. Expression of Citizens: Clear but Negative</p> <ul style="list-style-type: none"> • Bongkoran Village farmers demanded management rights for 220 hectares of land. However, the District Government and PT Wongsorejo were only willing to provide 60 hectares of land. • Citizens requested that the District Government cancel the development plan for BIEW. • Citizens demanded that the District Government postpone the development process until the local government had provided residents with sufficient training to facilitate a change in lifestyle from farmers to industrial workers. • Citizens requested to meet with the District Head of Banyuwangi to discuss a solution to the land problem. <p>Accountability</p> <p>1. The Nature of Relationship between Government Officials and Citizens: Lack of Accountability</p> <ul style="list-style-type: none"> • Community consultation on the BIEW development plan for affected populations was not carried out by the District Government of Banyuwangi. • The District Government did not provide many channels or mechanisms, formal or informal, for the people of Bongkoran Village to voice their aspirations regarding the BIEW development plan. • The community could not easily express their aspirations regarding the development plan BIEW and their voices were often not heard. • The District Government requested that the land conflict be resolved solely by the company and the community. <p>2. Transparency: Low</p>

- The transparency of the District Government of Banyuwangi is considered low in the case of the BIEW development. Information about the BIEW development plan was not conveyed thoroughly or transparently to the residents of Bongkoran. Residents experienced difficulty when seeking information related to the plan.

3. Control by Citizens: Weak

- The community was not able to control the conflict resolution process by the District Government of Banyuwangi.
- The community could not control or influence the granting of the Right to Build (*Hak Guna Bangunan/HGB*) from the National Land Agency (BPN) to PT Wongsorejo.

Regulatory Quality

1. Ability to formulate sound policies and regulations that enable and promote private sector development: High

- The District Government Banyuwangi has a regulation on spatial planning including a stipulation of a large industrial allotment area for BIEW located in Wongsorejo Sub-District (*Perda 8/2012 on Regional Spatial Plans*).
- *Perda 2/2015* concerning Provision of Incentives and Facilities for Investment in Banyuwangi.
- *Perbup 8/2018 on Standard of Licensing Services at Department of Investment and One Stop Integrated Services (DPM-PTSP)*.

2. Ability to implement sound policies and regulations that enable and promote private sector development: Low

- Regulations were not implemented properly in the development of BIEW.

Control of Corruption

1. Grand Corruption: N/A
2. Petty Corruption: N/A

Using Goetz and Jenkins's (2002, pp. 6-9) definition of voice and accountability, this thesis found that some of the Banyuwangi community, specifically the Bongkoran Village community in Wongsorejo Subdistrict who were directly affected by the development plan, responded negatively to the plan. These residents expressed themselves clearly but negatively about the BIEW development plan. The nature of the response from residents of Bongkoran was mainly due to an ongoing land dispute with PT Wongsorejo, the holder of the Right of Exploitation (*Hak Guna Usaha/HGU*) for an area of 603 hectares which included land that had been occupied by the people of Bongkoran since 1950. The negative reaction was generated by the absence of a persuasive approach by the District Government and investors in terms of resolving land disputes. The clear but negative expression was mainly due to the non-fulfilment of (1) Bongkoran residents' demand for management rights to 220 hectares of; and (2) their request that the District Government postpone the development process of the industrial estate until the community was ready.

The unfavourable response and negative reaction of the Bongkoran residents was clear in their opposition to the BIEW development plan, which manifested in the form of the unwillingness of the residents to move from the land they had occupied for decades. In addition, it was also shown in the attitudes of Bongkoran residents who did not want to be employed in the industrial estate. Other forms of unfavourable response and negative reaction from residents of Bongkoran were the actions that triggered disputes with PT Wongsorejo and security forces, and various protests and

demonstrations by the people of Bongkoran to demand the cancellation of the BIEW development plan. These events, the land dispute, the opposition and the absence of a persuasive approach are in accordance with the results of DFAT's (2018, p. 218) research which states that land acquisition issues are a common barrier to infrastructure development. Opposition from the local community regarding the value of land could cause project delays, increased costs, disputes and litigation. For this reason, successful land acquisition reforms, including the use of a persuasive approach to the community, are needed to stimulate infrastructure investment and increase opportunities. Unfortunately, these things were not done by the District Government of Banyuwangi, substantially impacting the BIEW development process which could not be carried out as planned.

The negative reaction of the Banyuwangi community, especially the residents of Bongkoran Village, was the result of the District Government's lack of accountability in the development of BIEW. An interview with a Banyuwangi resident who had in depth knowledge about the Bongkoran Village residents' fight for their land rights revealed that the District Government had only once, in 2014, conducted consultation with the residents of Bongkoran Village regarding the BIEW development plan. The District Government of Banyuwangi was not as committed to public consultation as the Bantaeng District Government, and the planned programs were not well conveyed to the public. This is affirmed by Rodrigo's (2005) study which stated that, in the current global economic era, policy makers increasingly rely on public consultation to gather empirical information for analytical purposes. Public consultation was considered by Rodrigo (2005) as being vital to decision-making, and also effective in determining how policies would be received by stakeholders. In addition, the District Government of Banyuwangi also did not provide channels or mechanisms for the Bongkoran residents to express their aspirations. As a result, residents of Bongkoran had difficulty expressing their aspirations regarding their land rights and the BIEW development plan.

The transparency of the District Government of Banyuwangi is considered low in the case of the BIEW development (Interview with local citizens 2017). Even though Banyuwangi was a district known for firm actions in increasing public transparency and accountability (see Chapter 7), transparency was not apparent in the case of the BIEW development. Information about the BIEW development plan, according to the local people I interviewed, was not conveyed thoroughly or transparently to Bongkoran residents. Residents also experienced difficulty accessing information related to the plan. According to the OECD (2012), transparency supports the accountability of regulators and the government, while at the same time maintaining trust in the law. Transparency is one of the main pillars of effective regulation, which makes regulations safer, more accessible and unable to be influenced by certain interests.

The low level of accountability of the Banyuwangi District Government was also influenced by the weak control of citizens over the District Government's actions. During the conflict, Bongkoran Village residents were not able to enact the conflict resolution process that should have been carried out by the District Government. They also could not control or influence the granting of HGB by the BPN to PT Wongsorejo. The process behind granting of HGB to PT Wongsorejo was considered to be marred by irregularities and not transparent (Interview with local people 2017) and even violated BPN's own statement that the concession would not be extended until the land dispute was resolved (Anwar et al. 2016). An interview with a Banyuwangi citizen who had followed the struggle of the Bongkoran Village residents revealed that the District Government did not facilitate a meeting between the residents of Bongkoran and PT Wongsorejo to resolve the conflict. According to her, there was no political will from the District Government to help resolve the conflict (Interview 2017). Furthermore, the District Government was considered to favour the interests of PT Wongsorejo over those of the residents of Bongkoran. According to Anwar et al. (2016, p. 3), this was due to their desire to further the development plan of BIEW.

This relates to Rachman's (2016, in Sholahudin 2018) research which found that, in cases of agrarian conflict, power holders, whether central or regional government, tended to avoid problems that complicated progression of their own interests, and preferred to serve the interests of the capital owners/investors than the interests of the people. This, once again, illustrates the two-way relationship between voice and accountability (O'Neil, Foresti and Hudson 2007). However, in contrast to the BIP development case, in which the influence stemmed from positive public response, in the development of BIEW the influence was from a negative response. On one hand, the strong voice of the Bongkoran residents did not produce high accountability and transparency because the District Government of Banyuwangi chose not to listen to or heed the voice of the community. On the other hand, the low accountability and transparency of the District Government in the BIEW development case encouraged the people of Bongkoran to continue to voice their opposition strongly. What happened in Banyuwangi District is an illustration of the nature of the relationship between citizens and government officials lacking in accountability (O'Neil, Foresti & Hudson 2007, p. 3). This is in contrast to Goetz and Jenkins's (2002, citing Schedler 1999) concept of accountability. In this context, the government officials of Banyuwangi District could not carry out their obligations to explain and justify their actions and programs to citizens, while citizens could not impose sanctions on government officials even if their explanations were deemed unsatisfactory.

Using the World Bank's (2016) definition of regulatory quality, this thesis found a medium level of regulatory quality implemented by the District Government of Banyuwangi in the case of the

development of BIEW. The ability of the District Government to formulate sound policies and regulations that enable and promote the development of the private sector is actually high, but it was not supported by the ability to implement those policies and regulations. These policies and regulations were not implemented properly to encourage the acceleration of the development of the BIEW.

Perda 2/2015 concerning Provision of Incentives and Ease of Investment in Banyuwangi District states in Article 6 that the District Government of Banyuwangi will provide the necessary infrastructure support to investors to accelerate investment, however, this was not implemented well. An interview with the investor revealed that the District Government did not provide optimal assistance to the investor in the BIEW development process. In matters related to the provision of infrastructure such as roads, water, electricity and gas, the investor said that support from the District Government was minimal, or even non-existent. The investor felt that they were assisted only in the process of acquiring a principle permit. The rest, according to him, was only promises by the District Government. It was clearly stated by investors, "Until now, none of the local governments have come to us and asked what our needs are" (Interview 2017). This is in contrast to Rodrigo's (2005) assertion that, in order to achieve successful regulatory reform, it is necessary for the government to apply and enforce these regulations.

With regard to the implementation of control of corruption, similar to the case of Port Bonthain where development had not yet begun, there is no information that can be conveyed by the researcher regarding the implementation of this indicator for the case of BIEW. However, extrapolating from the fact that the District Government of Banyuwangi is a champion of RAD-PPK (Regional Action Plan for Corruption Prevention and Eradication), this thesis believes there is a strong possibility that the District Government of Banyuwangi would try to maintain that reputation by enforcing anti-corruption measures. Therefore, in the case of BIEW, if the construction were to commence, the researcher believes that there would be no indication of grand or petty corruption by officials of the District Government of Banyuwangi.

In voice and accountability studies, Sholahudin (2018, pp. 275-276) found that, in cases of agrarian conflict such as that which occurred between Bongkoran Village residents and PT Wongsorejo, the '*de facto*' claims of local people who feel they have rights and power over disputed land based on community law that has been embedded and developed in the local community, tend not to be heard by the powerholders because of the powerholders (state), in this case the central or local governments, claiming that on a '*de jure*' basis they are the most entitled to have power over the disputed land because they have what is known in political law as the 'Right to Control from the

State (*Hak Menguasai dari Negara/HMN*)'. HMN is defined as the highest right owned by the state based on Law No. 5 of 1960 concerning Agrarian Principles (Sholahudin, 2018, p. 276). In many cases, the central or local governments are more likely to heed the claims of capital owners or investors who claim rights over land based on the determination of rights granted by local governments that rely on a number of laws and regulations from the applicable formal state law. Formal state law, in practice, often dominates and even subordinates local legal rules, and is used as a means of repression to legally seize people's rights to land. The dominance of state law is often reinforced by elements of structural violence that originate from the state apparatus (Sholahudin, 2018, p. 267; Rachman, 2016, pp. 53-54).

In a study on regulatory quality and the role of the state, Afrizal (2006, p. 76) stated that policies, laws and/or regulations regarding agrarian activity (HGB, HGU, land certificate) sourced from the state, which are actually used to resolve agrarian conflicts, are often a source of conflict. The state was deemed to have failed as a mediator and facilitator at the time of the land rights were relinquished. Under certain conditions, the state systematically and planned and by using legal instruments, often gets behind businessmen or corporations when relinquishing land rights (usually using armed forces), which then leads to conflict. This indeed occurred in the case of the Bongkoran land dispute.

These findings contradict articles by *Pusat Transformasi Kebijakan Publik* (2014) and *Pemerintah Kabupaten Banyuwangi* (2014a) which reported the awarding of the 2014 Autonomy Award to Banyuwangi as a leader in the field of public accountability. In addition, it also brings into question the awards received by the Banyuwangi District Government in 2015, 2017 and 2018 for having the best *Sistem Akuntabilitas Kinerja Pemerintah/SAKIP* (Government Performance Accountability System) in East Java Province (Detik.com 2017; Koran-sindo.com 2017; Merdeka.com 2018).

8.3.2.2 *Voice and accountability, regulatory quality, and control of corruption in the development of Port Tanjung Wangi*

The responsibility for developing and managing Port Tanjung Wangi is under the authority of PT. Pelindo III, an SOE engaged in port terminal operator services. The District Government of Banyuwangi, in this case, has delegated all authority, except in terms of coordination related to regional development involving Port Tanjung Wangi. The role of the District Government is limited to establishing cooperation with PT Pelindo III in order to obtain support for infrastructure and industrial development in Banyuwangi. However, PT Pelindo III still must provide information to the District Government if the company wants to invest in the development of Port Tanjung Wangi, as matters relating to licensing and land acquisition continue to require assistance from, and cooperation with, the District Government. As the majority of authority lies with a private

corporation, the researcher could not obtain information regarding the implementation of voice and accountability, regulatory quality and control of corruption in the process of developing Port Tanjung Wangi.

Based on an interview with one of PT Pelindo III's managers, the researcher was able to collect limited data related to the development and management of Port Tanjung Wangi by PT Pelindo III, as follows:

1. In 2017, PT Pelindo III had no plans to further develop Port Tanjung Wangi, particularly in terms of pier development. The development of Port Tanjung Wangi in 2015 to build a 25-metre long pier was the last planned development by PT Pelindo III.
2. PT Pelindo III, as the manager of Port Tanjung Wangi, was waiting on the BIEW development plan before carrying out further development of Port Tanjung Wangi. They wanted to avoid any miscalculations, like those in the case of the construction of the Glenmore sugar factory, where they acquired land to build warehouses to accommodate the raw material for the sugar refinery, when, in fact, these facilities were unnecessary and were underutilised.
3. The manager of PT Pelindo III believed that the District Government of Banyuwangi was more focused on the development of the tourism sector. There was a development plan for BIEW which PT Pelindo III knew of but, at the time of the interview, they had not seen any clear realisation of the plan.
4. In connection with this, when questions came from the Head Office of PT Pelindo III in Surabaya about requirements for Port Tanjung Wangi, the management of PT Pelindo III in Banyuwangi could not provide an answer because the development process of the promised industries had not commenced and they did not see any need to further develop the port at that time.
5. PT Pelindo III previously hoped that there would be many sectors and industries developing in Banyuwangi which would lead to opportunities for further development of Port Tanjung Wangi. This had not materialised due to many problems hampering the development of these sectors and industries.

As the construction of Port Tanjung Wangi is fully the responsibility of PT Pelindo III as manager of this port, there is no intervention from the District Government of Banyuwangi in processes, except in relating to the investment plan. Regarding the development of Port Tanjung Wangi, there are no plans by PT Pelindo III to carry out further development. PT Pelindo III deemed it prudent to wait for the development plan for BIEW to be realised before undertaking any further development

of Port Tanjung Wangi. With the District Government of Banyuwangi prioritizing the development of its tourism sector, and physical development of BIEW yet to be seen, PT Pelindo III opted to continue developing its business in other areas for the benefit of the company. Although PT Pelindo III had the authority to carry out further development of Port Tanjung Wangi, no decision had been made due to uncertainty around the BIEW development.

8.4 Comparison of the Implementation of Governance Indicators between Bantaeng and Banyuwangi Districts

In this section, I will compare the implementation of three governance indicators in both case study locations and analyse the differences between the two in terms of voice and accountability, regulatory quality and control of corruption. This comparison is conducted to determine the strengths and weaknesses of the efforts made by each local government and to help identify the factors that influence the successful implementation of these three governance indicators.

The development of industrial estates and ports involves preparing policies and regulations governing spatial planning, investment, licensing and control of corruption; and preparing master plans for industrial estate and port development, and this thesis explores how substantial differences between the two regions might impact the implementation of the key governance indicators. In Bantaeng District these indicators were influenced by (a) the high level of political participation of the Bantaeng community; (b) the nature of the relationship between the District Government of Bantaeng and the stakeholders; (c) strong collaboration between government and stakeholders; and, (d) small geographical size. In contrast, poor implementation of these three governance indicators in Banyuwangi District was influenced by (a) a long-standing land dispute between Bongkoran Village and PT Wongsorejo and the District Government; (b) the nature of the relationship between the District Government of Bantaeng and stakeholders; (c) poor collaboration between government and stakeholders; and, (d) large geographical size.

The district governments of Bantaeng and Banyuwangi both formulated and issued various policies and regulations governing spatial planning, investment, licensing and control of corruption. In this context, both regional governments showed a strong ability to formulate sound policies and regulations that enable and promote private sector development. However, although both governments share similar characteristics, the District Government of Bantaeng has the advantage of being directly supported by the Central Government, in this case the BKPM, in facilitating the investment process in Bantaeng District through the launch of the KILK (Ease of Investment, Direct Construction) program. In Banyuwangi District, the District Government of Banyuwangi did not get the same support.

Another similarity is that, in the industrial estate development planning process, the two district governments each prepared a master plan for industrial estate development. In relation to port development, the District Government of Bantaeng prepared the Bonthain Port Master Plan, whereas the Tanjung Wangi Port Master Plan was prepared by PT Pelindo III as the manager of this port, and not the District Government of Banyuwangi. The existence of a master plan is essential to provide guidance for the district governments of Bantaeng and Banyuwangi in developing industrial estates and ports. However, despite both having a master plan, the District Government of Bantaeng had the advantage of being assisted by the Central Government (the Ministry of Industry) in preparing the Bantaeng Industrial Park Development Master Plan. Banyuwangi did not receive such assistance.

Compared to that of Bantaeng District, the relationship of the District Government of Banyuwangi with the residents of Bongkoran Village and investors is poor, largely due to the unresolved land dispute between the residents of Bongkoran Village and PT Wongsorejo. The residents opposed the BIEW development plan, while the investors felt they were not assisted in the BIEW development process, and the government did not fulfil its promise of building supporting infrastructure. The District Government of Banyuwangi did not provide channels or mechanisms for citizens to provide input. The consultation on the BIEW development plan was done just once, and transparency was not apparent. Information about the BIEW development plan was not conveyed in a comprehensive and transparent manner.

In contrast, in Bantaeng District, the community responded well and reacted positively to the development of the industrial estate and port. The government provided sufficient channels and mechanisms for the citizens to convey their aspirations, with regular community consultation on the BIP development plan. The District Government of Bantaeng was said to be accountable and transparent, with nothing to hide from the stakeholders. Citizens were able to influence the District Government's actions, with information delivered to the community in a comprehensive and transparent manner.

In connection to policies and regulations governing investment, licensing and control of corruption, investment in the BIEW development in Banyuwangi District was hampered. When field research was conducted in Banyuwangi in 2017, there was only one investor involved in the BIEW development, and there were uncertain conditions as the development process had not run smoothly, and there was also residents' opposition. That one investor had only a principle permit, which was granted in 2014. Other permit applications had not been submitted due to delayed progression of the development.

In contrast, in Bantaeng District, there were at least 32 investors who were interested in investing their capital in BIP. Some of them had invested in real terms in the form of constructing industrial estate fences, industrial roads, nickel smelters, office buildings, workers' dormitories and docks for ships carrying raw materials. Many others were yet to commence activity but had signed an MoU with the District Government of Bantaeng and agreed to participate in the development of BIP. These investors had also actively recruited employees and sought permits such as Location Permits, Building Permits, Industrial Estate Permits and Industrial Business Permits, the processes for which, according to them, were facilitated by the District Government of Bantaeng. Investors had also freed up land owned by residents, the process of which had also been assisted by the District Government of Bantaeng and banks. In acquiring permits, investors felt that the implementation of policies and regulations governing control of corruption were effective, meaning they did not need to pay bribes or illegal levies.

These differences in the implementation of governance between the two district governments were influenced by a number of factors. This thesis discusses these factors in the next section based on fieldwork findings and links them to existing theories of governance, particularly in the context of Indonesian local government.

8.4.1 Factors influencing the successful implementation of governance indicators in Bantaeng District during the development of Bantaeng Industrial Park and Port Bonthain

The results of interviews and documentary research presented in chapters 5 and 6 show that there were four factors that influenced the successful implementation of the governance indicators in the process of developing an industrial estate and port in Bantaeng District. The four factors were (a) high level of political participation of the Bantaeng community; (b) the nature of the relationship between the District Government of Bantaeng and stakeholders; (c) strong collaboration between government and stakeholders; and, (d) small geographical size.

With regard to the **first** factor, fieldwork as well as document analysis, news media and the results of previous studies revealed that the Bantaeng community exhibits a high level of participation in political events (KPU 2015). The gathering of tens of thousands of people in the streets of Bantaeng to demand the incumbent district head to return to his position for a second term (Fahrudin 2017, p. 182) and the active involvement of the Bantaeng community in discussing local budgets in the local parliament (Interview with NGO Activist 2017) raised the District Government of Bantaeng's awareness that the voice of the Bantaeng community is very important in determining the course of the government and development of this district.

The study of Bantaeng suggests that the high level of political participation of citizens means that they expect the government to provide channels and mechanisms so they can be actively involved in the policy making process (Adibroto et al. 2013, p. 75). The Government's willingness to provide such channels and mechanisms indicates that they are accountable to citizens. This phenomenon is consistent with Krishnan's (2012, p. 1933) statement that citizens, through the voice and accountability mechanism, can ask the government to provide appropriate channels for deliberative and participatory decision-making regarding public policy.

In terms of regulatory quality, the high level of political participation of the Bantaeng community also assisted the implementation of this indicator, as it is easy to involve the community in formulating regulations in Bantaeng District. The openness of information between the executive, legislature and community makes the process of forming regulations related to the development plan of industrial estates and ports run smoothly (Bappeda Bantaeng 2014, p. 27, 56). As a result, many investors are attracted to Bantaeng because these regulations provide legal certainty and clarity for investors. The high levels of community participation in political events also facilitated the signing of a joint declaration to develop Bantaeng without corruption or illegal levies. This was confirmed by NGO activists in interviews with the researcher. From this declaration, it can be seen that the people and the District Government of Bantaeng both have a strong desire to eradicate corruption.

The **second** factor influencing the successful implementation of the three governance indicators in Bantaeng District is the nature of the relationship between the District Government and stakeholders. After Nurdin Abdullah was elected the relationship between the District Government and stakeholders improved. As discussed in Chapter 6, an interview with a DPRD member revealed that communication and exchange of information between the executive and legislature was efficient and was one of the main reasons that development activities in Bantaeng ran effectively. DPRD rarely had difficulty in obtaining information from the executive, and vice versa. The two government agencies in Bantaeng District consistently consult and coordinate with each other when formulating various local regulations, according to the DPRD member. An academic interviewed mentioned that the District Head often involved them in studies and drafting or regulations. NGOs said the same thing, revealing there was an MoU between the Bantaeng District Government and NGOs to provide assistance to SKPD programs and oversee their implementation.

Nurdin Abdullah's leadership and political will to implement accountability and transparency as a form of mutual trust between the District Government of Bantaeng and stakeholders has improved the relationship. His commitment to listening to the voices and aspirations of the community,

exemplified by the opening of his official residence every day so that the community can directly convey to him their problems, input, suggestions and aspirations, has influenced the behaviour of his subordinates to also listen to the voice of the community.

In the process of developing industrial estates and ports, the District Head emphasised the importance of conducting consultation and public meetings for relevant stakeholders. The District Head's emphasis on the importance of consultation and public meetings influenced the executive to follow suit, therefore, increasing the accountability of the District Government. This finding is in line with previous research in Bantaeng which found that Nurdin Abdullah's leadership played an important role in Bantaeng evolving from an underdeveloped region to a district undergoing rapid development; and in making Bantaeng a model of sustainable district development in Indonesia (Djafar 2013; Bappeda Bantaeng 2014; Aminah & Sutrisno 2015; Shiddiq 2017; Subowo 2017).

Regarding regulatory quality, the favourable relationship between the District Government and stakeholders influenced the way that regulations were made. In this case, an interview with NGO activists revealed that the District Government regularly sought perspectives of stakeholders, including the community, regarding proposals and draft regulations. Input and suggestions from stakeholders were accommodated and incorporated into various regulations, including regulations governing spatial planning, investment, licensing and control of corruption. For control of corruption, a good relationship between the District Government and stakeholders has made it easier for the District Government to develop and implement anti-corruption policies and programs. This relationship also makes it easier for the public to hold government officials to account when it comes to corruption in providing public services to stakeholders, especially the community and investors.

The **third** factor, strong collaboration between government and stakeholders, also has a significant influence on the successful implementation of the governance indicators. Through strong collaboration, stakeholders, especially the community, feel their opinions and efforts are valued, and they are acknowledged by the government. This was shown in the first phase of the industrial and port development process where the collaboration between the District Government, NGOs and the community was very strong. As stated previously, there are partnerships between NGOs and SKPDs (Regional Work Units) in which interaction positive and active, as there is mutual trust. NGOs often helped SKPDs in providing information to other NGOs from outside Bantaeng. NGOs and the community also frequently assisted in monitoring the construction of infrastructure projects in Bantaeng. NGOs could obtain information about infrastructure projects from the District Government. In discussing budget, NGOs and the community are almost always involved.

According to NGOs, the District Government is very transparent, even in discussions about the local budget. In the data collection process, NGOs and the community are two elements that are always involved by the government. This finding reflects the statement of Pierre and Peters (2005) that good governance can be produced by the government alone, but in often there is a need for collaboration with other stakeholders such as the legislature, NGOs, business groups, communities and voluntary organisations.

Related to regulatory quality, strong collaboration between the District Government and stakeholders enabled the efficient and effective process of policymaking. Because the people are involved in the process, they feel that regulations are made in accordance with their voice and interests, and are, therefore, more inclined to follow these regulations. Existing regulations are also believed to help solve problems that occur in Bantaeng and help create and maintain order in the district. Strong collaboration between the government and stakeholders has also made the implementation of corruption prevention and eradication policies easier. Through collaboration, in addition to stakeholders having a commitment to the prevention and eradication of corruption, they are also motivated to monitor the behaviour of government officials in providing services and to discourage corrupt behaviour.

The **fourth** factor influencing the successful implementation of the three governance indicators is the geographical size of the region. With Bantaeng District having a much smaller area than Banyuwangi District, it was easier for the District Government of Bantaeng to consult with the community in relation to the development of industrial estates and ports. The smaller geographical area also allowed officials in Bantaeng to hold more frequent public forums for information dissemination. As a region with few remote areas, the delivery of information to the public is not as complex as it might be in the case of Banyuwangi, which has many remote areas and where the distance from one sub-district/village to another can be quite far. The location of BIP from the centre of Bantaeng City is not far compared to the distance between BIEW and Banyuwangi City. This made coordination simpler in Bantaeng.

The small geographical size of Bantaeng District made it easy for the District Government to gather stakeholders when they wanted to discuss policies or regulations. This also enables efficient dissemination of these policies and regulations to stakeholders thus improving regulatory quality. The same applied in control of corruption, where corruption prevention and eradication policies and programs were easily conveyed to all stakeholders due to the small size of Bantaeng District.

8.4.2 **Factors influencing the less successful implementation of voice and accountability and regulatory quality in Banyuwangi District during the development of Banyuwangi Industrial Estate Wongsorejo**

In Banyuwangi the implementation of voice and accountability and regulatory quality in the development process of the BIEW was much less successful than in Bantaeng. The implementation of control of corruption, as explained in Section 8.1, could not be assessed by the researcher because the development process had not yet commenced. In the case of the development of Port Tanjung Wangi, as responsibility for developing this port was under the authority of PT Pelindo III, a private company, the researcher faced similar challenges because relevant information was unavailable. Therefore, in this section, the discussion will focus only on indicators of voice and accountability and regulatory quality in the development process of BIEW..

In Banyuwangi, the implementation of voice and accountability and regulatory quality was also influenced by four factors, namely (1) the long-standing land dispute between Bongkoran Village, PT Wongsorejo and the District Government; (2) the nature of the relationship between the District Government of Banyuwangi and stakeholders; (3) poor collaboration between government and stakeholders; and, (4) larger geographical size.

First, long-standing land disputes between residents of Bongkoran and the investor, PT Wongsorejo, influenced the implementation of two governance indicators during the development process of BIEW. This conclusion is drawn from many media sources and confirmed by participants such as executives, legislators and investors interviewed. As long as the land dispute continued, the voices of the residents of Bongkoran would not be conveyed adequately because the District Government of Banyuwangi chose not to listen to their perspectives. This was because the District Government did not want to be directly involved and avoided this complex problem. The actions of the District Government in responding to the land dispute, such as ignoring or delaying settlement (Anwar et al. 2016; Interview with an official of Bappeda Banyuwangi 2017), applying pressure through legal instruments and not prioritising people's rights is reflected in Rachman's (2016, in Sholahudin 2018, p. 270) research about the characteristics of powerholders when facing agrarian conflict.

The continuing land dispute also made the District Government reluctant to conduct further consultation regarding the development plan of BIEW. An interview with a Banyuwangi resident who had followed the Bongkoran dispute revealed that the District Government had only once, in 2014, conducted consultation on the BIEW development plan. The researcher argues for as long as the land dispute continued the community would continue to oppose the plan to develop the industrial estate. This made the District Government's level of communication and accountability

low in the eyes of Bongkoran Village residents. The unresolved land dispute also meant PT Wongsorejo was unable to carry out any development, hampering the development of BIEW.

Related to regulatory quality, the ongoing land dispute meant existing regulations governing spatial planning, investment and licensing were ineffective in encouraging acceleration of the BIEW development. At the time of fieldwork in Banyuwangi in 2017, PT Wongsorejo was the only investor interested in investing capital in the development of the industrial estate. Many others were waiting for the land dispute to be resolved so that it would be easier for them to make the decision to invest in BIEW. As the conflict was ongoing, they were unsure of the security of their potential investment. The land dispute also meant PT Wongsorejo had not yet managed to obtain permits other than the Principle Permit they already had. According to them, seeking other permits was pointless if the dispute meant the development could not be realised.

The **second** factor influencing the less successful implementation of voice and accountability and regulatory quality was the nature of the relationship between the District Government and stakeholders, especially Bongkoran residents, and the investor. When first appointed as District Head in 2010, Abdullah Azwar Anas inherited a poor relationship with the people of Bongkoran as a result of the land dispute which the previous District Government had been unable to resolve. Abdullah Azwar Anas chose not to be involved in the conflict resolution process, instead asking residents to resolve the conflict with PT Wongsorejo themselves (Anwar et al. 2016). The poor relationship between the District Government and the residents of Bongkoran caused strong opposition to the BIEW development plan. They continued to voice their demands for management rights to 220 hectares of land, while demanding that the government cancel the BIEW development. They also conducted a series of demonstrations and took a number of actions that triggered conflict with PT Wongsorejo and security forces. Poor relations between the District Government and the investor diminished the investor's respect for the government. The failure of the District Government to fulfill its promises to provide supporting infrastructure and lack of assistance and facilities provided to the investor eroded the investor's trust in the District Government.

With respect to regulatory quality, the poor relationship between the District Government and the investor made existing regulations related to investment and licensing ineffective in the case of the BIEW development. The Banyuwangi District Government had not invited other investors to invest in the development and they also did not encourage PT Wongsorejo to seek further permits needed to accelerate the process of developing the industrial estate.

The **third** factor, poor collaboration between government and stakeholders, also had a significant influence on the implementation of voice and accountability and regulatory quality in Banyuwangi

District. The District Government's lack of desire to establish collaboration with the DPRD and NGOs, for example, caused delay in the dispute resolution process. DPRD, according to the investor interviewed, once visited the investor to assess the progress of the industrial estate development but they were not accompanied by officials from the District Government (Interview 2017). This shows that they did not work collaboratively to address ongoing disputes. In 2012, the Wongsorejo Resort Police met with parties related to land disputes including the investor, Bongkoran residents, the National Land Agency and DPRD and made a decision to give 50 hectares of land to the Bongkoran farmers, an offer later rejected by residents of Bongkoran (Kabarbanyuwangi 2012). No representative from the District Government attended the meeting. This shows poor collaboration between the Government and stakeholders, which causes the public to lose trust that the government will represent their interests. Poor collaboration also makes investors less likely to continue the development process. Investors are reluctant to move forward if they feel their requests are not being heard by the Government. Regarding regulatory quality, poor collaboration between government and stakeholders diminishes investors' respect for existing regulations as the District Government failed to provide the supporting infrastructure promised. Fulfilling such obligation may make investors more inclined to continue the development of BIEW.

Fourth, the larger geographical size of Banyuwangi District also contributed to the implementation of governance indicators in Banyuwangi. The vast area of Banyuwangi District and the long distance between the centre of Banyuwangi City and the location of the industrial estate made it difficult for the District Government to conduct public consultation to seek constructive suggestions and input related to infrastructure development. This was also inhibitive for officials in holding more frequent public forums for information delivery. As a region with many remote areas, the dissemination of information to the public in Banyuwangi District is more complex than in Bantaeng District, which has fewer remote areas, making coordination more complicated. Regarding regulatory quality, the large area of Banyuwangi District made it difficult for the District Government to meet with stakeholders about policies and regulations and later disseminate information on these policies and regulations.

8.5 Importance of Voice and Accountability, Regulatory Quality, and Control of Corruption in Infrastructure Development in Bantaeng and Banyuwangi Districts

Of the four infrastructure projects that are case studies in this thesis, only BIP and Port Tanjung Wangi already had a clear physical form. Meanwhile, physical development of Port Bonthain and BIEW had not yet begun. In spite of this, the implementation of voice and accountability, regulatory quality and control of corruption are important to local governments being able to develop

infrastructure despite limited fiscal capacity. Three reasons that make the implementation of voice and accountability, regulatory quality and control of corruption important are: (1) they help local governments align the voices, aspirations and interests of stakeholders, particularly the community, with those of investors; (2) they help inform policies and regulations that attract and support investors to invest; and, (3) they help boost investors' confidence that their investment will be safe from corrupt practices.

Developing infrastructure requires strong support from stakeholders in that region and, without that support, particularly from the local community, it is unlikely that infrastructure development will run smoothly. When infrastructure development relies on investor finance, the interests of investors also need to be considered. It is the duty of local governments to find balance between the interests of investors and the community to realise infrastructure development. Involvement of stakeholders such as the legislature, NGOs and the community in the policy-making and infrastructure development process is also important to increase mutual understanding and trust between the parties involved. The OECD (2014, p. 8) states that support for specific investment projects will be obtained if the government informs and engages stakeholders in each stage of policy-making and infrastructure development.

In Bantaeng, a series of intensive meetings and discussions between the District Government and stakeholders, especially the Bantaeng community, aimed to convey information about the development plan of the industrial estate and port and seek community perspectives. This helped the District Government to align the interests of the community and investors. An example of this was the ease of land acquisition whereby the agreed price was seen as reasonable to the community and affordable for investors. The willingness of the District Government to provide a discussion forum between the community and investors to discuss land prices resulted in a successful negotiation process. When the community expressed desire to be involved in the process of developing industrial estates and given opportunities to work in industrial estates, these two requests were fulfilled by investors. The three-party meeting forums between the District Government, stakeholders and investors proved to be effective in connecting the voices and aspirations of stakeholders with the desires and interests of investors, providing feedback and building mutual trust between them. Finally, the openness, accountability and transparency of the Bantaeng District Government also greatly assisted investors in realising their investments quickly.

In contrast, the District Government of Banyuwangi failed to harmonise the voices and aspirations of stakeholders, especially residents of Bongkoran Village, with the interests of the investor, PT Wongsorejo. This was mainly due to a prolonged and unresolved land dispute, and the District

Government lacking the political will to provide a solution. The lack of meetings and discussions between the District Government, stakeholders and investors to resolve disputes and convey information about the development plan of the industrial estate contributed greatly to the failure to realise the development objectives.

The District Government failed to accommodate the request of the residents of Bongkoran to cancel, or at least postpone, the development until the community was ready. Their request to meet with the District Head to discuss dispute resolution was also not granted and in conflict with PT Wongsorejo who wanted to immediately realise the development of BIEW. The absence of a meeting forum between the District Government, stakeholders and investors played a significant role in the Government's failure to harmonise the interests of stakeholders with those of investors. Finally, the lack of openness, accountability and transparency of the District Government in the development process of BIEW diminished investors' enthusiasm and hopes to realise their investments quickly.

The regulatory quality practiced by the District Government of Bantaeng had resulted in policies and regulations that were effective in attracting and supporting investors to invest in industrial estates. This was evidenced by the investors interviewed who stated that their decision to invest in Bantaeng was mainly due to the District Government's policies that strongly supported industrial estate development, with many facilities provided to investors. Good policies and regulations governing investment and licensing such as the *Perda* on Spatial Planning and several *Perbup* on Licensing and Investment provided investors with convenience in realising their investment in Bantaeng. It also greatly assisted in acquiring the permits needed to develop nickel smelters. The KILK program, automatic permit renewal and express permits inspired investor confidence in Bantaeng.

Conversely, in Banyuwangi, poor implementation of regulatory quality by the District Government made otherwise good policies and regulations ineffective in attracting and supporting investors to develop industrial estates. The investor clearly said that *Perda* 2/2015 regarding Provision of Incentives and Provision of Investment Ease was not well implemented, and the District Government's promises to provide the required supporting infrastructure was not kept. The investor felt that the District Government did not provide optimal assistance to them in developing BIEW, stating that support in providing necessary infrastructure was minimal or non-existent. The *Perda* regarding Licensing was also ineffective, with the investor reluctant to seek additional permits due to uncertainty.

Control of corruption exercised by the District Government of Bantaeng significantly increased investor confidence. The District Government of Bantaeng was considered by investors to be very open and transparent, making them confident that their investments were secure. Measures including land payment system conducted through the bank directly to the land owner, minimum government interference in the construction of smelters and factories, a transparent licensing system, no illegal levies and transparent land and building measurement process, BIP investors felt very comfortable and well assisted, and their trust in the District Government of Bantaeng increased. Sound anti-corruption policies and programs implemented by the District Government of Bantaeng, such as the Illegal Levy Eradication Task Force, the Transparent and Anti-Illegal Levy Service, complaint boxes and regular services evaluations further strengthened investor confidence. Lastly, the declaration to develop Bantaeng without corruption and illegal levies by the District Government and all stakeholders in Bantaeng dispelled investors' fears that their investments would encounter corrupt practices.

In addition to explaining the importance of the three governance indicators above in infrastructure development in the two research locations, this subsection also explains why the analysis of the BIEW and Port Tanjung Wangi cases is still important even though the results of field research found that not all governance indicators (especially control of corruption) in both cases, the implementation can be investigated because the infrastructure development has not yet proceeded.

This thesis, since its inception, has the aim of investigating how governance practices of local governments create conditions for investors to invest in infrastructure development in the regions; the way is by comparing the governance practices applied by the two local governments. To achieve this goal, this study selected two locations as research sites and used the comparative analysis method as a method to test the hypothesized causal relationship between variables based on the same logic.

Because it uses a comparative method, the analysis of the two research locations (Bantaeng and Banyuwangi districts) and the cases selected in these two locations (industrial estates and ports development) are two important things and must remain in this thesis to maintain sustainability and ensure the achievement of the objectives of this study. Removing one of the two locations and the cases in it will change the nature of this thesis from a previously comparative one to a single case study; and that is not something the author and this study considered.

Furthermore, in my view, the analysis of BIEW and Port Tanjung Wangi (in Banyuwangi District) remains important because they both provide comparisons to good governance practices being implemented and/or carried out by another local government (Bantaeng District).

In this context, if the case of the development of Bantaeng Industrial Park (BIP) and Port Bonthain in Bantaeng District is an example of the implementation of good governance practices, then the case of the development of BIEW and Port Tanjung Wangi is an example of the implementation of poor governance practices by a local government, causing infrastructure projects that were planned were delayed in launch or did not go according to the plan. Without the analysis of BIEW and Port Tanjung Wangi, readers will not be aware of the poor practices of governance of voice and accountability, regulatory quality, and control of corruption by a local government which has an impact on infrastructure development in the region.

8.6 Conclusion

Research findings for Bantaeng District and Banyuwangi District have been discussed and analysed theoretically in this chapter. Overall, this thesis found that voice and accountability, regulatory quality and control of corruption were well implemented in Bantaeng District. Several things that support the good implementation of the three governance indicators in Bantaeng District included, among others, the persuasive approach with the Bantaeng community by the District Government of Bantaeng and investors; high levels of accountability and transparency; ability of citizens to influence the District Government; the capacity of the District Government of Bantaeng to formulate and implement good policies and regulations; and, lastly, the implementation of effective measures to prevent and eradicate corruption.

In Banyuwangi District, on the other hand, the implementation of voice and accountability, regulatory quality and control of corruption was not optimal in the development process of BIEW. Ongoing land disputes, the absence of a persuasive approach, low levels of government accountability and transparency, as well as low levels of incorporation of community input and the District Government of Banyuwangi's lack of ability to implement good policies and regulations were several factors that influenced the poor implementation of these three governance indicators in Banyuwangi.

The findings of this thesis strengthen the evidence that good governance practices improve the quality of decentralisation, especially in terms of the ability of local governments to develop infrastructure despite having limited fiscal capacity. Furthermore, it also provides evidence that voice and accountability, regulatory quality and control of corruption play a significant role in driving investment flows into a country or region.

CHAPTER 9 CONCLUSION

9.1 Introduction

This chapter outlines the major findings of this thesis. The first section summarises the major findings of this study obtained from the analysis and discussion of this thesis. The implications of this research on the subject of governance, specifically local governance and the way the government attracts investors to help develop infrastructure, are discussed in the second part. The third part elaborates on some limitations of this study and presents recommendations for future research.

In Chapter 1, three research questions were posed:

1. How do local governments practice and implement voice and accountability, regulatory quality and control of corruption in the development process of industrial estates and ports?
2. How do these local governments differ in terms of the implementation of voice and accountability, regulatory quality and control of corruption for these specific infrastructure projects?
3. What factors influence the difference?

9.2 Summary of Major Findings

The chapters above revealed both the similarities shared and differences between the two sites regarding the application of the three governance indicators in the development of industrial estates and ports. Furthermore, an analysis was also carried out to determine the importance of good implementation of the three governance indicators in relation to the success of the local government's objective to attract investors to invest in infrastructure development in their regions.

The district governments of Bantaeng and Banyuwangi share similarities. Both prepared policies and regulations governing spatial planning, investment, licensing and control of corruption. Furthermore, both also prepared a master plan for industrial estate development. The slight difference is that the District Government of Bantaeng prepared a master plan for port development themselves, while in the context of Banyuwangi, the master plan for port development was prepared by a third party, namely, PT Pelindo III, which has the authority to manage the port in Banyuwangi.

This study produced two major findings which were obtained from in-depth interviews and documentary research. The **first** major finding shows that the implementation of voice and accountability, regulatory quality and control of corruption worked well in Bantaeng District. On

the other hand, the practice of voice and accountability and regulatory quality in Banyuwangi District was not optimal, and the implementation of control of corruption cannot yet be identified, as the process of developing industrial estates and ports has not begun.

The implementation of voice and accountability, regulatory quality and control of corruption during the infrastructure development process affects investors' willingness to invest in the region. In Bantaeng District, the good implementation of these three governance indicators has attracted many investors to invest capital in the development of Bantaeng Industrial Park. On the contrary, the poor implementation of voice and accountability and regulatory quality in Banyuwangi District has decreased investor interest and caused them to refrain from investing in the development of Banyuwangi Industrial Estate Wongsorejo. The implementation of voice and accountability, regulatory quality and control of corruption is important in the process of developing industrial estates and ports because it helps to align citizens' voices and aspirations with investors' desires and interests, create policies and regulations that attract investors and convince investors that their investment will be safe from corrupt practices.

The **second** major finding of this study shows that the implementation of voice and accountability, regulatory quality and control of corruption in the two locations differs, and that it is influenced by several factors. In Bantaeng District, the good implementation of these three governance indicators is influenced by the high level of political participation of the Bantaeng community; the nature of the relationship between the District Government of Bantaeng and the stakeholders; strong collaboration between government and stakeholders; and smaller geographical size. On the other hand, in Banyuwangi District, the long-standing land dispute between the people of Bongkoran Village and PT Wongsorejo and the district government; the nature of the relationship between the District Government of Banyuwangi and stakeholders; poor collaboration between government and stakeholders; and larger geographical size are four factors that influenced the poor implementation of voice and accountability and regulatory quality in this district.

There is a **third** finding of significance. The existence of a conflict or dispute, in this case a land dispute, can greatly influence the interest of investors to invest in a region, therefore affecting the sustainability of the development of infrastructure projects. The Banyuwangi land dispute illustrates the importance of resolving conflicts/disputes in the initial stages of the construction of an infrastructure project. The local government's indifference to this effort, whether conscious or not, has a major impact on the process of infrastructure development, one that is actually detrimental to the local government and stakeholders themselves. This happened in the case of Banyuwangi Industrial Estate Wongsorejo.

In addition to the issue of the existence of conflict/dispute, it is also important to note the steps undertaken by the local government in helping to manage the conflict or potential conflict. The actions undertaken by the District Government of Bantaeng to manage potential conflicts could be used as an example for other regions in Indonesia in terms of land acquisition to develop infrastructure. These included facilitating direct meetings between the resident who owned the land and investors to discuss land prices after previously providing clear limits on the maximum land price that the community may propose and involving other parties such as banks in the process of land payments to minimise opportunities for corrupt behaviour by government officials.

Also, local governments need to listen to the voices and aspirations of the people so that they can work to align the interests of the community with the interests of investors. They also need to improve their approach to conflict resolution and be willing to make serious efforts to improve their relations with stakeholders, especially the community and investors.

Confirming previous studies in Indonesia, this research has shown that the openness of information between government and stakeholders is important, as is accountability and transparency as part of mutual trust and mutual understanding between government institutions and stakeholders. Strong ability to formulate policies and regulations must be balanced with the ability to implement these policies and regulations properly so that set objectives can be achieved. On the other hand, the leadership of a regional head needs to be balanced with strong political will to solve problems that occur in the community. Finally, the application of control of corruption reinforces the decision of the investor to invest their capital because they believe their investment will be safe from corrupt practices.

9.3 Implications of the Research

There are three primary implications of this research. The first is related to the characteristics of power holders (in this case local governments) in dealing with and managing cases of agrarian conflicts (for example land disputes); second, the relationship between government and stakeholders; and third, the importance of good local leadership.

First, the dispute resolution process conducted by the District Government of Banyuwangi tends to be similar to the general characteristics of power holders in Indonesia when facing cases of agrarian conflict, namely ignoring or delaying settlement, facing conflicts with power (the use of apparatus power), applying pressure through legal instruments, and not prioritizing the rights of the people affected by the case. Power holders are more likely to put their interests or capital owners/investors first by listening more to their voices and using formal state law to dominate or subordinate local

legal rules. The voice of the community, claiming to have land rights based on mutually agreed local rules and/or laws, was ignored.

The research of Anwar et al. (2016) and Rachman (2016, in Sholahudin 2018) found a similar pattern in many agrarian conflicts that occurred in Indonesia. The findings of this study differ in that Banyuwangi is a district that has carried out many reforms and improvements in its governance and has created various innovations in its public services. Banyuwangi District also has many achievements related to the implementation of good governance and has sufficient capacity to practice good governance. In the case of the Bongkoran land dispute, the lack of political will from the Banyuwangi District Government, especially the district head, is one of the most important factors.

This finding implies that such characteristics still exist in some local governments in Indonesia. The implication of this is that local governments need to be able to change the characteristics of such conflict management in order to achieve greater goals. The old characteristics that listen more to the voice of the owners of capital/investors can be changed into a characteristic that touches the hearts of the people and listens to their voices, aspirations and interests. In this case, the strong desire and political will of the District Government of Banyuwangi to be more willing to go to the field and approach the community to consult directly in order to reach a mutually agreeable solution, would be beneficial and very helpful in their efforts to resolve this problem and achieve the desired development goals.

The **second** implication is the importance of maintaining good governmental relationships and correcting them immediately when conditions are bad or worsening. The case in Banyuwangi District shows that a poor relationship between the local government and stakeholders will influence investors' interest to invest and negatively impact the sustainability of industrial estate development if it is not immediately corrected. In the case of Bantaeng District, the efforts of the District Government of Bantaeng, under the leadership of Nurdin Abdullah to improve relations with stakeholders had a positive impact on the Bantaeng Industrial Park development plan. The Bantaeng community was happy to accept the industrial estate development plan, while investors are more likely to invest in this district because they feel well-treated by the District Government of Bantaeng.

In the context of the current study, collaboration between the District Government of Bantaeng and stakeholders such as the legislature, NGOs, academics and local communities has been effective in improving government accountability and transparency in the process of developing industrial estates and ports. All of these stakeholders claimed that it was easy to obtain information about the

industrial estate and port development plan from the government, while, at the same time being able to help the government to disseminate information to other parties who needed it. During the Bantaeng Industrial Park development process, local communities provided information to the Ministry of Industry, which was seeking data and information to prepare a master plan for industrial estates. NGOs, meanwhile, provided information on infrastructure development plans in Bantaeng District.

With respect to good relations and collaboration between the District Government of Bantaeng and stakeholders, this study found that the District Government of Bantaeng considered these two things important and, therefore, was serious about implementing them in the process of developing industrial estates and ports. The good relationship and active collaboration between the Bantaeng District Government and stakeholders is also one of the factors that influenced investors' decisions to participate in the development of industrial estates. Comparing it with the case in Banyuwangi District in the development process of Banyuwangi Industrial Estate Wongsorejo, where the relationship between the government and stakeholders was not going well and where there was little collaboration, this study provides evidence that change is urgently needed. The implication of this is that the government needs to think about changing the assessment of these two matters and prioritizing them in order to aid in their efforts to attract investors who will assist them in building infrastructure in their region. By making it an important issue, there will be a strong push for the government to improve relationships and undertake effective collaboration aimed at expediting the process of developing industrial estates in Banyuwangi.

The **third** implication of this research is the idea that leadership plays a substantial role in implementing governance to attract investors to invest in infrastructure development in the region. In Bantaeng District, Nurdin Abdullah played a significant role in encouraging the implementation of voice and accountability, regulatory quality and control of corruption in the process of developing industrial estates and ports. His strong desire to carry out his obligations to develop infrastructure and his astute awareness that it would not succeed without the support of stakeholders made him active in involving the legislature, NGOs, academics and the community in every decision-making process and in each stage of the two intended infrastructure developments. His initiative and direction were followed by his subordinates and bureaucrats in Bantaeng District and were reflected in the way in which executive institutions such as SKPDs and the departments often held meetings with stakeholders, especially the community, in the form of socialisation, consultation and public hearings related to the planned development of Bantaeng Industrial Park and Port Bonthain.

In contrast, in Banyuwangi District, Head Abdullah Azwar Anas, who also displays strong leadership, chose a different approach in the case of industrial estate development. Due to the complexity of the problems that exist in the Banyuwangi Industrial Estate Wongsorejo development process, he chose not to listen to the voices of the community and also did not encourage his bureaucrats to conduct frequent consultation with the community regarding the industrial estate development plan. He chose to avoid complicated problems. Because their voices were not heard, the Banyuwangi community, especially the residents of Bongkoran Village, chose to fight, making it difficult for investors to carry out development activities. The long-standing dispute diminished the effectiveness of Abdullah Azwar Anas' leadership style as he did not find solutions to problems. To achieve better results in the future, a change in his leadership style to suit the case at hand would be required. A higher priority for industrial estate development also has the potential to improve welfare in the region. The implication of this is the courage of the district head to take risks in the face of complex problems. With the industrial estate where construction has been delayed years from the initial stipulation, strong cooperation between the warring parties will assist the Banyuwangi District Government in taking the next steps that can start and accelerate the industrial estate development process.

9.4 Limitations and Delimitations of the Research, and Recommendations for Future Research

As with all research, this project certainly has some limitations. **First**, this study only focused on the **process** of infrastructure development and has not covered the **impact** of infrastructure development in the region. Comprehensive further research is needed to evaluate the impact of infrastructure projects in order to answer questions such as: Does the development of industrial estates and ports contribute to increasing economic growth in the area? To what extent does it contribute? Does increasing production capacity, as a benefit of the presence of industrial estates and ports, have an impact on increasing production factors such as increasing labour demand, increasing income from taxes received and encouraging the growth of other economic activities? With the increasing number of investors requiring rapid action in order to immediately build infrastructure, can control of corruption be maintained? Finally, will the change of regional leadership, as happened in Bantaeng District, affect the implementation of governance indicators and the continued development of infrastructure?

Second, this research focused only on the infrastructure sector and has not touched on other sectors such as the tourism, trade and retail sectors, e-commerce businesses including start-ups, agriculture and technology, that also have the potential to attract investors. Further research is required to ascertain whether the good implementation of governance will also influence investors' decisions to

invest in these sectors. In the Banyuwangi context, the author's brief research of government documents and news in the media found that there was a fairly strong relationship between governance reforms carried out by the District Government of Banyuwangi in the tourism sector and investor interest in investing in this sector. In the Bantaeng context, further research is needed to examine whether there are similarities with the case that occurred in Banyuwangi.

Third is that this research was conducted only at the district level. More extensive research involving greater levels of government, such as provinces and cities, is recommended to capture a broader picture of the implementation of governance indicators at different levels. In addition, this research cannot be generalised to other cases where different local governments also carry out infrastructure development where funding is sourced from investors. In order to obtain a more complete picture of the importance of implementing voice and accountability, regulatory quality and control of corruption during the infrastructure development process in order to attract investors, more cases are needed for future research.

Finally, the **fourth** delimitation of this research is that it was only carried out in two districts which, in the past few years, were known for their rapid development, often made headlines in various national media because of their achievements and were recognised as having strong leaders. It would be very interesting for future studies to also involve other districts whose development was relatively insignificant, were rarely reported in the national media and had leaders with lesser capacity. In a number of reports, news often emerged from these regions related to the governance reforms they were undertaking and new innovations in public services that were previously unthinkable.

To conclude, even though there are still many shortcomings in its implementation, the journey of decentralisation in Indonesia continues. Improvements continue to be made by both the central and local governments with the ultimate goal of creating a more decentralised system for Indonesia. To achieve this goal, the implementation of good governance is needed to support the implementation of decentralisation programs. As shown by this thesis, in the context of infrastructure development, when local governments have limitations in carrying out these mandatory functions independently, good implementation of voice and accountability, regulatory quality and control of corruption is very beneficial in attracting investors. During the process of infrastructure development good practice would include providing space for stakeholders, especially the public, to express their voices and aspirations, to be involved in the policy making process and to be involved in the infrastructure development process itself. Sound policies and regulations strengthen the implementation of three governance indicators, while investors will be more convinced by a

sustainable anti-corruption approach that ensures the security of their investments. Lastly, in order to realise infrastructure development in the era of decentralisation, local governments must be more willing to take risks in facing complex problems as there are other interests that are greater and more profitable for their regions waiting to be realised.

Through this research project, the three questions posed in Chapter 1 and again at the start of this chapter have now been answered.

APPENDICES

Appendix 1: List of Improved Government Regulations and New Regulations to Support the Acceleration of Infrastructure Development in Indonesia

Issues	Regulations	Information
Public Private Partnership (PPP)	Presidential Regulation 38/2015	Public Private Partnership (PPP) in the Provision of Infrastructure
	Minister of Finance Regulation 190/2015	Payment of the Availability of Services Within the Framework of PPP in the Provision of Infrastructure
	Minister of National Development Planning Regulation 4/2015	Procedures for Implementing PPP in the Provision of Infrastructure
	Regulation of Head of Agency for Policy on Goods/Services Procurement (LKPP) 19/2015	Procedures for Implementing PPP Procurement in the Provision of Infrastructure
Acceleration of the Provision of Priority Infrastructure	Presidential Regulation 75/2014	Acceleration of the Provision of Priority Infrastructure
	Coordinating Minister of Economic Affairs Regulation 12/2015	Acceleration of the Provision of Priority Infrastructure
	Presidential Regulation 3/2016	Acceleration of the Implementation of National Strategic Projects
	Presidential Instruction 1/2016	Acceleration of the Implementation of National Strategic Projects
Land Procurement	Law 2/2012	Land Acquisition for Development for Public Purposes
	Government Regulation 40/1996	Rights to Exploit, Rights to Build and Rights to Use Land (<i>Hak Guna Usaha, Hak Guna Bangunan dan Hak Pakai atas Tanah</i>)
	Presidential Regulation 71/2012	Implementation of Land Procurement for Development for Public Purposes
	Presidential Regulation 30/2015	Third Amendment to Presidential Regulation 71/2012 on Land Procurement for Development for Public Purposes
	Coordinating Minister of Economic Affairs Decree 4/2016	Working Team for the Acceleration of Land Procurement for Priority Infrastructure
	Minister of Agrarian and Spatial Planning Regulation 9/1999	Procedures for the Granting and Cancellation of Rights to State Land and Right to Manage
	Head of Agency for National Land Regulation 5/2011	Procedures for Using State Land as Former Abandoned Land
Infrastructure Guarantee	Presidential Regulation 78/2010	Infrastructure Guarantee in PPP Projects Provided through Infrastructure Guarantee Fund
	Minister of Finance Regulation 260/2010	Procedures for Implementing Infrastructure Guarantee in PPP Projects
Preparation and Implementation of Transactions	Minister of Finance Regulation 265/2015	Facility for the Preparation and Implementation of PPP Projects Transactions in Providing Infrastructure
Management of State-owned Property	Government Regulation 27/2014	Management of State-owned or Regional-owned Property
	Minister of Finance Regulation 164/2014	Procedures for Utilisation of State-owned Property in the Framework of Infrastructure Provision
	Minister of Finance Regulation 65/2016	Amendment to Minister of Finance Regulation 164/2014 on Procedures for Utilisation of State-owned Property in the Framework of Infrastructure Provision
	Minister of Finance Decree 102/2016	Partial Delegation of Authority of Minister of Finance as Users of Goods to Head of Bureau of Equipment under Secretariat General of Ministry of Finance for and on behalf of Minister of Finance to Sign Planning Documents for State-owned Property Needs
Appointment of State-owned Enterprises as Construction Service Provider	Government Regulation 29/2000	Construction Service Provider
	Government Regulation 79/2015	Second Amendment to Government Regulation 29/2000 on Construction Service Provider

Sources: Ministry of Finance; Coordinating Ministry of Economic; Ministry of National Development Planning; KPPIP; LKPP; PT SMI.

Appendix 2: Fiscal, Institutional, and Regulatory Reforms

	Items	Objectives	Facilities
Fiscal	1. Project Development Fund (PDF)	<ol style="list-style-type: none"> 1. The alignment or integration of the process of providing facilities; 2. Improving the effectiveness of PPP Project Preparation and/or the implementation of PPP Transactions to meet the expected quality and to achieve the designated time 3. Establishing the standardized study and/or documents needed in PPP Project Preparation and/or the implementation of PPP Transactions; and 4. Supporting the progress of future PPP implementation. 	<ol style="list-style-type: none"> 1. Feasibility Support; 2. Infrastructure Guarantee; and 3. The implementation of investment return scheme.
	2. Viability Gap Fund (VGF)	<ol style="list-style-type: none"> 1. Improving the project's financial feasibility in order to generate private interest and participation; 2. Increasing the certainty of procurement/auction of infrastructure projects to be in line with the expected quality and time; and 3. Realising public infrastructure services at the rates affordable by the community. 	<ol style="list-style-type: none"> 1. Cash support to PPP projects for a certain portion of all construction costs that do not dominate in nature, which include; <ul style="list-style-type: none"> • Cost of construction; • Cost of equipment; • Installation fee; • Interest cost on loan applicable during the construction period; and • Other construction related costs. But excluding the cost of land acquisition and tax incentives.
	3. Availability Payment (AP)	<ol style="list-style-type: none"> 1. Ensuring the continued availability of quality services to the community; 2. Optimizing the value of State Budget/Regional Budget (value for money); 3. Providing investment return schemes that attract business entities to cooperate with the Government in providing services to the public through PPP. 	<ol style="list-style-type: none"> 1. Annuity payment through State Budget mechanism for PPP of the Central Government; and 2. Annuity payment through Regional Budget mechanism for PPP of the Regional Government
	4. Land Revolving Fund	<ol style="list-style-type: none"> 1. Overcoming the slow process of land acquisition for toll road projects. 	<ol style="list-style-type: none"> 1. Revolving Fund (funded by State Budget) and only serves as a bailout fund to accelerate the process of land procurement for the construction of toll roads.
	5. Tax Holiday for Corporate Income Tax	<ol style="list-style-type: none"> 1. Attracting business entities to invest new capital in the sectors that categorised among other as pioneer industries (upstream metal industry), oil refinery industry, and basic organic chemical industry. 	<ol style="list-style-type: none"> 1. Income received or accrued from the main business activities, which are the pioneer industry; and 2. Awarded at most 100% and at least 10% of the amount of Corporate Income Tax payable.
Institutional	1. The establishment of PT Sarana Multi	<ol style="list-style-type: none"> 1. To conduct financing in the form of funding for infrastructure projects; 	<ol style="list-style-type: none"> 1. Infrastructure financing and investment in the

	Infrastruktur (SMI) (2009)	and 2. To support the acceleration of infrastructure development	form of assisting the preparation of infrastructure projects; 2. Provision of consulting services; and 3. Project development.
	2. The establishment of the Indonesia Infrastructure Guarantee Fund (IIGF) (2009)	1. To provide guarantee on PPP projects in the field of infrastructure; 2. To accelerate infrastructure development by providing contingent guarantee support on risks caused by Government's action or inaction; and 3. To build relevant international experience involving the use of Government's guarantees to utilise private infrastructure financing.	1. Assessing, preparing, and processing claim payments and providing guarantees for PPP projects in Indonesia.
	3. The establishment of PT Indonesia Infrastructure Financing (IIF) (2010)	1. To become an infrastructure financing company that can strengthen the availability of infrastructure financing source with long term tenor characteristics; and 2. To provide financing for commercially viable infrastructure projects.	1. Debt instruments; 2. Equity participation; and 3. Underwriting of infrastructure financing (credit enhancement).
	4. The establishment of Committee for Acceleration of the Provision of Priority Infrastructure (KPPIP) (2014)	1. A coordinating unit in decision-making to encourage resolution of problems raising from ineffectiveness of the coordination of various stakeholders; 2. A point of contact in the implementation of coordination for the debottlenecking of the National Strategic Project and Priority Project.	1. Implementing the quality standard of Pre-Feasibility Study (OBC) and conducting revision/re-do process as necessary; 2. Establishing a list of priority projects; 3. Determining the scheme and sources of funding for projects identified as priorities; 4. Monitoring and debottlenecking; 5. Mapping of strategies and policies in the infrastructure sector; and 6. Providing facility to increase the capacity of institutional apparatus related to the provision of priority infrastructure.
	5. The formation of Public Service Agency of the State Asset Management Agency (BLU LMAN) (2016)	1. To provide service to the public in the field of government's property management and land acquisition funding.	1. Asset management/property management; 2. Advisory services; and 3. Land acquisition funding.
Regulatory	1. Fourteen Economic Policy Packages	1. To reorganise the Indonesian regulations that hamper economic growth (deregulation); 2. To reorganise the Indonesian bureaucracy; and 3. To provide incentives to strengthen the investment; and 4. To create more conducive economic climate in Indonesia.	1. Speed up licensing/permits bureaucracies; 2. Strengthen legal certainty for land ownership; 3. Clarify the procedures and completeness of documents; 4. Granting investment permits in industrial estates;

			<ol style="list-style-type: none"> 5. Cutting durations to handling tax allowance and tax holiday; 6. Removing VAT charges for transportation; 7. Reduce the price of fuel, gas, and basic electricity tariff for industry; 8. Simplify land permits for investment purposes; etc.
	<p>2. Acceleration of Licensing Process through Investment Coordinating Board (BKPM)</p>	<ol style="list-style-type: none"> 1. To simplify and foster licensing process for 9 licensing products. 	<ol style="list-style-type: none"> 1. Three Hour Investment Licensing for: <ul style="list-style-type: none"> • Investment Permit; • Company Act and Legalization (<i>Akta Perusahaan dan Pengesahan</i>); • Tax Identification Number (<i>Nomor Pokok Wajib Pajak/NPWP</i>); • Company Registration Certificate (<i>Tanda Daftar Perusahaan</i>); • Plan for the Use of Foreign Workers (RPTKA); • Permit to Hire Foreign Workers (IMTA); • Producer Importer Identity Number (API-P); • Customs Identity Number (<i>Nomor Induk Kepabeanan/NIK</i>); and • Certificate of Information Map on Land Availability (<i>Surat Keterangan Peta Informasi Ketersediaan Lahan</i>)
	<p>3. Revision of Government Regulation No. 79 Year 2015 regarding the Appointment of Regional-Owned Enterprises (<i>Badan Usaha Milik Daerah</i>/BUMD) as a Contractor</p>	<ol style="list-style-type: none"> 1. To ensure the projects that using the assignment scheme to Regional-Owned Enterprises (BUMD) can make direct appointments of construction services; 2. To accelerate the procurement process of goods/services; and 3. To accelerate the process of project preparation. 	
	<p>4. Preparation of the Presidential Regulation on the Provision of Funds for Land Acquisition for National Strategic Projects (PSN)</p>	<ol style="list-style-type: none"> 1. To ensure the provision of fund for money compensation (<i>Uang Ganti Rugi/UGR</i>) to be managed by BLU LMAN. 	<ol style="list-style-type: none"> 1. Direct Funding; and 2. Bailout Fund
	<p>5. Dissolution of Implementing Unit of National Electricity Development Program (UP3KN) and National</p>	<ol style="list-style-type: none"> 1. To streamline the organization of Ministry of Energy and Mineral Resources (ESDM); 2. To save budget and eliminate the overlapping of authority among 	

	Spatial Planning Coordinating Board (BKPRN)	Government agencies	
	6. Preparation of the Draft of Presidential Regulation on Non-State Budget Investment Financing (PINA)	1. To develop planning and coordination system for investment on development using non-State Budget funds.	

Source: Committee for Acceleration of the Provision of Priority Infrastructure (KPPIP); PT Sarana Multi Infrastruktur (SMI)

Appendix 3: Obstacles and Challenges in Developing Infrastructure in Indonesia

Issues	Reasons
1. Project credibility and quality	The credibility and project quality is highly dependent on the project identification process as well as project preparation. Errors in determining project as well as weaknesses in project preparation prior to tender or transacted will pose a risk of business miscalculation.
2. Investor credibility	The challenge that arises in relation to the credibility of investors is when the investor turns out to have a low credibility both from the capital and experience. It will cause the interruption of project continuity.
3. Understanding of infrastructure business	The donor's lack of understanding of the characteristics of the business makes them not interested in funding the projects.
4. Project value	Characteristics of infrastructure projects that require substantial funding. For the investors who have limited funding, it will cause disruption of project development. On the other hand, from the side of the bank or financing institution, the large project value affects the credit structure as well as the Maximum Credit Limit (<i>Batas Maksimum Pemberian Kredit/BMPK</i>)
5. Land acquisition financing	Land acquisition is a crucial issue in Indonesia. In fact, many infrastructure developments are hampered by the difficult process of land acquisition. On the other hand, financing of land acquisition is still another issue. In general, bank loans are not included for the cost of land acquisition, so it must be met by the sponsor's equity.
6. Collateral	The large value of infrastructure projects leads to additional collateral on project loans. The amount of collateral is highly dependent on the risk of the project. The ability of investors to provide of collateral is often limited.
7. Sources of funding from donors	The cash flow structure of infrastructure projects is long term in nature. Therefore, it will need financing sources that are capable to provide a long-term tenor as well. For banks, this is often an obstacle because the funding sources from banks are generally short-term.
8. Risks beyond business risk	There are many risks beyond business risks such as land acquisition, social risk, security, and legal certainty in relation to regional autonomy

Source: PT SMI 2014

Appendix 4: Three Main and Most Dominant Problems, Possible Solutions, and the Projects Hampered by the Problems

Problems	Main Problems and Solutions	The Projects hampered by the problems
Land Acquisition	<p>1st Main Issue: Lack of fund allocated for land acquisition. Solution: Allocating fund for land acquisition through BLU-LMAN.</p> <p>2nd Main Issue: Slow process of land acquisition. Solution: Increasing the number of land surveyor through the policy of land surveyor certification.</p>	<ol style="list-style-type: none"> 1. Bontang Oil Refinery 2. Tuban Oil Refinery 3. Trans Sumatra Toll Road
Planning and Preparation	<p>1st Main Issue: Lack of coordination among stakeholders resulted in a protracted planning process. Solution: Improving coordination among stakeholders through the use information technology system of KPPIP.</p> <p>2nd Main Issue: The quality of the project design is inadequate so that additional time is required for review. Solution: Improving the quality of the consultants who conduct the study through the implementation of a consultant panel system.</p>	<ol style="list-style-type: none"> 1. Refinery Development Masterplan Program (<i>RDMP</i>) 2. Jakarta-Bandung Fast Train 3. Konawe Industrial Estate
Financing	<p>1st Main Issue: Uncertainty of financing scheme. Solution: Top-down support for the project financing scheme established by KPPIP.</p> <p>2nd Main Issue: Uncertain sources of funding allocations. Solution: Increasing the utilization of alternative funding schemes and sources such as PPP and <i>limited concession scheme</i>.</p>	<ol style="list-style-type: none"> 1. Trans Sumatra Toll Road 2. Jakarta-Bandung Fast Train 3. East Kalimantan Railway

Source: KPPIP 2016c

Appendix 5: Ethics Approval

7484 SBREC Final approval notice (2 December 2016)

HE

Human Research Ethics <human.researchethics@flinders.edu.au>

Reply all

Fri 12/2/2016, 9:38 AM

Mohammad Pratama <prat0051@flinders.edu.au>;

+2 more

Inbox

This message was sent with high importance.

You forwarded this message on 1/18/2017 1:33 PM

Dear Mohammad Yoga,

The Chair of the Social and Behavioural Research Ethics Committee (SBREC) at Flinders University considered your response to conditional approval out of session and your project has now been granted final ethics approval. This means that you now have approval to commence your research. Your ethics final approval notice can be found below.

FINAL APPROVAL NOTICE

Project No.:

7484

Project Title:

Governance in Infrastructure Development as Indonesia Decentralizes

Principal Researcher:

Mr Mohammand Yoga Pratama

Email:

prat0051@flinders.edu.au

Approval Date:

2 December 2016

Ethics Approval Expiry Date:

1 March 2021

The above proposed project has been **approved** on the basis of the information contained in the application, its attachments and the information subsequently provided with the addition of the following comment(s):

Additional information required following commencement of research:

1. Permissions

Please ensure that copies of the correspondence granting permission to conduct the research are submitted to the Committee *on receipt*. Please ensure that the SBREC project number is included in the subject line of any permission emails forwarded to the Committee. Please note that data collection should not commence until the researcher has received the relevant permissions (item D8 and Conditional approval response – number 9).

RESPONSIBILITIES OF RESEARCHERS AND SUPERVISORS

1. **Participant Documentation**

Please note that it is the responsibility of researchers and supervisors, in the case of student projects, to ensure that:

- all participant documents are checked for spelling, grammatical, numbering and formatting errors. The Committee does not accept any responsibility for the above mentioned errors.
- the Flinders University logo is included on all participant documentation (e.g., letters of Introduction, information Sheets, consent forms, debriefing information and questionnaires – with the exception of purchased research tools) and the current Flinders University letterhead is included in the header of all letters of introduction. The Flinders University international logo/letterhead should be used and documentation should contain international dialling codes for all telephone and fax numbers listed for all research to be conducted overseas.
- the SBREC contact details, listed below, are included in the footer of all letters of introduction and information sheets.

This research project has been approved by the Flinders University Social and Behavioural Research Ethics Committee (Project Number 'INSERT PROJECT No. here following approval'). For more information regarding ethical approval of the project the Executive Officer of the Committee can be contacted by telephone on 8201 3116, by fax on 8201 2035 or by email human.researchethics@flinders.edu.au.

2. **Annual Progress / Final Reports**

In order to comply with the monitoring requirements of the *National Statement on Ethical Conduct in Human Research (March 2007)* an annual progress report must be submitted each year on the **2 December** (approval anniversary date) for the duration of the ethics approval using the report template available from the Managing Your Ethics Approval SBREC web page. *Please retain this notice for reference when completing annual progress or final reports.*

If the project is completed *before* ethics approval has expired please ensure a final report is submitted immediately. If ethics approval for your project expires please submit either (1) a final report; or (2) an extension of time request and an annual report.

Student Projects

The SBREC recommends that current ethics approval is maintained until a student's thesis has been submitted, reviewed and approved. This is to protect the student in the event that reviewers recommend some changes that may include the collection of additional participant data.

Your first report is due on **2 December 2017** or on completion of the project, whichever is the earliest.

3. Modifications to Project

Modifications to the project must not proceed until approval has been obtained from the Ethics Committee. Such proposed changes / modifications include:

- change of project title;
- change to research team (e.g., additions, removals, principal researcher or supervisor change);
- changes to research objectives;
- changes to research protocol;
- changes to participant recruitment methods;
- changes / additions to source(s) of participants;
- changes of procedures used to seek informed consent;
- changes to reimbursements provided to participants;
- changes / additions to information and/or documentation to be provided to potential participants;
- changes to research tools (e.g., questionnaire, interview questions, focus group questions);
- extensions of time.

To notify the Committee of any proposed modifications to the project please complete and submit the *Modification Request Form* which is available from the [Managing Your Ethics Approval SBREC](#) web page. Download the form from the website every time a new modification request is submitted to ensure that the most recent form is used. Please note that extension of time requests should be submitted prior to the Ethics Approval Expiry Date listed on this notice.

Change of Contact Details

Please ensure that you notify the Committee if either your mailing or email address changes to ensure that correspondence relating to this project can be sent to you. A modification request is not required to change your contact details.

4. Adverse Events and/or Complaints

Researchers should advise the Executive Officer of the Ethics Committee on 08 8201-3116 or human.researchethics@flinders.edu.au immediately if:

- any complaints regarding the research are received;
- a serious or unexpected adverse event occurs that effects participants;
- an unforeseen event occurs that may affect the ethical acceptability of the project.

Appendix 6: Letter of Introduction



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Adelaide SA 5042

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Tel: +61 8 82013124
Fax: +61 8 82013350
Email: adam.graycar@flinders.edu.au
www.flinders.edu.au
CRICOS Provider No. 00114A

Adelaide, 5 December 2016

LETTER OF INTRODUCTION

Dear Sir/Madam

This letter is to introduce Mohammad Yoga Pratama who is a Doctor of Philosophy (Phd) student in the School of Social and Policy Studies at Flinders University. He will produce his student card, which carries a photograph, as proof of identity. He also has professional affiliation to Fiscal Policy Agency – Ministry of Finance of the Republic of Indonesia.

He is undertaking research leading to the production of a thesis or other publications on the subject of "Governance in Infrastructure Development as Indonesia Decentralizes" to investigate the relations between governance and infrastructure development in Indonesia after the implementation of Decentralization Law. More specifically, it aims to investigate the actual practice and implementation of three indicators of governance (voice and accountability, regulatory quality, and control of corruption) by local governments in Indonesia in order to obtain financial support from investors to develop infrastructure in the region. Research will focus on the efforts of local governments to develop and improve governance in their administration to attract the interest of potential investors to invest in infrastructure development. The types of infrastructure to be researched will focus on, but not limited to, the development of industrial park and port in Bantaeng Regency of South Sulawesi Province and the development of industrial park and port in Banyuwangi Regency East Java Province.

He would like to invite you to assist with this project by agreeing to be involved in an interview which covers certain aspects of this topic. No more than 1 and a half hour on 1 occasion(s) would be required for the interview. However, should there be any extended time during interview it will be no more than 30 minutes.

Be assured that any information provided will be treated in the strictest confidence and none of the participants will be individually identifiable in the resulting thesis, report or other publications. You are, of course, entirely free to discontinue your participation at any time or to decline to answer particular questions.

Since he intends to make a tape recording of the interview, he will seek your consent, on the attached form, to record the interview, to use the recording or a transcription in preparing the thesis, report or other publications, on condition that your name or identity is not revealed, and to make the recording available to other researchers on the same conditions.

The investigator anticipates few risks from your involvement in this study. If you have any concerns regarding anticipated or actual risks or discomforts, please raise them with the researcher. Any enquiries you may have concerning this project should be directed to me at the address given above or by telephone on +61 8 82013124, fax on (08) 82013350 or e-mail (adam.graycar@flinders.edu.au).

Thank you for your attention and assistance.

Yours sincerely

Professor Adam Graycar
Strategic Professor
School of Social and Policy Studies

This research project has been approved by the Flinders University Social and Behavioural Research Ethics Committee (Project Number 7494). For more information regarding ethical approval of the project the Executive Officer of the Committee can be contacted by telephone on 8201 3116, by fax on 8201 2035 or by email human.researchethics@flinders.edu.au

Appendix 7: Information Sheet



Mr Mohammad Yoga Pratama
School of Social and Policy Studies
Faculty of Social and Behavioural Science

Room: Social Sciences South 127
Bedford Park
Adelaide SA 5042

GPO Box 2100
Adelaide SA 5001
Tel: 08 82012811
Fax: 08 82013350
Email: prat0051@flinders.edu.au

www.flinders.edu.au

CRICOS Provider No. 00114A

INFORMATION SHEET

Title: Governance in Infrastructure Development as Indonesia Decentralizes

Investigators:

Mr. Mohammad Yoga Pratama
School of Social and Policy Studies – Faculty of Social and Behavioural Science
Flinders University

Ph:

Professional Affiliation: Fiscal Policy Agency – Ministry of Finance of the
Republic of Indonesia

Ph:

Supervisor(s):

Professor Adam Graycar
School of Social and Policy Studies – Faculty of Social and Behavioural Science
Flinders University

Ph:

Associate Professor Noore Siddiquee
School of Social and Policy Studies – Faculty of Social and Behavioural Science
Flinders University

Ph:

Description of the study:

This study is part of the project entitled ‘*Governance in Infrastructure Development as Indonesia Decentralizes*. This project will investigate the relations between governance and infrastructure development in Indonesia after the implementation of Decentralization Law. This project is supported by Flinders University, School of Social and Policy Studies – Faculty of Social and Behavioural Science.

Purpose of the study:

This project aims to investigate the actual practice and implementation of three indicators of governance (voice and accountability, regulatory quality, and control of corruption) by local governments in Indonesia in order to obtain financial support from investors to develop infrastructure in the region.

What will I be asked to do?

You are invited to attend one-on-one interview with Mr. Mohammad Yoga Pratama who will ask you 30 or more questions about your views about the actual practice and implementation of three

indicators of governance (voice and accountability, regulatory quality, and control of corruption) by local governments in order to obtain financial support from investors to develop infrastructure in the region, as well as deliver your opinions about infrastructure development in the region. The interview will be conducted for no more than 1 and a half hour on 1 occasion(s). However, should there be any extended time during interview and focus group discussion it will be no more than 30 minutes.

The interview will be recorded using a digital voice recorder to help with looking at the results. Once recorded, the interview will be transcribed (typed-up) and stored as a computer file and then destroyed once the results have been finalised. This is voluntary.

What benefit will I gain from being involved in this study?

The sharing of your experiences will assist in the improvement of the policy formulation related to infrastructure development in the future. We are very keen to deliver a better infrastructure policies and programmes which are beneficial for people. The sharing of your knowledge will also contribute to the improvement of good governance practice in the region and to the provision of guidance in determining local policies for infrastructure development.

Will I be identifiable by being involved in this study?

We do not need your name and you will be anonymous. Once the interview has been typed-up and saved as a file, the voice file will then be destroyed. Any identifying information will be removed and the typed-up file stored on a password protected computer that only the coordinator (Mr Mohammad Yoga Pratama) will have access to. Your comments will not be linked directly to you. For the purpose of anonymity of participants, we would be very pleased if we can interview you in your personal room or in your cubical without the presence of any other people.

Are there any risks or discomforts if I am involved?

Other group members may be able to identify your contributions even though they will not be directly attributed to you. The investigator anticipates few risks from your involvement in this study. If you have any concerns regarding anticipated or actual risks or discomforts, please raise them with the researcher. However, given the current political climate in Indonesia there may be risks associated with participants heavily criticising the government. Therefore, there is a small risk of being identified, because of the positions you hold. You should be aware of the small risk of your comments being able to be linked to you.

How do I agree to participate?

Participation is voluntary. You may answer ‘no comment’ or refuse to answer any questions and you are free to withdraw from the interview at any time without effect or consequences. A consent form accompanies this information sheet. If you agree to participate please read and sign the form and send it back to me at prat0051@flinders.edu.au.

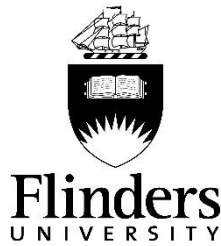
How will I receive feedback?

Outcomes from the project will be summarised and given to you by the investigator if you would like to see them.

Thank you for taking the time to read this information sheet and we hope that you will accept our invitation to be involved.

This research project has been approved by the Flinders University Social and Behavioural Research Ethics Committee (Project number 7484). For more information regarding ethical approval of the project the Executive Officer of the Committee can be contacted by telephone on 8201 3116, by fax on 8201 2035 or by email human.researchethics@flinders.edu.au

Appendix 8: Consent Form



CONSENT FORM FOR PARTICIPATION IN RESEARCH (by interview)

Governance in Infrastructure Development as Indonesia Decentralizes

I

being over the age of 18 years hereby consent to participate as requested in the
..... for the research project on

1. I have read the information provided.
2. Details of procedures and any risks have been explained to my satisfaction.
3. I agree to audio/video recording of my information and participation.
4. I am aware that I should retain a copy of the Information Sheet and Consent Form for future reference.
5. I understand that:
 - I may not directly benefit from taking part in this research.
 - I am free to withdraw from the project at any time and am free to decline to answer particular questions.
 - While the information gained in this study will be published as explained, I will not be identified, and individual information will remain confidential.
 - I am pleased to be interviewed in my personal room or in my cubical without the presence of any other people.
 - I may ask that the recording/observation be stopped at any time, and that I may withdraw at any time from the session or the research without disadvantage.
6. I have had the opportunity to discuss taking part in this research with a family member or friend.

Participant's signature.....Date.....

I certify that I have explained the study to the volunteer and consider that she/he understands what is involved and freely consents to participation.

Researcher's name.....

Researcher's signature.....Date.....

NB: Two signed copies should be obtained. The copy retained by the researcher may then be used for authorisation of Items 8 and 9, as appropriate.

7. I, the participant whose signature appears below, have read a transcript of my participation and agree to its use by the researcher as explained.

Participant's signature.....Date.....

8. I, the participant whose signature appears below, have read the researcher's report and agree to the publication of my information as reported.

Participant's signature.....Date.....

Appendix 9: Semi-structured Interview Questions

DIRECTORATE GENERAL OF SEA TRANSPORTATION – MINISTRY OF TRANSPORTATION

1. Would you please explain about the tasks and functions of the Directorate General of Sea Transportation in relation to the national port development?
2. Did all the ports in Indonesia, including national and international ports, regional ports, local ports and the Port of Non-Commercial, Commercial Ports and Special Terminal (TERSUS) / Terminal for Personal Interest (TUKS) built by central government or could be built by local government?
3. When built by the central government, how is the mechanism of its development? What is the role of local government in the development?
4. If built by the local government, how is the mechanism for the local governments to propose it? Can local governments directly build a port, or need to get permission from the central government?
5. If constructed by local governments, what kind of budget commonly used for such development? Is it from state budget, local budget, or it can use the loan from abroad such as multilateral institutions or international financial institutions?
6. Can the local government build the port by using funds from investors, whether they are local or foreign investors??
7. This study will examine the function and role of local government in infrastructure development in the region. Issues to be examined will include the construction of port as one of the critical infrastructure in the area. The problem is, until now the local governments were only given limited authority to build and operate the port. There are no government district / city that has the authority to manage the port. Please explain about it.
8. In your opinion, do local governments have the ability to manage the port? If yes, please explain what kind of abilities owned by local governments. If not yet, or do not have the ability, why?
9. The study will specifically examine the Local Government of Bantaeng that in 2012 planned to build the Port Mattoanging as a national port that will serve the route of Bantaeng-Bali-Mataram and the route to the number of areas in Kalimantan. Has the plan to build the Port Mattoanging been proposed by the Local Government of Bantaeng to central government?

10. Does the central government approve the plan? Based on the information I got from the media, reportedly the central government has approved the development plan of Port Mattoanging. Please explain about it.
11. If it is approved, does the development plan has been running? And if it has been running, how does it goes this time?
12. Would you please explain the budget used to build the port? Does it use the national budget, local budget or budget from other sources?
13. From the information I have received, there was the interest from one of the Malaysia's State Own Company and the investor from China to develop Port Mattoanging. Does it be realized?
14. Would you please explain about the challenges and obstacles in building a port in the region?
15. Are there any local governments that have been successful in building their own port?
16. If so, did the central government provided assistance or technical assistance in building the port?
17. Is there anything else you want to tell?

HEAD OF THE REGION (BUPATI) OF BANTAENG

HEAD OF THE REGION (BUPATI) OF BANYUWANGI

1. In recent years, the media often reported on the success Bantaeng / Banyuwangi to change from underdeveloped areas into regencies with a rapid progress under your leadership. Would you please explain about the success story of the development of Bantaeng / Banyuwangi that has now changed their face into a model of sustainable development districts/regencies in Indonesia?
2. What actually you have been done to change the face of Bantaeng / Banyuwangi for being like now?
3. In the current era of decentralization, many people said that the development of good governance is a key for local governments to be able to successfully develop the region. What is your opinion about that?
4. Back to the past, without the intention to compare, would you please provide an overview about the condition of governance in Bantaeng / Banyuwangi before the era of your leadership? How is the actual practice and implementation of good governance at the time? (Mention six governance indicators according to Kaufmann, Kraay and Zoido-Lobaton)
5. With that condition, is there any relationship directly to the development Bantaeng / Banyuwangi?

6. In this case, when you were elected, what you were doing to improve the conditions of governance in Bantaeng / Banyuwangi? What kind of working programs you have implemented to improve governance in the Local Government of Bantaeng / Banyuwangi?
7. Are there any problems, obstacles, and challenges that arise in the process of developing governance in your government? If yes, please kindly explain what are the constraints, obstacles and challenges?
8. How is your effort to overcome those problems, obstacles, and challenges?
9. In developing governance, do you work together or collaborate with other stakeholders in Bantaeng / Banyuwangi? Please kindly explain about it.
10. In your view, how is the conditions of governance in the Local Government of Bantaeng / Banyuwangi today? Is it in accordance with what you expect?
11. This study will specifically examine the tasks and functions as well as the role of local government in developing infrastructure in the region based on the mandate of decentralization. In this regard, I have also heard about the success of you in developing infrastructure in Bantaeng / Banyuwangi. Would you please explain about the success story of developing infrastructure in Bantaeng / Banyuwangi?
12. In developing infrastructure, what kind of budget most commonly used by the Local Government of Bantaeng / Banyuwangi? The national/state budget, local budget, or budget from other parties such as investors from domestic and/or foreign country? Please kindly explain about it.
13. In relation to investment funds from investors, I heard a lot about the success of you in attracting the investors to develop infrastructure in Bantaeng, among others to develop Bantaeng Industrial Park and Port of Mattoanging. Would you please explain about the efforts to attract such investors?
14. In relation to investment funds from investors, I heard a lot about the success you in attracting the investors to develop infrastructure in Banyuwangi, among others to develop the Integrated Industrial Park in the Sub-District of Wongsorejo and Kalipuro as well as Port of Tanjungwangi / Ketapang. Would you please explain about the efforts to attract such investors?
15. In your opinion, is there any connection either directly or indirectly between your efforts to develop and improve governance in your government with the success of you to bring many investors to develop infrastructure in Bantaeng / Banyuwangi?
16. Please kindly explain about that relationship, and please provide the concrete examples.
17. Would you please describe any programs that have been implemented in the context of developing good governance which affect the interest of investors to invest in developing

infrastructure in Bantaeng / Banyuwangi? (Kindly asking for data and information about the programs).

18. With regard to infrastructure development, would you please tell us about the infrastructure development in the era of your leadership that arguably make you very proud of it?
19. In the process of infrastructure development, are there any problems, obstacles, and challenges that arise in the process of developing infrastructure in the era of your government? If yes, please kindly explain what are those problems, obstacles and challenges?
20. How is your effort to overcome those problems, obstacles, and challenges?
21. In the planning process of infrastructure development, did you conducted some sort of socialization, or consultation, or public hearings with stakeholders such as the community, or a parliament, or academics, or NGOs in Bantaeng / Banyuwangi in order to seek input regarding the infrastructure project that is needed to be develop in this region?
22. Did other stakeholders actively involved in the planning process of infrastructure development in Bantaeng / Banyuwangi?
23. With regard to regulation, in the process of developing infrastructure, does your government prepare for the regulation framework in advance? In this case, is there any consultation, or public hearings with stakeholders such as the community, or a parliament, or academics, or NGOs in Bantaeng / Banyuwangi in order to prepare the regulatory framework?
24. Please explain briefly about the process of planning the regulations related to infrastructure development in Bantaeng / Banyuwangi.
25. Of all infrastructure projects built in Bantaeng / Banyuwangi, did all the projects run on time? Are there any projects that have constraints so that the development process is not running on time? Please kindly explain about it.
26. This study should ideally aim to make the development model of governance and infrastructure development in Bantaeng / Banyuwangi as a development model that could be applied in other regions in Indonesia. What is your opinion about it?
27. Is there anything else you want to convey?

LOCAL PLANNING AGENCY (BAPPEDA) OF BANTAENG REGENCY

LOCAL PLANNING AGENCY (BAPPEDA) OF BANYUWANGI REGENCY

1. Would you please explain the role of BAPPEDA in the development planning of Bantaeng / Banyuwangi in general?

2. Would you please explain the role of BAPPEDA in planning the infrastructure development in Bantaeng / Banyuwangi starting from the planning phase to the implementation of infrastructure projects?
3. In planning the development of infrastructure projects, does BAPPEDA has a working team? Would you please mention any of the team members?
4. Would you please explain some of the problems encountered BAPPEDA in planning the development of infrastructure projects?
5. Would you please identify all the actors involved in the planning process of infrastructure development?
6. In the current era of decentralization, many people said that the development of good governance is a key for local governments to be able to successfully develop the region. What is your opinion about that?
7. Would you please provide a description of the conditions of good governance in Bantaeng / Banyuwangi today? How is the actual practice and implementation of good governance in the Local Government Bantaeng / Banyuwangi? (Mention six governance indicators according to Kaufmann, Kraay and Zoido-Lobaton).
8. In your opinion, is good governance in Local Government Bantaeng / Banyuwangi has been good and run as expected?
9. Would you please explain the extent to which the local government has applied the principle of governance in the process of infrastructure development ranging from the planning stage to the implementation of infrastructure projects?
10. Is there any domestic/local regulation that govern the implementation of governance in the planning of infrastructure development?
11. Does BAPPEDA also involved in the planning of development and improvement of good governance in Bantaeng / Banyuwangi?
12. Would you please mention the programs of development and improvement of good governance in Bantaeng / Banyuwangi?
13. Does BAPPEDA involved in the planning of the development projects of Bantaeng Industrial Park?*
14. Does BAPPEDA involved in the planning of the development projects of the Integrated Industrial Park in the Sub-District of Wongsorejo and Kalipuro?***
15. Does BAPPEDA involved in the planning of the development projects of Port of Mattoanging?*
16. Does BAPPEDA involved in the planning of the development projects of Port of Tanjungwangi/Ketapang?***

17. More specifically, could you please identify the actors that involved in the planning process of the development of Bantaeng Industrial Park?*
18. More specifically, could you please identify the actors that involved in the planning process of the development of the Integrated Industrial Park in the Sub-District of Wongsorejo and Kalipuro?***
19. More specifically, could you please identify the actors that involved in the planning process of the development of Port of Mattoanging?*
20. More specifically, could you please identify the actors that involved in the planning process of the development of Port of Tanjungwangi/Ketapang?***
21. Could you please identify their role at every stage of the process ranging from planning to the implementation of such infrastructure projects?
22. Could you please explain the role of Head of the Region in infrastructure development ranging from the planning stage to the implementation of infrastructure projects?
23. Based on the information I received from various sources, the development of Bantaeng Industrial Park has managed to attract the interest of investors to invest in it, among others by constructing mineral processing and refining plant (smelter) for nickel and integrated receiving terminals for liquefied natural gas. Would you please explain about it?*
24. Based on the information I received from various sources, the development of the Integrated Industrial Park in the Sub-District of Wongsorejo and Kalipuro has managed to attract the interest of investors to invest in it. Would you please explain about it?***
25. In your view, with many of investors interested to invest in infrastructure development in Bantaeng / Banyuwangi, is it influenced by the conditions of governance in Local Government of Bantaeng / Banyuwangi? Or in other words, with the development of good governance conducted by the Local Government of Bantaeng/Banuwangi, it obviously can attract investors to invest in infrastructure development in Bantaeng/Banyuwangi?
26. Would you please explain about the governance program that has been implemented by the Local Government of Bantaeng / Banyuwangi which then considered successful in attracting investors to invest?
27. In planning the development of governance and infrastructure in Bantaeng / Banyuwangi, does BAPPEDA involving other stakeholders such as the community, or a parliament, or academics, or NGOs in Bantaeng / Banyuwangi?
28. Do other stakeholders actively involved in the planning process of infrastructure development in Bantaeng / Banyuwangi?
29. In the planning process of infrastructure development, did BAPPEDA conducted some sort of socialization, or consultation, or public hearings with other stakeholders such as the

community, or a parliament, or academics, or NGOs in Bantaeng / Banyuwangi in order to seek input regarding the infrastructure project that is needed to be develop in this region?

30. With regard to regulation, in the process of developing infrastructure, does BAPPEDA prepare for the regulation framework in advance? In this case, is there any consultation, or public hearings with stakeholders such as the community, or a parliament, or academics, or NGOs in Bantaeng / Banyuwangi in order to prepare the regulatory framework?
31. Please explain briefly about the process of planning the regulations related to infrastructure development in Bantaeng / Banyuwangi.
32. Do the stakeholders such as the public, Parliament, NGOs, or academia ever requested information related to the project, such as the detailed engineering design, financing plan and a feasibility study on the project? How do you respond to this?
33. Of all the infrastructure projects built in Bantaeng / Banyuwangi, did all the projects run on time? Are there any projects that have constraints so that the development process is not running on time? Please kindly explain about it.
34. This study should ideally aim to make the development model of governance and infrastructure development in Bantaeng / Banyuwangi as a development model that could be applied in other regions in Indonesia. What is your opinion about it?
35. Is there anything else you want to convey?

*) The question only to officials of BAPPEDA Bantaeng Regency

***) The question only to officials of BAPPEDA Banyuwangi Regency

DEPARTMENT OF TRANSPORTATION, INFORMATION AND COMMUNICATION (DISHUBINFOKOM) – BANTAENG REGENCY

DEPARTMENT OF TRANSPORTATION, INFORMATION AND COMMUNICATION (DISHUBINFOKOM) – BANYUWANGI REGENCY

1. Would you please explain about the role of DISHUBINFOKOM in infrastructure development in Bantaeng / Banyuwangi?
2. Would you please explain about the role of DISHUBINFOKOM in the development of Port of Mattoanging / Port of Tanjungwangi/Ketapang?
3. Does your agency play the role in the development of the Port Mattoanging / Port of Tanjungwangi/Ketapang ranging from the planning phase to the implementation phase?

4. Does the proposed development of Port of Mattoanging / Port of Tanjungwangi/Ketapang come from your agency? Could you please explain how is the process to propose it occurred?
5. In planning the construction or the development of the Port of Mattoanging / Port of Tanjungwangi/Ketapang, does DISHUBINFOKOM has a work team? Would you please mention the team members?
6. Would you please mention some of the problems encountered by DISHUBINFOKOM in planning the development of Port of Mattoanging / Port of Tanjungwangi/Ketapang?
7. Would you please identify all the actors involved in the planning process of the development of Port of Mattoanging / Port of Tanjungwangi/Ketapang? Could you please identify their role at every stage of the process ranging from planning to the implementation of the development of Port of Mattoanging / Port of Tanjungwangi/Ketapang?
8. In the current era of decentralization, many people said that the development of good governance is a key for local governments to be able to successfully develop the region. What is your opinion about that?
9. Would you please provide a description of the conditions of good governance in Bantaeng / Banyuwangi today? How is the actual practice and implementation of good governance in the Local Government Bantaeng / Banyuwangi? (Mention six governance indicators according to Kaufmann, Kraay and Zoido-Lobaton).
10. In your opinion, does good governance in Local Government Bantaeng / Banyuwangi has been good and run as expected?
11. Would you please explain the extent to which the local government has applied the principle of governance in the process of infrastructure development ranging from the planning stage to the implementation of infrastructure projects?
12. Is there any domestic/local regulation that govern the implementation of governance in the planning of infrastructure development?
13. Does DISHUBINFOKOM also involve in the planning process of development and improvement of good governance in Bantaeng / Banyuwangi?
14. Would you please mention the programs of development and improvement of good governance in Bantaeng / Banyuwangi?
15. Could you please explain about the role of Head of the Region (Bupati) in the development of Port of Mattoanging/Port of Tanjungwangi/Ketapang ranging from the planning stage to the implementation of infrastructure projects?
16. Based on the information I received from various sources, the development planning of of Port of Mattoanging has managed to attract the interest of some investors to invest in it. Among these investors are Bina Puri, which is a company under the Malaysian Ministry of State-

Owned Enterprises and the Chinese investor of China Harbour Group. Could you please tell me about it?*

17. Are there any other investors who also interested to invest in developing the Port of Mattoanging?*
18. Based on the information I received from various sources, the development planning of of Port of Tanjungwangi/Ketapang has managed to attract the interest of some investors to invest in it. Would you please tell me about it?***
19. In your view, with many investors interested to invest in infrastructure development in Bantaeng / Banyuwangi, does it influenced by the conditions of governance in Local Government of Bantaeng / Banyuwangi? Or in other words, with the development of good governance conducted by the Local Government of Bantaeng/Banuwangi, could it obviously attract the investors to invest in infrastructure development in Bantaeng/Banyuwangi?
20. Would you please explain about the governance program that has been implemented by the Local Government of Bantaeng / Banyuwangi which then considered successful in attracting investors to invest?
21. In planning the development of governance and infrastructure in Bantaeng / Banyuwangi, does DISHUBINFOKOM involve other stakeholders such as the community, or a parliament, or academics, or NGOs in Bantaeng / Banyuwangi?
22. Do other stakeholders actively involved in the planning process of infrastructure development in Bantaeng / Banyuwangi?
23. In the planning process of infrastructure development, did DISHUBINFOKOM conducted some sort of socialization, or consultation, or public hearings with other stakeholders such as the community, or a parliament, or academics, or NGOs in Bantaeng / Banyuwangi in order to seek input regarding the infrastructure project that is needed to be develop in this region?
24. With regard to regulation, in the process of developing infrastructure, does DISHUBINFOKOM prepare for the regulation framework in advance? In this case, is there any consultation, or public hearings with stakeholders such as the community, or a parliament, or academics, or NGOs in Bantaeng / Banyuwangi in order to prepare the regulatory framework?
25. Please explain briefly about the process of planning the regulations related to infrastructure development in Bantaeng / Banyuwangi.
26. Do the other stakeholders such as the public, Parliament, NGOs, or academia ever requested information related to the project, such as the detailed engineering design, financing plan and a feasibility study on the project? How do you respond to this?

27. Of all the infrastructure projects built in Bantaeng / Banyuwangi, did all the projects run on time? Are there any projects that have constraints so that the development process is not running on time? Please kindly explain about it.
28. This study should ideally aim to make the development model of governance and infrastructure development in Bantaeng / Banyuwangi as a development model that could be applied in other regions in Indonesia. What is your opinion about it?
29. Is there anything else you want to convey?

*) The question only to officials of DISHUBINFOKOM Bantaeng Regency

***) The question only to officials of DISHUBINFOKOM Banyuwangi Regency

**DEPARTMENT OF PUBLIC WORKS, HOUSING AND REGIONAL INFRASTRUCTURE
(DISPUKIMPRASWIL) – BANTAENG REGENCY**

**DEPARTMENT OF PUBLIC WORKS, HOUSING AND REGIONAL INFRASTRUCTURE
(DISPUKIMPRASWIL) – BANYUWANGI REGENCY**

1. Would you please explain briefly about the history of the development of infrastructure in Bantaeng / Banyuwangi before the era of leadership of Nurdin Abdullah / Abdullah Azwar Anas and in the era of leadership of Nurdin Abdullah / Abdullah Azwar Anas?
2. Is there a significant difference in terms of infrastructure development between both the leadership era?
3. Would you please explain about the role of DISPUKIMPRASWIL in infrastructure development in Bantaeng / Banyuwangi in general?
4. Does DISPUKIMPRASWIL has the role in the development of Bantaeng Industrial Park and Port of Mattoanging? Could you please describe what role played by DISPUKIMPRASWIL in the development of both infrastructure?*
5. Does DISPUKIMPRASWIL has the role in the development of the Integrated Industrial Park in the Sub-District of Wongsorejo and Kalipuro and Port of Tanjungwangi / Ketapang? Could you please describe what role played by DISPUKIMPRASWIL in the development of both infrastructure?***
6. Does your institution play the role in the development of Bantaeng Industrial Park and Port of Mattoanging ranging from the planning phase to the implementation phase?*

7. Does your institution play the role in the development of the Integrated Industrial Park in the Sub-District of Wongsorejo and Kalipuro and Port of Tanjungwangi / Ketapang ranging from the planning phase to the implementation phase?***
8. Does the proposed development of Bantaeng Industrial Park and Port of Mattoanging come from your agency? Could you please explain how is the process to propose it occurred?*
9. Does the proposed development of the Integrated Industrial Park in the Sub-District of Wongsorejo and Kalipuro and Port of Tanjungwangi / Ketapang come from your agency? Could you please explain how is the process to propose it occurred?*
10. In planning the construction or the development of Bantaeng Industrial Park and Port of Mattoanging, is there any working team established? Could you please mention the team members? Does DISPUKIMPRASWIL included in that working team?*
11. In planning the construction or the development of the Integrated Industrial Park in the Sub-District of Wongsorejo and Kalipuro and Port of Tanjungwangi / Ketapang, is there any working team established? Could you please mention the team members? Does DISPUKIMPRASWIL included in that working team?***
12. Would you please mention some of the problems and challenges encountered by DISPUKIMPRASWIL in planning the development of infrastructure in general?
13. Would you please mention some of the problems and challenges encountered by DISPUKIMPRASWIL in planning the development of Bantaeng Industrial Park and Port of Mattoanging?*
14. Would you please mention some of the problems and challenges encountered by DISPUKIMPRASWIL in planning the development of the Integrated Industrial Park in the Sub-District of Wongsorejo and Kalipuro and Port of Tanjungwangi / Ketapang?***
15. Would you please identify all the actors involved in the planning process of the development of Bantaeng Industrial Park and Port of Mattoanging? Could you please identify their role at every stage of the process ranging from planning to the implementation of the development?*
16. Would you please identify all the actors involved in the planning process of the development of the Integrated Industrial Park in the Sub-District of Wongsorejo and Kalipuro and Port of Tanjungwangi / Ketapang? Could you please identify their role at every stage of the process ranging from planning to the implementation of the development?***
17. In the current era of decentralization, many people said that the development of good governance is a key for local governments to be able to successfully develop the region. What is your opinion about that?
18. Would you please provide a description of the conditions of good governance in Bantaeng / Banyuwangi today? How is the actual practice and implementation of good governance in the

Local Government Bantaeng / Banyuwangi? (Mention six governance indicators according to Kaufmann, Kraay and Zoido-Lobaton).

19. In your opinion, does good governance in Local Government Bantaeng / Banyuwangi has been good and run as expected?
20. Would you please explain the extent to which the local government has applied the principle of governance in the process of infrastructure development ranging from the planning stage to the implementation of infrastructure projects?
21. Is there any domestic/local regulation that govern the implementation of governance in the planning of infrastructure development?
22. Does DISPUKIMPRASWIL also involve in the planning process of development and improvement of good governance in Bantaeng / Banyuwangi?
23. Would you please mention the programs of development and improvement of good governance in Bantaeng / Banyuwangi?
24. Could you please explain about the role of Head of the Region (Bupati) in the development of Bantaeng Industrial Park and Port of Mattoanging ranging from the planning stage to the implementation of infrastructure projects?*
25. Could you please explain about the role of Head of the Region (Bupati) in the development of the Integrated Industrial Park in the Sub-District of Wongsorejo and Kalipuro and Port of Tanjungwangi / Ketapang ranging from the planning stage to the implementation of infrastructure projects?***
26. Based on the information I received from various sources, the development planning of of Bantaeng Industrial Park and Port of Mattoanging has managed to attract the interest of some investors to invest in it. Could you please explain about that?*
27. Based on the information I received from various sources, the development planning of of the Integrated Industrial Park in the Sub-District of Wongsorejo and Kalipuro and Port of Tanjungwangi / Ketapang has managed to attract the interest of some investors to invest in it. Could you please explain about that?***
28. In your view, with many investors interested to invest in infrastructure development in Bantaeng / Banyuwangi, does it influenced by the conditions of governance in Local Government of Bantaeng / Banyuwangi? Or in other words, with the development of good governance conducted by the Local Government of Bantaeng/Banuwangi, could it obviously attract the investors to invest in infrastructure development in Bantaeng/Banyuwangi?
29. Would you please explain about the governance program that has been implemented by the Local Government of Bantaeng / Banyuwangi which then considered successful in attracting investors to invest?

30. In planning the development of governance and infrastructure in Bantaeng / Banyuwangi, does DISPUKIMPRASWIL involve other stakeholders such as the community, or a parliament, or academics, or NGOs in Bantaeng / Banyuwangi?
31. Do other stakeholders actively involved in the planning process of infrastructure development in Bantaeng / Banyuwangi?
32. In the planning process of infrastructure development, did DISPUKIMPRASWIL conducted some sort of socialization, or consultation, or public hearings with other stakeholders such as the community, or a parliament, or academics, or NGOs in Bantaeng / Banyuwangi in order to seek input regarding the infrastructure project that is needed to be develop in this region?
33. With regard to regulation, in the process of developing infrastructure, does DISPUKIMPRASWIL prepare for the regulation framework in advance? In this case, is there any consultation, or public hearings with stakeholders such as the community, or a parliament, or academics, or NGOs in Bantaeng / Banyuwangi in order to prepare the regulatory framework?
34. Please explain briefly about the process of planning the regulations related to infrastructure development in Bantaeng / Banyuwangi.
35. Do the other stakeholders such as the public, Parliament, NGOs, or academia ever requested information related to the project, such as the detailed engineering design, financing plan and a feasibility study on the project? How do you respond to this?
36. Of all the infrastructure projects built in Bantaeng / Banyuwangi, did all the projects run on time? Are there any projects that have constraints so that the development process is not running on time? Please kindly explain about it.
37. This study should ideally aim to make the development model of governance and infrastructure development in Bantaeng / Banyuwangi as a development model that could be applied in other regions in Indonesia. What is your opinion about it?
38. Is there anything else you want to convey?

*) The question only to officials of DISPUKIMPRASWIL Bantaeng Regency

***) The question only to officials of DISPUKIMPRASWIL Banyuwangi Regency

**DEPARTMENT OF COMMERCE, INDUSTRY, MINES AND ENERGY
(DISDAGINTAMBEN) – BANTAENG REGENCY**

**DEPARTMENT OF COMMERCE, INDUSTRY, MINES AND ENERGY
(DISDAGINTAMBEN) – BANYUWANGI REGENCY**

1. Would you please explain about the role of DISDAGINTAMBEN in infrastructure development in Bantaeng / Banyuwangi?
2. Would you please explain about the role of DISDAGINTAMBEN in the development of Bantaeng Industrial Park/the Integrated Industrial Park in the Sub-District of Wongsorejo and Kalipuro?
3. Does your agency play the role in the development of Bantaeng Industrial Park/the Integrated Industrial Park in the Sub-District of Wongsorejo and Kalipuro ranging from the planning phase to the implementation phase?
4. Does the proposed development of Bantaeng Industrial Park/the Integrated Industrial Park in the Sub-District of Wongsorejo and Kalipuro come from your agency? Could you please explain how is the process to propose it occurred?
5. In planning the construction or the development of Bantaeng Industrial Park/the Integrated Industrial Park in the Sub-District of Wongsorejo and Kalipuro, does DISDAGINTAMBEN has a work team? Would you please mention the team members?
6. Would you please mention some of the problems and challenges encountered by DISDAGINTAMBEN in planning the development of Bantaeng Industrial Park/the Integrated Industrial Park in the Sub-District of Wongsorejo and Kalipuro?
7. Would you please identify all the actors involved in the planning process of the development of Bantaeng Industrial Park/the Integrated Industrial Park in the Sub-District of Wongsorejo and Kalipuro? Could you please identify their role at every stage of the process ranging from planning to the implementation of the development of Bantaeng Industrial Park/the Integrated Industrial Park in the Sub-District of Wongsorejo and Kalipuro?
8. In the current era of decentralization, many people said that the development of good governance is a key for local governments to be able to successfully develop the region. What is your opinion about that?
9. Would you please provide a description of the conditions of good governance in Bantaeng / Banyuwangi today? How is the actual practice and implementation of good governance in the Local Government Bantaeng / Banyuwangi? (Mention six governance indicators according to Kaufmann, Kraay and Zoido-Lobaton).

10. In your opinion, does good governance in Local Government Bantaeng / Banyuwangi has been good and run as expected?
11. Would you please explain the extent to which the local government has applied the principle of governance in the process of infrastructure development ranging from the planning stage to the implementation of infrastructure projects?
12. Is there any domestic/local regulation that govern the implementation of governance in the planning of infrastructure development?
13. Does DISDAGINTAMBEN also involve in the planning process of development and improvement of good governance in Bantaeng / Banyuwangi?
14. Would you please mention the programs of development and improvement of good governance in Bantaeng / Banyuwangi?
15. Could you please explain about the role of Head of the Region (Bupati) in the development of Bantaeng Industrial Park/the Integrated Industrial Park in the Sub-District of Wongsorejo and Kalipuro ranging from the planning stage to the implementation of infrastructure projects?
16. Based on the information I received from various sources, the development planning of of Bantaeng Industrial Park has managed to attract the interest of some investors to invest in it. Could you please tell me about it?*
17. Based on the information I received from various sources, the development planning of the Integrated Industrial Park in the Sub-District of Wongsorejo and Kalipuro has managed to attract the interest of some investors to invest in it. Would you please tell me about it?***
18. In your view, with many investors interested to invest in infrastructure development in Bantaeng / Banyuwangi, does it influenced by the conditions of governance in Local Government of Bantaeng / Banyuwangi? Or in other words, with the development of good governance conducted by the Local Government of Bantaeng/Banuwangi, could it obviously attract the investors to invest in infrastructure development in Bantaeng/Banyuwangi?
19. Would you please explain about the governance program that has been implemented by the Local Government of Bantaeng / Banyuwangi which then considered successful in attracting investors to invest?
20. In planning the development of governance and infrastructure in Bantaeng / Banyuwangi, does DISDAGINTAMBEN involve other stakeholders such as the community, or a parliament, or academics, or NGOs in Bantaeng / Banyuwangi?
21. Do other stakeholders actively involved in the planning process of infrastructure development in Bantaeng / Banyuwangi?
22. In the planning process of infrastructure development, did DISDAGINTAMBEN conducted some sort of socialization, or consultation, or public hearings with other stakeholders such as

the community, or a parliament, or academics, or NGOs in Bantaeng / Banyuwangi in order to seek input regarding the infrastructure project that is needed to be develop in this region?

23. With regard to regulation, in the process of developing infrastructure, does DISDAGINTAMBEN prepare for the regulation framework in advance? In this case, is there any consultation, or public hearings with stakeholders such as the community, or a parliament, or academics, or NGOs in Bantaeng / Banyuwangi in order to prepare the regulatory framework?
24. Please explain briefly about the process of planning the regulations related to infrastructure development in Bantaeng / Banyuwangi.
25. Do the other stakeholders such as the public, Parliament, NGOs, or academia ever requested information related to the project, such as the detailed engineering design, financing plan and a feasibility study on the project? How do you respond to this?
26. Of all the infrastructure projects built in Bantaeng / Banyuwangi, did all the projects run on time? Are there any projects that have constraints so that the development process is not running on time? Please kindly explain about it.
27. This study should ideally aim to make the development model of governance and infrastructure development in Bantaeng / Banyuwangi as a development model that could be applied in other regions in Indonesia. What is your opinion about it?
28. Is there anything else you want to convey?

*) The question only to officials of DISDAGINTAMBEN Bantaeng Regency

***) The question only to officials of DISDAGINTAMBEN Banyuwangi Regency

NGOs ACTIVIST – BANTAENG REGENCY

NGOs ACTIVIST – BANYUWANGI REGENCY

1. Would you please explain about your organisation?
2. What are the activities undertaken by your organisation?
3. What is your role in this organisation?
4. In the current era of decentralization, many people said that the development of good governance is a key for local governments to be able to successfully develop the region. What is your opinion about that?

5. This study examines the actual practices and the implementation of good governance by local governments in Indonesia in order to obtain financial support from investors to develop infrastructure in the area. In your view, how is the actual practice and implementation of good governance in the Local Government of Bantaeng / Banyuwangi? (Mention six governance indicators according to Kaufmann, Kraay and Zoido-Lobaton).
6. In your opinion, does good governance in Local Government Bantaeng / Banyuwangi has been good and run as expected?
7. Does the Local Government of Bantaeng / Banyuwangi has the program to develop and improve its governance?
8. Would you please mention the programs of development and improvement of good governance in Bantaeng / Banyuwangi?
9. More specifically, this study will examine the actual practice and implementation of the three governance indicators (voice and accountability, regulatory quality, and control of corruption) by the local government in Indonesia. The extent to which local government has implemented three indicators of governance in building the infrastructure in Bantaeng / Banyuwangi?
10. In your opinion, to what extent local government has implemented three indicators of governance in the process of infrastructure development ranging from the planning stage to the implementation of infrastructure projects?
11. Is there any regulation governing the implementation of governance in the planning of infrastructure development?
12. In planning the development of governance and infrastructure in Bantaeng / Banyuwangi, does Pemda involve the other stakeholders such as the community, or a parliament, or academics, or NGOs in Bantaeng / Banyuwangi?
13. Do other stakeholders actively involved in the planning process of infrastructure development in Bantaeng / Banyuwangi?
14. In the planning process of infrastructure development, did Pemda conducted some sort of socialization, or consultation, or public hearings with other stakeholders such as the community, or a parliament, or academics, or NGOs in Bantaeng / Banyuwangi in order to seek input regarding the infrastructure project that is needed to be develop in this region?
15. With regard to regulation, in the process of developing infrastructure, does the local government prepare for the regulation framework in advance? In this case, is there any consultation, or public hearings with stakeholders such as the community, or a parliament, or academics, or NGOs in Bantaeng / Banyuwangi in order to prepare the regulatory framework?
16. Please explain briefly about the process of planning the regulations related to infrastructure development in Bantaeng / Banyuwangi.

17. How is the relationship between the executive and other stakeholders such as the public, or a parliament, or academics, or NGOs in Bantaeng / Banyuwangi?
18. Does the Local Government of Bantaeng / Banyuwangi sufficiently accountable and transparent in informing the plans to develop infrastructure in this region?
19. Does the executive release sufficient information to NGOs in correlation with the plan to develop infrastructure projects?
20. Does the executive release sufficient information from the beginning of the process of preparation of the project? Please explain?
21. Do the other stakeholders such as the public, Parliament, NGOs, or academia ever requested information related to the project, such as the detailed engineering design, financing plan and a feasibility study on the project?
22. Do you find difficulties in obtaining information related to infrastructure projects such as financial analysis, socio-economic analysis, or other information?
23. Did you get the information needed in a short time? Please explain?
24. In your opinion, does the local government has obey the rule of law or procedure in planning the infrastructure development in Bantaeng / Banyuwangi?
25. As far as you know, of all the infrastructure projects built in Bantaeng / Banyuwangi, did all the projects run on time? Are there any projects that have constraints so that the development process is not running on time? Please kindly explain about it.
26. How do you see the practice of corruption in the Local Government of Bantaeng / Banyuwangi? Is it still occur/frequently occur or rarely occur?
27. If still occur/frequently occur, in your view, what causes it? And in what case/field usually the corruption is still occur?
28. If it is rarely occur, what do you think caused it?
29. Does the local government has a program to eradicate corruption? Could you please mention what are the programs that have been implemented by local government in order to reduce/combat corruption in Bantaeng / Banyuwangi?
30. Is there any domestic/local regulation that governs on combating corruption in Bantaeng / Banyuwangi?
31. The extent to which the law/regulation works? Is it effective or not?
32. Would you please explain the role of Head of the Region (Bupati) in the development of good governance and the development of infrastructure in Bantaeng / Banyuwangi?
33. This study specifically examines the development of Bantaeng Industrial Park and Port of Mattoanging. In your opinion, to what extent the local government implemented three

governance indicators (voice and accountability, quality of regulation and control of corruption) in developing those infrastructure projects?*

34. Based on your observations, is there any indications of irregularities in the development of these infrastructure projects? Do you have any data and/or information related to it?*
35. This study specifically examines the development of the Integrated Industrial Park in the Sub-District of Wongsorejo and Kalipuro and Port of Tanjungwangi / Ketapang. In your opinion, to what extent the local government implemented three governance indicators (voice and accountability, quality of regulation and control of corruption) in developing those infrastructure projects?***
36. Based on your observations, is there any indications of irregularities in the development of these infrastructure projects? Do you have any data and/or information related to it?***
37. Is there anything else you want to convey?

*) The question is only for NGO activists in Bantaeng Regency

**) The question is only for NGO activists in Banyuwangi Regency

MEMBERS OF LOCAL PARLIAMENT – BANTAENG REGENCY

MEMBERS OF LOCAL PARLIAMENT – BANYUWANGI REGENCY

1. Would you please explain about your role as a member of Parliament in the planning process of infrastructure development in Bantaeng / Banyuwangi?
2. Would you please explain about your role in infrastructure development from the planning stage to the construction of infrastructure projects?
3. The extent to which local government involving Parliament in the planning of infrastructure development? How is the relationship between the executive and Parliament in planning infrastructure development in Bantaeng / Banyuwangi?
4. What are the main problems faced by the parliament in any planning process of infrastructure development in Bantaeng / Banyuwangi?
5. What do you do as legislators to resolve the issue?
6. In the current era of decentralization, many people said that the development of good governance is a key for local governments to be able to successfully develop the region. What is your opinion about that?

7. This study examines the actual practices and the implementation of good governance by local governments in Indonesia in order to obtain financial support from investors to develop infrastructure in the area. In your view, how is the actual practice and implementation of good governance in the Local Government of Bantaeng / Banyuwangi? (Mention six governance indicators according to Kaufmann, Kraay and Zoido-Lobaton).
8. In your opinion, does good governance in Local Government Bantaeng / Banyuwangi has been good and run as expected?
9. Does the Local Government of Bantaeng / Banyuwangi has the program to develop and improve its governance?
10. Would you please mention the programs of development and improvement of good governance in Bantaeng / Banyuwangi?
11. More specifically, this study will examine the actual practice and implementation of the three governance indicators (voice and accountability, regulatory quality, and control of corruption) by the local government in Indonesia. The extent to which local government has implemented three indicators of governance in building the infrastructure in Bantaeng / Banyuwangi?
12. In your opinion, to what extent local government has implemented three indicators of governance in the process of infrastructure development ranging from the planning stage to the implementation of infrastructure projects?
13. Is there any regulation governing the implementation of governance in the planning of infrastructure development?
14. In planning the development of governance and infrastructure in Bantaeng / Banyuwangi, does Pemda involve the other stakeholders such as the community, or a parliament, or academics, or NGOs in Bantaeng / Banyuwangi?
15. Do other stakeholders actively involved in the planning process of infrastructure development in Bantaeng / Banyuwangi?
16. In the planning process of infrastructure development, did Pemda conducted some sort of socialization, or consultation, or public hearings with other stakeholders such as the community, or a parliament, or academics, or NGOs in Bantaeng / Banyuwangi in order to seek input regarding the infrastructure project that is needed to be develop in this region?
17. With regard to regulation, in the process of developing infrastructure, does the local government prepare for the regulation framework in advance? In this case, is there any consultation, or public hearings with stakeholders such as the community, or a parliament, or academics, or NGOs in Bantaeng / Banyuwangi in order to prepare the regulatory framework?
18. Please explain briefly about the process of planning the regulations related to infrastructure development in Bantaeng / Banyuwangi.

19. How is the relationship between the executive and other stakeholders such as the public, or a parliament, or academics, or NGOs in Bantaeng / Banyuwangi?
20. Does the Local Government of Bantaeng / Banyuwangi sufficiently accountable and transparent in informing the plans to develop infrastructure in this region?
21. Does the executive release sufficient information to NGOs in correlation with the plan to develop infrastructure projects?
22. Does the executive release sufficient information from the beginning of the process of preparation of the project? Please explain?
23. Do the other stakeholders such as the public, Parliament, NGOs, or academia ever requested information related to the project, such as the detailed engineering design, financing plan and a feasibility study on the project?
24. Do you find difficulties in obtaining information related to infrastructure projects such as financial analysis, socio-economic analysis, or other information?
25. Did you get the information needed in a short time? Please explain?
26. In your opinion, does the local government has obey the rule of law or procedure in planning the infrastructure development in Bantaeng / Banyuwangi?
27. As far as you know, of all the infrastructure projects built in Bantaeng / Banyuwangi, did all the projects run on time? Are there any projects that have constraints so that the development process is not running on time? Please kindly explain about it.
28. How do you see the practice of corruption in the Local Government of Bantaeng / Banyuwangi? Is it still occur/frequently occur or rarely occur?
29. If still occur/frequently occur, in your view, what causes it? And in what case/field usually the corruption is still occur?
30. If it is rarely occur, what do you think caused it?
31. Does the local government has a program to eradicate corruption? Could you please mention what are the programs that have been implemented by local government in order to reduce/combat corruption in Bantaeng / Banyuwangi?
32. Is there any domestic/local regulation that governs on combating corruption in Bantaeng / Banyuwangi?
33. The extent to which the law/regulation works? Is it effective or not?
34. Would you please explain the role of Head of the Region (Bupati) in the development of good governance and the development of infrastructure in Bantaeng / Banyuwangi?
35. This study specifically examines the development of Bantaeng Industrial Park and Port of Mattoanging. In your opinion, to what extent the local government implemented three

governance indicators (voice and accountability, quality of regulation and control of corruption) in developing those infrastructure projects?*

36. Based on your observations, is there any indications of irregularities in the development of these infrastructure projects? Do you have any data and/or information related to it?*
37. This study specifically examines the development of the Integrated Industrial Park in the Sub-District of Wongsorejo and Kalipuro and Port of Tanjungwangi / Ketapang. In your opinion, to what extent the local government implemented three governance indicators (voice and accountability, quality of regulation and control of corruption) in developing those infrastructure projects?***
38. Based on your observations, is there any indications of irregularities in the development of these infrastructure projects? Do you have any data and/or information related to it?***
39. Is there anything else you want to convey?

*) The question is only for members of local parliament in Bantaeng Regency

**) The question is only for members of local parliament in Banyuwangi Regency

ACADEMICS – BANTAENG REGENCY

ACADEMICS – BANYUWANGI REGENCY

1. Would you please explain a little bit about your background?
2. What do you know about Bantaeng/Banyuwangi in general?
3. What do you know about governance of the Local Government of Bantaeng/Banyuwangi?
4. What do you know about the infrastructure development in Bantaeng/Banyuwangi?
5. Would you please explain about your role as Academics in the planning process of infrastructure development in Bantaeng / Banyuwangi?
6. Would you please explain about your role in infrastructure development from the planning stage to the construction of infrastructure projects?
7. The extent to which local government involving Academics in the planning of infrastructure development? How is the relationship between the local government and Academics in planning infrastructure development in Bantaeng / Banyuwangi?
8. What are the main problems faced by Academics in assisting the local government in planning the infrastructure development in Bantaeng / Banyuwangi?
9. What do you do as Academics to resolve the issue?

10. In the current era of decentralization, many people said that the development of good governance is a key for local governments to be able to successfully develop the region. What is your opinion about that?
11. This study examines the actual practices and the implementation of good governance by local governments in Indonesia in order to obtain financial support from investors to develop infrastructure in the area. In your view, how is the actual practice and implementation of good governance in the Local Government of Bantaeng / Banyuwangi? (Mention six governance indicators according to Kaufmann, Kraay and Zoido-Lobaton).
12. In your opinion, does good governance in Local Government Bantaeng / Banyuwangi has been good and run as expected?
13. As far as you know as Academics, does the Local Government of Bantaeng / Banyuwangi has the program to develop and improve its governance?
14. Would you please mention the programs of development and improvement of good governance in Bantaeng / Banyuwangi?
15. More specifically, this study will examine the actual practice and implementation of the three governance indicators (voice and accountability, regulatory quality, and control of corruption) by the local government in Indonesia. The extent to which local government has implemented three indicators of governance in building the infrastructure in Bantaeng / Banyuwangi?
16. In your opinion, to what extent local government has implemented three indicators of governance in the process of infrastructure development ranging from the planning stage to the implementation of infrastructure projects?
17. As far as you know, is there any regulation governing the implementation of governance in the planning of infrastructure development?
18. In planning the development of governance and infrastructure in Bantaeng / Banyuwangi, does Pemda involve the other stakeholders such as the community, or a parliament, or academics, or NGOs in Bantaeng / Banyuwangi?
19. Do other stakeholders actively involved in the planning process of infrastructure development in Bantaeng / Banyuwangi?
20. In the planning process of infrastructure development, did Pemda conducted some sort of socialization, or consultation, or public hearings with other stakeholders such as the community, or a parliament, or academics, or NGOs in Bantaeng / Banyuwangi in order to seek input regarding the infrastructure project that is needed to be develop in this region?
21. With regard to regulation, in the process of developing infrastructure, does the local government prepare for the regulation framework in advance? In this case, is there any

- consultation or public hearing with stakeholders such as the community, or a parliament, or academics, or NGOs in Bantaeng / Banyuwangi in order to prepare the regulatory framework?
22. Please explain briefly about the process of planning the regulations related to infrastructure development in Bantaeng / Banyuwangi.
 23. How is the relationship between the executive and other stakeholders such as the public, or a parliament, or academics, or NGOs in Bantaeng / Banyuwangi?
 24. Does the Local Government of Bantaeng / Banyuwangi sufficiently accountable and transparent in informing the plans to develop infrastructure in this region?
 25. Does the executive release sufficient information to NGOs in correlation with the plan to develop infrastructure projects?
 26. Does the executive release sufficient information from the beginning of the process of preparation of the project? Please explain?
 27. Do the other stakeholders such as the public, Parliament, NGOs, or academia ever requested information related to the project, such as the detailed engineering design, financing plan and a feasibility study on the project?
 28. Do you find difficulties in obtaining information related to infrastructure projects such as financial analysis, socio-economic analysis, or other information?
 29. Did you get the information needed in a short time? Please explain?
 30. In your opinion, does the local government has obey the rule of law or procedure in planning the infrastructure development in Bantaeng / Banyuwangi?
 31. As far as you know, of all the infrastructure projects built in Bantaeng / Banyuwangi, did all the projects run on time? Are there any projects that have constraints so that the development process is not running on time? Please kindly explain about it.
 32. How do you see the practice of corruption in the Local Government of Bantaeng / Banyuwangi? Is it still occur/frequently occur or rarely occur?
 33. If still occur/frequently occur, in your view, what causes it? And in what case/field usually the corruption is still occur?
 34. If it is rarely occur, what do you think caused it?
 35. Does the local government have a program to eradicate corruption? Could you please mention what are the programs that have been implemented by local government in order to reduce/combat corruption in Bantaeng / Banyuwangi?
 36. Is there any domestic/local regulation that governs on combating corruption in Bantaeng / Banyuwangi?
 37. The extent to which the law/regulation works? Is it effective or not?

38. Would you please explain the role of Head of the Region (Bupati) in the development of good governance and the development of infrastructure in Bantaeng / Banyuwangi?
39. This study specifically examines the development of Bantaeng Industrial Park and Port of Mattoanging. In your opinion, to what extent the local government implemented three governance indicators (voice and accountability, quality of regulation and control of corruption) in developing those infrastructure projects?*
40. Based on your observations, is there any indications of irregularities in the development of these infrastructure projects? Do you have any data and/or information related to it?*
41. This study specifically examines the development of the Integrated Industrial Park in the Sub-District of Wongsorejo and Kalipuro and Port of Tanjungwangi / Ketapang. In your opinion, to what extent the local government implemented three governance indicators (voice and accountability, quality of regulation and control of corruption) in developing those infrastructure projects?***
42. Based on your observations, is there any indications of irregularities in the development of these infrastructure projects? Do you have any data and/or information related to it?***
43. Is there anything else you want to convey?

*) The question is only for academics in Bantaeng Regency

**) The question is only for academics in Banyuwangi Regency

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