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**DEPOLITICISATION AND DEMOCRATIC
GOVERNANCE IN INDONESIA:
THE CASE OF THE EXTRACTIVE INDUSTRIES
TRANSPARENCY INITIATIVE**

Submitted by

Hasrul Hanif

A thesis submitted in partial fulfilment of the requirements for
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For

Summawiyah, Moh. Harsan, Rahma and Maryam

ABSTRACT

Despite various efforts to undertake substantial democratic reform in the extractive sector in Indonesia, a full democratic governance process has process never been entirely realised. Therefore, by deploying depoliticisation as the overarching framework, focusing on contextual ignorance, denial of the pluralism and antagonism and impediment of participation, this study investigates the Extractive Industry Transparency Initiative (EITI) in Indonesia between 2010-2018. It shows that the shifts of global and domestic political landscape are the main drivers of the localisation of transparency.

The study finds that EITI Indonesia acts as an anti-politics “machine” by partially recognising the local context. However, the civil society organisations (CSOs) persistently try to repoliticise and make use the EITI for demanding more information. Furthermore, the deliberative processes of the multi-stakeholder group (MSG) also indicate a complex process of the pursuit and prevention of issues onto EITI’s public agenda. Along with such dynamic process of governmental depoliticisation, this study also finds that societal depoliticisation in Indonesia’s extractive sector works through the participation of intermediaries and the primacy of technical solutions.

This study provides conceptual contributions that are: (1) a stipulative definition of depoliticisation which reconciles narrow and extensive definitions; and, (2) reconsidering the contingency of depoliticisation but emphasising that the contingency is dynamic and highly dependent on the circumstances in which the process has taken place. Empirically, it claims that: (1) the centrality of transparency in creating its own contestation: transparency is deployed as a tool of knowledge-based power struggle by continuously “testing the boundaries” of information disclosure and making use the MSG for scaling up CSOs’ leverage; and, (2), that local context does matter. New democratic spaces, waves of transparency and the rise of civil society stimulate the repoliticisation of EITI while, at the same time, actors’ cultural and historical parameters and the nature and scale of extractive commodities limit the extent of the contestation process itself.

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ABBREVIATIONS

BP MIGAS	:	Badan Pelaksana Hulu Minyak dan Gas
BPK	:	Badan Pemeriksa Keuangan
BPKP	:	Badan Pengawasan Keuangan dan Pembangunan
BUMN	:	Badan Usaha Milik Negara
CSO	:	Civil Society Organisation
DBH	:	Dana Bagi Hasil
DJP	:	Direktorat Jenderal Perimbangan Keuangan
EITI	:	Extractive Industries Transparency Initiative
GN PSDA	:	Gerakan Nasional Penyelamatan Sumberdaya Alam
KKKS	:	Kontraktor Kontrak Kerjasama
KLHK	:	Kementerian Lingkungan Hidup dan Kehutanan
KPK	:	Komisi Pemberantasan Korupsi
MSG	:	Multi-Stakeholder Group
NPWP	:	Nomor Pokok Wajib Pajak
PLN	:	Perusahaan Listrik Negara
PWYP	:	Publish What You Pay
RTRW	:	Rencana Tata Ruang dan Wilayah
SKK MIGAS	:	Satuan Kerja Khusus Minyak dan Gas

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CHAPTER 1

INTRODUCTION

1.1 Introduction

Substantial efforts have been undertaken to institutionalise democratic governance reform in the Global South.¹ However, strategies of depoliticisation tend to prevent the desired outcome. Most existing studies have assumed that governing through expertise and shifting the responsibilities and blame from the elected political actors is detrimental for democracy. However, few studies have applied depoliticisation as an analytical concept, examined empirically the implementation of strategies in a particular venue and examined the effects of depoliticisation strategies to democratic politics in the Global South.

Therefore, this study aims to show the details of depoliticisation strategies and its counter dynamics² in the context of governance reform of the extractive industries. It explores the institutionalisation of transparency, as an emerging global norm, through Extractive Industries Transparency Initiative (EITI) in Indonesia from 2010-2018. This study also deploys a stipulative definition that assumes that politicisation/depoliticisation takes place via the two following crucial aspects, namely recognition and participation. The absence of recognition will be examined through degree of local context ignorance and the denial of political pluralism and

¹ In this study, “the Global South” is used as an alternative term to “Third World”. The term mostly refers to countries outside of Europe and North America that are predominantly economically and politically marginalised (see Dados and Connell, 2012; Mahler, 2017).

² In this study, “counter dynamics” is used to describe various strategies responding to depoliticisation practices. The expression of counter dynamics will be explained further in the empirical chapters.

antagonism, meanwhile the absence of participation will be examined through extent of impediment of popular participation or public disengagement.

This chapter gives an overview of the study by covering the academic and empirical rationale and the context. It follows with the main argument of the thesis, research aims, objectives and questions. It concludes by clarifying the thesis structure.

1.2 The Problem and Rationale

This thesis examines Indonesia, one of the Global South's emerging democracies, and depoliticisation strategies in the country's efforts to improve democratic governance of the extractive industries. All arguments of the thesis engage with the discussions on depoliticisation, development and democratic governance in the Global South. In particular, it examines attempts at, and governing strategies of, depoliticisation and its counter dynamics through the institutionalisation of transparency of governance of the extractive industries in Indonesia EITI. It explores the extent that the institutionalisation of such global norm tends to ignore local contexts; to deny the pluralism of ideas and alternatives and the political antagonism; and to impede public participations in the field.

Introduced in 2010, EITI brought a lot of expected assuring new era of resource governance in Indonesia and 8 years later there are a lot of remaining problems of corruption and rent seeking in oil production and import; conflict between local communities and mining companies still exist; and there are still some social tensions involving various actors rather than collaboration on the ground. In other words, there is general dissatisfaction, malfunctioning of democracy and conflict around governance of the extractive industries along with process of EITI implementation in Indonesia. In context of the former authoritarian country that just democratised at the end of 1990s, governance processes of the extractive industries is supposed to be extensively fully democratising, but it has never been fully achieved. Why do these problems occur?

Existing studies on contemporary Indonesian democracy come with some judgements that may provide some clues when answering such a puzzle. They underline that the expected level of public control and empowerment is absent in

Indonesian politics. Moreover, they claim the anti-reformist elites, cartels and oligarchs still dominate the processes of policy-making and everyday politics in post-clientelistic political relations (Hadiz, 2010; Mietzner, 2012; Winters, 2013; Hanif and Hiariej, 2015; Törnquist *et al.*, 2017). Although Indonesian democracy seems “healthy” (see Ananta, Arifin and Suryadinata, 2005; Diamond, 2010; Reid, 2012; Acharya, 2014), there is no reason for complacency. It is vulnerable because of elite capture, highly polarised and decentralised politics, clientelism and the lack of strong popular participation and civic engagement (see McLeod, Ross H and MacIntyre, 2007; Warburton and Aspinall, 2019; Power and Warburton, 2020).

Despite the fact that this strand of research provides insightful findings on the absence of democratic politics, it pays less attention to the effects of technocratic-cum-managerialism and the minimal role of politicians in public governance on Indonesian democratic politics. As with many developmental states in the Global South, governing by expertise has a deep-rooted pathway in Indonesian public governance since the New Order regime introduced its modernisation and deep industrialisation strategy at the end of 1960s (MacDougall, 1976; Lewis, 2007; see Amir, 2013).

After the economic crisis in 1997,³ the approach of governing by expertise also transformed and extended persistently along with the process of market-oriented governance reform and democratisation (cf. Carroll and Jarvis, 2015; Dargent, 2015). The reform is characterised by a strong emphasis on decentralised and plural authorities, re-orientation of the role of civil society, flexibility and introduction of new forms of transparency and accountability (Carroll and Jarvis, 2015, p. 282, 2017, p. 23). This typical neoliberal reform could be considered as a depoliticisation strategy when it reconfigures the governmental rationality of the state towards further marketisation of society (Toplišek, 2019, p. 4) and key decision making and

³ An economic crisis impacted various East Asian and Southeast Asian countries in 1997, changing the political scene in the area, notably Indonesia. As a result of societal unrest brought on by such economic hardship, the authoritarian government of Indonesia then was overthrown after 32 years of oppressive power (Jayasuriya and Rosser, 2001).

accountability is no longer under popular control or the process of political bargaining (Jayasuriya and Rosser, 2001; Stavrakakis, 2018, p. 54).

Therefore, in defence of the primacy of popular control of public affairs as the very essential features of democracy (see Beetham, 1999), this is an attempt to conduct a micro study of depoliticisation by examining certain governing strategies which place key decisions above political contestation and responsibilities. Furthermore, the study also not only captures what existing research has called the ‘governmental’ face of depoliticisation, but also interrogates ‘societal’ depoliticisation -the impediment of participation and absence of the choices and alternatives in public deliberation surrounding a political issue in varying degrees. It examines the link between both the governmental and societal aspects of depoliticisation and the hindrance of democratic processes as a dynamic relationship rather than a one-way one (cf. Fawcett *et al.*, 2017, p. 7).

This study investigates the practices of depoliticisation and its counter dynamics through the adoption of transparency in Indonesian governance of the extractive industries. First, it situates depoliticisation as overarching framework and goes beyond the resource curse as the dominant theory in resource studies.⁴ It particularly addresses the resource curse theorists’ omission of the context. They emphasize the primacy of the “good” institution to discourage the rent-seeking culture which leads to a paradox of plenty in the resource-rich contexts, such as corruption, authoritarianism and social conflict (Mehlum, Moene and Torvik, 2006a, 2006b; Collier, 2007; Libman, 2010; see Amundsen, 2014). However, there has been little attempt to link the ‘good institution’ to its contextual conditions and circumstances (Rosser, 2006b, 2007; see Bourgouin and Haarstad, 2013, p. 93; Orihuela, 2018).

⁴ Since the end of the 1980s, there has been a growing body of literature on the development outcomes and political regime performances in many resource-rich nations, which highlights the phenomenon known as “the curse”, which can be recognized by its symptoms of economic and political paradoxes. The discipline of resource studies is then dominated by the bodies of literature that look at the issue of the resource curse (Rosser, 2006b; Stevens, Lahn and Kooroshy, 2015).

This study, in contrast, not only highlights that the context does matter, but also captures the complexities of depoliticisation as a set of governing strategies that have been deployed by diverse actors when they try to access, influence, and control the decision-making process and become involved in public deliberation. It identifies how depoliticisation works through ignorance of context and denial or limitation of political issues and alternatives. The study also pinpoints the impediment of popular participation or public disengagement. In short, this study elaborates the practice of depoliticisation in the Global South through both the governmental and societal “faces” of depoliticisation and how both “faces” of depoliticisation interconnect each other (cf. Buller *et al.*, 2019, pp. 14–16).

Second, this study assumes that the extractive sector is a contentious political issue which is often fervently debated in many resource-abundant countries in the Global South. It henceforth places contemporary Indonesian resource politics as the point of interest due its domestic political changes over last two decades and natural resource endowment. The EITI International notes that contributions by extractive industries to the structure of the Indonesian economy are 7% (to GDP), 21% (to export), 10% (to government revenue) and 1.2% (to employment) (Extractive Industries Transparency Initiative, 2021e). Unsurprisingly therefore, Indonesia is home to the largest coal provider and seventh largest tin producer for global demands (ITA, 2020; International Energy Agency, 2021). It also has the third biggest gold and copper mining enterprise in the world, operated by Freeport-McMoRan from the United States since the mid-1960s (*RANKED: World's top 10 biggest gold mines*, 2021).

This study narrows down its analysis by examining strategies of depoliticisation and its counter dynamics through the institutionalisation of EITI Indonesia between 2010 and 2018. The EITI is a global initiative that advises resource-rich countries to overcome the problem of the so-called “resource curse” in their own countries by complying to a global standard voluntarily. The EITI promotes the significance of transparency in oil and gas as well as mineral resource management through implementation of their rules, called EITI Standard. Over the years, the EITI formal and informal rules’ focus has been developing from a narrow focus on revenue

management to aspects of transparency of contract, oil trading, environmental and social responsibilities and gender impacts.

The institutionalisation of EITI in Indonesia is a critical case because of the nature of the extractive sector and the EITI's rules and procedures. First, the Janus face of the extractive sector. On the one hand, a relatively small elite comprised of business and expert actors handles and arranges extraction because of its high risk and high-capital intensity. This requires sophisticated management and particular technologies with asymmetric access to information (Cameron and Stanley, 2017, pp. 40–42). Therefore, the policy-making process regarding the extractive sector predominantly uses a language of economic and geological technicalities and technocratic consideration.

On the other hand, the extractive sector is highly political since it opens up opportunities for rent-seeking behaviour (Humphreys, Sachs and Stiglitz, 2007, p. 4; Karl, 2007, pp. 259–265). In the case of Indonesia, the extractive sector is fraught with political wrangling since it relates to public service obligations such as fuel subsidies, domestic ownership and resource nationalism and often has social-environmental impacts (Gellert, 2010; Kaup and Gellert, 2017; see Chelminski, 2018; Warburton, 2018; Winanti and Diprose, 2020).

Second, the EITI starts from the basic assumption that the adoption of a technocratic framework of the global norm and compliance with its global standards is an effective way to achieve and enhance good governance of natural resources (see Escribano, 2017; Vijge *et al.*, 2019, pp. 201–202). The problems associated with the resource curse, such as poor governance and bad economic performance, can be rectified by improving governance standards and using guidance to monitor them (see Bourgouin and Haarstad, 2013, p. 15; Gonzales-Espinosa and Klein, 2013, p. 116). Hence, the primacy of technocratic-cum-managerialism and ahistorical strategies of institutionalisation lead the initiative to work in depoliticised settings (see Andrews and Okpanachi, 2020).

Third, EITI is implemented through a highly technical mechanism with audit-heavy language that compares and reconciles data and information regarding companies' payments to government and government revenue from the extractive sector. A

country joining the EITI should develop “electronic data files” and publish payments and income related to extractive sectors online. Moreover, the EITI report publishes a contextual report providing additional background for reconciliation of payment data. Since the EITI report narrowly focuses on financial reporting, public audit and accountancy, it overlooks how the powerful elites or the rent-seekers in extraction prevent themselves to be accountable to the citizens (see Newell and Wheeler, 2006, p. 2).

Fourth, the EITI processes introduced new space for partnership and participation, called the Multi-Stakeholder Group (MSG), that consists of representatives of government, civil society organisations and companies (Van Alstine and Andrews, 2016, pp. 96–97; see Klein, 2017, p. 772; Wilson, Claussen and Valverde, 2021). This area of collective decision-making is not only dominated by the technocrat (bureaucrat and the professional): the civil society representative also should work with the aim of establishing a “technical fix” and narrowing down the focus to accessing and monitoring data and information, rather than representing marginalised and most-affected communities. It seems the MSG gives rise to the technocratisation of civil society and possibly leads to limit the various interest and ignore the relevant representation, especially the marginalised and excluded groups (cf. Papadopoulos, 2017, p. 140). Therefore, the extent to which the MSG acts for channelling public participation should be examined further.

1.3 My Argument

By considering the EITI as a global anti-politics “machine” and examining its work in Indonesia’s governance of the extractive industries, this thesis makes the following claims.

Conceptually, this study makes two claims, i.e. the stipulative definition of depoliticisation and reconsideration of contingency of depoliticisation. First, by reconciling the narrow and expansive definitions of depoliticisation, this thesis examines depoliticisation as the attempts and strategies that aim to ignore the context, deny political pluralism and antagonism and impede political participation. Through this stipulative definition, this study combines analysis of the act of governing and its counter dynamics.

This stipulative definition of depoliticisation captures how this study defines politicisation. This study argues that politicisation is the attempt to transform certain social issues into, or make it accepted as, public agenda by making it publicly noticeable. This attempt can be known through the activities that recognise political issues as matters of government, and activities that promote participation in the affairs of government.

Second, this study reconsiders the agreement within the literatures that argue depoliticisation is always contingent, contested and challenged (Buller, 2019, p. 244; Buller *et al.*, 2019, p. 2; Toplišek, 2019; Numerato, Honová and Sedláčková, 2021). The case of Indonesia EITI confirmed that moment of depoliticisation is not fully stabilised. Even though EITI implementation in Indonesia tends to regulate the dispersion by ignoring certain local contexts and simplifying some variations, choices or alternatives, there is always an effort to make use of such depoliticised tools to politicise or repoliticise governance of the extractive industries.

Empirically, this thesis also makes two claims, i.e. the centrality of transparency and the importance of local context. First, this thesis puts emphasis on the centrality of transparency or disclosure of information in creating its own contestation (cf. Gupta, 2010a). By embedding enormous transparency within local context, these technocratic structures almost create conditions for their own contestation. EITI implementation in Indonesia comes with accounting-heavy information and data and imposes strict global rules that leave a small room for local adjustments. EITI merely recognises the local context of legal and fiscal aspects of the extractive sector and country-specific workplan and actions.

Nonetheless, rather than doing some resistances, the civil society actors mobilise the EITI's transparency tools in accessing public information and requesting even more information. Furthermore, the civil society actors also actively engage and request extensive public information in the MSG's collective decision-making - a collaboration that, to some extent, could deflect or detract them from issuing a very political agenda. They also amplify it in the broad governance reform of the extractive industries in Indonesia. Hence, the global EITI has transformed from just merely asking for revenue transparency to open contract, transparency of oil trading

and beneficial ownership. At the same time, Indonesia EITI also facilitates the rise of new issues onto the political agenda, like transparency of intergovernmental revenue sharing funds and conflict resolution on the domestic market obligation in mining.

Furthermore, this thesis argues that the processes of contesting depoliticisation or repoliticisation strategies are more complex and, for varying degrees, also have some limitations (cf. Numerato, Honová and Sedláčková, 2021). The process of MSG's collective decision making in the Indonesia EITI demonstrates not only the unfinished negotiation for building mutual trust, but also the complex processes of preventing and pursuing the new issues into Indonesia EITI's public agenda. The three types of MSG representative have easily reached a collective agreement to recognise some new issues as the agenda when there are no strong conflicting parties' interests. Nevertheless, other issues have been swept aside through different strategies of non-decision-making, including both the mobilisation of bias and individual inaction, personality and accommodation.

Second, this thesis also argues that local context does matter. EITI as a global anti-politics machine does not have any kind of uniform global impact. Depoliticisation does not happen in a uniform way as a result of global structure. Conversely, local context can influence the process of politicisation to make use, challenge or resist this global anti-politics machine through everyday and local setting-based disruptions (cf. Buller *et al.*, 2019, p. 3).

Moreover, learnt from the interaction processes in the MSG -as an intermediary entity-, this thesis argues that depoliticisation's counter dynamics, can come "from above" and "insiders" rather than in movements "from below" (this in comparison to some Global North's experiences. See Buller, 2019, pp. 238–240). The civil society organisations continuously negotiate and test the "boundaries" of the MSG processes in order to capitalize on the EITI's plentiful data and information, request more extensive data and advance the new issues representing people's interests 'on the ground'.

In line with that argument, this thesis also argues that the state is not the only actor that intends to depoliticise, but also the business actors and, to some extent, the

CSOs themselves (cf. Buller *et al.*, 2019, pp. 11–13). The business actors engage in and politicise the MSG processes in the global EITI and Indonesia EITI. The business actors try to take power away from civil society or state actors who would place limitations on what they can do or threaten their good reputation. At the same time, CSOs tend to prevent themselves to pursue further discussion on sensitive and conflicting issues in the MSG for keeping the mutual trust and good relationships that they have developed. Both business actors and CSOs work within structural, cultural and historical constraints and parameters.

Hence, this thesis underlines the ontological aspect of depoliticisation by arguing that depoliticisation as governing strategy is deployed by the rational agent but, at the same time, he/she works under structural parameters. This thesis is based on the agency-based political analysis that underlines the primacy of rational actors to continue or change the system; however, this thesis also recognises that the actors work within their bounded rationality and structures. The limited repoliticisation and process of non-decision making in the MSG are evidence that show actors enable the transparency for enhancing the reform but, at the same time, technocratic-cum-managerialism logics of transparency, local culture and historical parameters constrain the actors' choices. In addition, all actors involved in the Indonesia EITI work through the logics of extractivism -the extraction activities as a main source of economic development and social welfare.

This thesis also proposes a new way to understand the societal depoliticisation. Learnt from three key cases of governance reform of the extractive industries in Indonesia, the societal depoliticisation is not always widespread within society. The extractive sector is very technical and complex, thus, public engagement in governance reform of the extractive industries requires expert knowledge. In other words, even though the poor governance of the extractive industries affects a whole community, there are only a few experts and authorities that can engage in public deliberation for seeking the problem solving. Hence, the governance reform of the extractive industries in Indonesia unsurprisingly characterises participation by intermediaries with strong discussion on technical solutions.

Furthermore, this thesis re-emphasises the blurred boundaries between governmental depoliticisation and societal depoliticisation. This thesis does not only reconsider the argument showing that societal depoliticisation reflects and sharpens the process of governmental depoliticisation (see Wood and Flinders, 2014). This thesis also shows the “in-between” arena where between state and societal actor meet and intersect, such as the Indonesia EITI’s MSG and Indonesia Corruption Eradication Commission’s GNP SDA.⁵

In addition, this thesis argues that these “in-between” terrains are also arenas of contesting depoliticisation strategies. Differing from the previous studies arguing that quasi state institutions are part of shifting of blames and responsibilities (see for instance Flinders and Buller, 2006), the MSG as intermediary entity provides an arena where the depoliticisation strategies work and, at the same time, its counter dynamics. The Corruption Eradication Commission as a quasi-state institution also takes a lead to mobilise various state and societal actors in enhancing the governance reform in the extractive industries in Indonesia.

1.4 Aim, Objectives and Research Question

The thesis investigates depoliticisation and its counter dynamics in the context of an emerging democracy and resource-rich country in the Global South. In particular, it attempts to explore the certain governing strategies that represent the depoliticisation of institutionalisation of transparency in the extractive sector and its counter dynamics, through Indonesia EITI between 2010-2018. Furthermore, referring to its stipulative definition of depoliticisation (to be elaborated further in the chapter 2), this thesis has several objectives, namely (1) Investigation of the extent of local context ignorance in the process of institutionalisation of EITI in Indonesia between 2010-2018 (2) Investigation of the extent of denial of pluralism and antagonism in the process of institutionalisation of EITI in Indonesia between 2010-2018, and (3) Investigation of any strategies impeding any actors involved in the broad governance reform of the extractive industries in Indonesia to demand and transform their interest and preferences.

⁵ For detail information about GNP SDA, see chapter 8.

Therefore, the study answers this central question:

“How do the attempts at, and strategies of, depoliticisation work in the institutionalisation of transparency of extractive industries governance in Indonesia's emerging democracy through processes of contextual ignorance, denial of pluralism and antagonism and impediment of public participation?”

Furthermore, it identifies the single event or process of depoliticisation and its counter dynamics in different periods to answer the following sub-questions:

- 1) What are the global and domestic contexts that influence and facilitate the dynamic process of institutionalisation of transparency of governance of the extractive industries in Indonesia?
- 2) To what extent have various actors involved in EITI Indonesia ignored the local context in the institutionalisation of transparency of governance of the extractive industries in Indonesia?
- 3) To what extent have various actors involved in the EITI Indonesia denied the political pluralism and antagonism in the institutionalisation of transparency of governance of the extractive industries in Indonesia?
- 4) To what extent has the governance of the extractive industries in Indonesia impeded public participation?

This study uses the qualitative method that has been conducted through a case study. As qualitative research, this study aims to explore and deepen the participants' perception and understanding when they deal with and are involved in the processes of depoliticisation as complex social interaction rather than focus on the frequency of events. In other words, this study is an inductive inquiry that explores the meaning within interconnected events rather than providing a vast data source for generalisation. Put succinctly, this study does not propose the narrow pre-research hypothesis.

1.5 The Structure of the Thesis

Chapter 2 presents the critical literature review and analytical framework. This reviews existing studies on depoliticisation, and how it relates to development, governance and democratisation in the Global South by exploring pools of

scholarship that focus on depoliticisation in the context of modernisation and the neo-liberal era. The existing literature assumes technocratic structures have created depoliticisation but does not examine this rigorously and ignores the processes of re-politicisation. The chapter also develops an overarching analytical framework for depoliticisation; this includes stipulative definition that identifies the politicisation/depoliticisation from two fundamental aspects, namely recognition (contextual ignorance and denial of pluralism and antagonism) and participation (impediment of participation). The analytical framework also explains how non-state actors can act as actors who (attempt to) depoliticise.

Chapter 3 discusses research methodology. This chapter explores the use of method and approach, namely case study. It explains the process of data finding of both the primary and secondary data. It includes the challenges to collect data about extractive industries and the data analysis, especially identification of non-decision making (agenda-setting). This chapter also identifies the limitations of this case study.

Chapter 4 describes the rationale, processes and key structures of EITI as a rising global anti-politics machine. It starts by describing the shifting of landscape of global resource governance in the post-Cold War period and how it represents the process of politicisation of global resource governance through the presence of new actors and new and extended issues. This is followed by the rise of transparency as global norm and governance-by-disclosure which indicates the preference-shaping dimension of depoliticisation. Next, the chapter focuses on description of EITI as practice of governance-by-disclosure which also exercises the institutional aspect and rules-based dimension of depoliticisation. This section is a global overview of EITI structure, mechanisms and processes, including the description of MSG as a distinct mechanism for decision making, EITI's formal and informal rules and validation system. Finally, the chapter provides a critical review on governance-by-disclosure initiative that tends to focus on procedures rather than outcomes, ignore the missing link between to "inform" and "to empower" and simplify the problem of collective decision in multi-stakeholder approach.

Chapter 5 explores the Indonesian context of governance of the extractive industries and the making of transparent governance of the extractive industries in Southeast Asia's largest nation. This is a descriptive chapter but also a foundation for argumentative ideas about the "local context matter". The chapter describes the complex structure of contemporary governance of the extractive industries in Indonesia which is expressed through multi-level authorities and decentralised governance. It also explains the plurality of actors in governance of the extractive industries, including the influential newcomers of civil society organisations at national and local level and state auxiliary institutions for anti-corruption. Involved in this is the plurality of issues, such as multifaceted corruption and rent seeking, central-local relations (licensing and intergovernmental revenue-sharing), human right issues and indigenous rights, and socio-environmental impact (environmental degradation and post-mining recovery). Furthermore, the chapter elaborates on the transparency initiative in governance of the extractive industries which accompany the process of democratisation and governance reform in Indonesia by focusing on adoption of EITI in Indonesia.

Chapter 6 turns to analytical work that identifies depoliticisation as governing strategies by concentrating on the extent that Indonesia EITI ignores the complexity of local context in Indonesia. The chapter shows the partial recognition when the EITI limits the Indonesia EITI's ability to contextualise its implementation and makes the adjustment and integration of EITI into a broader local circumstance impossible. Although the EITI's formal and informal rules have changed multiple times, this does not impact EITI's main activity of performing accounting tasks. Some flexibilities narrowly focus on the strategies that relate to achievement of EITI's requirements in their Standard. However, civil society actors make use of Indonesia EITI's data to politicise it by requesting more and more data and information. The civil society actors also mobilise their technical knowledges and skills in order to get new leverage in decision-making and influence the public debates.

Chapter 7 explores the processes of denial of pluralism and antagonism in collective decision making facilitated by the MSG forum. This chapter focuses on the analysis of stakeholder interaction and collective decision making within MSG.

The chapter maps out the actors that are involved in Indonesia EITI's MSG forum and their interests and how those actors build mutual trust between them. It proceeds to examine the second face of power -which is defined as decision-making and non-decision making- and investigates the complex practice of acceptance/rejection of the agenda in MSG's collective decision. It identifies the contrasting results between collective recognition in pursuing the new issues on the one hand and prevented key issues and unsolved disputes on the other.

Chapter 8 broaches the societal face of depoliticisation by analysing three key issues of broad resource governance reform in Indonesia. Here, the thesis analysis changes its focus from micro analysis ("governmental"/institutional setting and the set of the rules and forum) from the two previous chapters to macro analysis (public contestation and participation). It focuses on crucial issues of resource governance reform in Indonesia, namely cost-recovery corruption, rent-seeking in oil import, and Clean and Clear in mining permit. Nevertheless, this chapter also underlines the linkage between broad resource governance reform to EITI Indonesia that is more conceptual.

Chapter 9 presents the discussion and conclusion. This final chapter will be a reflective place to link the empirical findings and the theoretical terrain of this thesis. In this concluding chapter, the thesis offers contributions to enrich the academic debates on depoliticisation and democratic governance reform in the Global South that emphasize the depoliticisation practices are expressed in various ways and yet are always contingent and contested.

CHAPTER TWO

ANALYTICAL FRAMEWORK ON DEPOLITICISATION IN THE GLOBAL SOUTH

2.1 Introduction

In recent decades political scholars have shown increased interest in the practices of depoliticisation and development and how they relate to technocracy, authoritarianism or democratic governance in the Global South. Two distinct veins of scholarship have been developing enormous research and theories explaining depoliticisation in the context of modernisation and neo-liberalism, the two most prevalent practices of development and governance in the Global South.

However, although these existing literatures, operating on the assumption that technocratic structures create depoliticisation, provide evidence of depoliticisation practices in the Global South, most of them deployed depoliticisation as supplementary explanation or finding rather than overarching framework. Even though some studies seek to develop depoliticisation as a central explanation, how depoliticisation creates its counter dynamics and, hence, the particular way that the counter dynamics are expressed remains under researched.

Moreover, bringing depoliticisation as the analytical framework is also challenging because depoliticisation as the concept comes with different meaning and interpretation. Depoliticisation can be defined either as a narrow governmental process that shifts the blame and responsibilities to non-political agencies or as the extensive societal process that tends to regulate the dispersion by denying, excluding or limiting the choices and the alternatives in public deliberation. Therefore, it is necessary to develop the stipulative definition of depoliticisation.

The main objective of this chapter is therefore to fill that critical gap by deploying depoliticisation as the overarching analytical framework. It does so by providing a critical analysis of the existing literature and developing the definition and scope of depoliticisation. The critical review assesses how various literatures on politics of the Global South define depoliticisation and identify its causes and strategies, as

well as its link to technocracy, authoritarianism, or democracy. It next explains the study's ontological position in understanding and defining the nature of politics, before turning to the development of this study's stipulative and distinctive definition of depoliticisation that covers recognition and participation as essential aspects of politics/politicisation. In addition, this section also states the role of business actors in creating depoliticisation processes.

2.2 Existing Literatures on Depoliticisation in the Global South

This section reveals the scope and depth of seams of scholarship analysing depoliticisation in the Global South in the context of modernisation and neoliberalism. This section is structured as follows. The subsequent sub-section examines the rationale, mechanisms and ramifications of depoliticisation utilised by political actors along with the process of social modernisation and deepening industrialisation in the Global South. Next, the sub-section looks at what the strands of literature have to say about depoliticisation strategies that go hand in hand with democratisation, marketisation and governance reform in Global South contemporary politics. Both sub-sections also assess how these existing literatures identify the extent of the effect of depoliticisation on popular control over public affairs in the Global South.

2.2.1 Modernisation and Depoliticisation

This sub-section focuses on depoliticisation practices in the context of modernisation as dominant development strategies in the Global South from the 1950s to 1970s (see Gwynne, 2009, p. 164). A copious amount of political-economy scholarship reveals the structural key driver of depoliticisation and rise of technocracy during the processes of economic and political modernisation in the Global South. It aims to answer why modernisation does not lead democracy as expected. By focusing on the actors' relationship, this scholarship shows that many political regimes in the Global South share important characteristics. For example, for the sake of economic growth, the political regimes retain their political stability and legitimacy during the process of industrialisation/modernisation by deploying depoliticisation strategies. Hence, they replace the politician with experts

(bureaucrats, academics and professionals) in policy-making processes and, at the same time, limit public participation and political involvement beyond state actors. Scholars in international development studies also examine how depoliticisation strategies work on the ground along with modernisation as development programmes. Such existing literatures identify the overriding tendencies to set the technical aspects as the only focal point when development agencies assess the problems and offer solutions in the development.

However, this sub-section argues that those existing studies overlook the dynamic relationship between “the governing” and “the governed” in a depoliticised polity. While providing us with an insightful explanation about the rationale of depoliticisation and technocracy, including its definition, scope and type of strategy, the political-economy scholarship tends to see the political actors as a “power-house state” with full control of the depoliticisation strategies. Scholars in international development studies have established a foundation for understanding of the contextual aspect of depoliticisation but they focus more on depoliticisation as the effect rather than the cause. Hence, there is the need for exploration of such issues in different context and sectors.

Therefore, this section explores the modernisation and societal demobilisation as the primary strategy of depoliticisation. It continues by exploring the link between modernisation and technocracy. Lastly, it addresses the limitations of the pool of scholarship.

2.2.1.1 Modernisation and Societal Demobilisation

In the post-colonial era since the 1950s, many countries in the Global South have implemented policies and programmes of economic, social and political modernisation by adopting the European experiences of transforming their traditional societies into modern ones. This unilinear and evolutionary strategy of re-making of the Global South has been deemed as the effective prescription for poverty eradication and life improvement (Litonjua, 2012, p. 25; Hout, 2016, p. 23; McMichael, 2017, p. 45). Furthermore, modernisation theorists also emphasise that

that development of capitalism is the essential source of democracy within the modern political system (Lipset, 1959, 1960, pp. 33–55; Hout, 2016, p. 24).

However, the assumption about the relationship between capitalism and democracy seems to be unconfirmed since many undemocratic regimes prevail even with the deepening industrialisation and modernisation of the Global South. Critics argue the theory of “modernisation leads to democracy” tends to ignore historical dimensions and structural and cultural changes in different societies by asserting that every society can transform itself through unilineal evolution. The modernisation theory has also been empirically unproven since the modernisation-cum-development in the Global South, in varying degrees, led to authoritarian capitalism rather than democratic polity (Grugel, 2002, p. 49). A number of empirical studies on democracy and development in the Global South conclude that the relationship between capitalist development and the chance of democracy is more complex rather than directly causal (Rueschemeyer, 1992; Leftwich, 1995, 1996; see Przeworski *et al.*, 2000, pp. 78–141).

Modernisation as a development strategy in the Global South in fact coincides with societal demobilisation because of structural conditions. By offering the bureaucratic authoritarianism model of explanation, Guillermo O’Donnell (1979a, p. 8) contends that, amid heavy industrialisation and modernisation, socio-economic development has generated more political pluralisation but that this did not increase the likelihood of political democracy. This political-economy perspective explains that the deepening of industrialisation paradoxically created a political regime which is supported by a deep penetration of bureaucratic and technocratic roles and run by political tendencies to exclude popular political articulation in grassroots politics (Collier, 1979). The enhancement of deepening industrialisation (vertical diversification) after the exhausted phase of import substitution industrialisation, or horizontal diversification, leaves authoritarianism as the only effective way of governing. Export-oriented industrialisation then requires a government to oppress the threat of opposition and the excessive popular articulation by those who benefitted from previous horizontal diversification focusing on agriculture and resource sectors (O’Donnell, 1979b; Johnson, 1999, p. 52).

This perspective provides further explanation of the regime's depoliticisation strategy, namely societal demobilisation, which transformed the state-society relationship from incorporation to exclusion. The regime cannot fully control and mediate conflicts and antagonisms that have brought about new social disruption and instabilities. Thus, the regime attempts to block excessive popular political articulations and demands through reconfiguration of the political channels from an inclusionary system to an exclusionary system of representation (state corporatism) and obstruction of class politics (Schmitter, 1974; O'Donnell, 1979b; See Porter, 2002a, p. 21).

2.2.1.2 Modernisation and Technocracy

Another essential strategy of depoliticisation is working through parameters of scientific expertise and bureaucratic management. The political-economy explanation identifies that the political regimes predominantly take technocracy into account when developing the appropriate economic policies and ensuring regime durability (B. Smith, 2007; Lewis, 2007; See Kedar, 2015). Here, a set of problem-solving methods that rely on scientific knowledge, more so than political consideration, determines the decision-making process (O'Donnell, 1979b, p. 30,105; Amir, 2008, p. 316, 2013, pp. 9–10). The development strategies put the extension of bureaucratic administration together with the primacy of technical development intervention.

Conversely, as Patricio Silva (2008) notes, individuals with a clear techno-scientific orientation would usually obtain political influence in high government circles because of their specialised skills and expertise. Together with military apparatus and civilian bureaucrats, technocrats become the leading supporters of the development and consolidation of the authoritarian regime by designing and executing the development policies and contributing to formulation of the regime's political ideology (Silva, 1991, p. 386). The ideology of technocratic development also provides ongoing legitimacy for the regime (Robison, 2009, p. 19). In short, the technocratic rationality and mentality is given new leverage in the regime that is obsessed with economic development and achievements in high-technology and has promoted depoliticisation to become normal practice in public governance.

Along with this political economy explanation, scholars of international development studies also confirm the primacy of technical aspects and the removal of political challenges in many poverty reductions or other development programmes in the Global South. In his seminal work, *The Anti-Politics Machine: 'Development', Depoliticization, and Bureaucratic Power in Lesotho*, Ferguson (1990, p. 256) underlines that poverty reduction programmes epitomise unintended effects that are the reinforcement and expansion of bureaucratic power as well as depoliticisation by rigorously reducing poverty to a technical problem and promising technical solutions. The development project has overcome political challenges by:

not only enhancing the powers of administration and repression, but by insistently reposing political questions of land, resources, jobs, or wages as technical “problem” responsive to technical “development” intervention (Ferguson, 1990, p. 270).

Ferguson’s main argument is very insightful but left some “missing links”. In line with Li’s (2007) argument, depoliticisation is an intentional political strategy rather than an unintended consequence of development project. In development projects, the authorities have implemented all programs as technical interventions that are apparently non-political by excluding a political-economic relationship aspect from diagnoses and prescription. Therefore, technical intervention is a political strategy (Li, 2007, p. 7,10; cf. Jenkins, 2017, p. 44). Furthermore, Ferguson did not record depoliticisation’s effects and counter dynamics in this so-called ‘a-political’ development project.

2.2.1.3 The Limitations of “Modernisation and Depoliticisation” Literature

Existing studies on modernisation in the Global South provide insightful explanations about the structural condition of depoliticisation. Furthermore, they also identify two essential features of depoliticisation in practice, namely societal demobilisation and the primacy of expertise and technical diagnoses and prescriptions.

However, there are some limitations of “Modernisation and Depoliticisation”. Its state-centric approach tends to over-emphasise the independent, centralised and

monistic nature of the developmental state with its hegemonic and coercive capacity. The facts show the depoliticisation in such an authoritarian political regime is still contingent and contested. First, empirical studies contrarily confirm that there is a mixture of dynamic tensions, competitions and conflicts of interest within the consolidated coalition of military apparatus, bureaucrats and technocrats. For instance, there is competition among officers who have contending interests and policy orientations (Emmerson, 1983, pp. 1220–1241), while there are competing policy ideas and schools of thought regarding economic development strategies among the technocrats and economists (Amir, 2008; Takashi, 2014, pp. 260–261).

Second, the existing literatures overlook the political dynamic within different jurisdictions as well as between the ruling coalition and extra-state organisations and movements due to its over-emphasis on the powerful central state. For instance, Tadjoeeddin (2014, pp. 42–59) shows the emergence of self-secessionism in some resource-rich regions tend to bring into question the hyper-centralised power in Indonesia during the authoritarian period. Many extra-state organisations and state-corporatist representations also continue to negotiate their relationships with the state (MacIntyre, 1991; See Aspinall, 2005).

Third, the interaction between depoliticisation and technocracy shows varying outcomes. Patricio Silva's study (2008) confirmed that technocrats sometimes ignore popular demands and public rationality by highlighting their own expertise and technical skills as the only proper means of identifying a solution to a social problem. At other times, technocrats can lead political change and defend democratic values and politics (Silva, 2008, p. 17; Dargent, 2015, pp. 42–56).

Moreover, existing studies pay attention to issues of depoliticisation, but put it as a supplementary explanation rather than overarching framework of analysis. The political-economy theorists focus more on the political regimes, social modernisation and economic development within which the depoliticisation become an essential strategy to secure political stability. Scholars of international development studies identify depoliticisation as an effect of development or political strategy without further explanation of the effect of depoliticisation itself. In addition, the terms of depoliticisation and anti-politics have been used

interchangeably without clear distinctions. Therefore, deploying depoliticisation as an overarching framework in analysing the Global South politics is necessary.

2.2.2 New Mode of Governance and Depoliticisation

Whereas the previous section considers depoliticisation as the effect of state bureaucracy linked to modernisation, the second pool of scholarship links depoliticisation to ostensibly more democratic forms of governance deployed by development agencies and other global political actors. Thus, this sub-section outlines that a considerable amount of literature focuses on the new mode of governance and political democratisation under market imperatives in the Global South. This pool of scholarship assesses depoliticisation strategies, particularly the transformation of publicness, through the economisation and technocratic governance of civil society through the technicisation. The existing studies also confirm the continuities of efforts and strategies to ignore political context and deny any political pluralism and antagonism in the context of neoliberal reform. In short, the existing literature underlines the dominance of neoliberalism as the systemic condition of depoliticisation in the Global South and denotes civil society as the new arena of depoliticisation.

Nonetheless, this sub-section argues that these existing studies prioritise the depoliticisation strategies without further explanation of repoliticising counter dynamics. They provide an in-depth description of the process of economisation and technicisation of governance reform and democratisation in the Global South in the context of neo-liberalism, but the clarity of the conceptual distinction between depoliticisation and anti-politics remains to be explored.

This section henceforth focuses on the transformation of public affairs under the new mode of governance. It proceeds to focus on technocratic aspects of the new mode of governance before assessing the limitations of the scholarship.

2.2.2.1 New Mode of Governance and Transformation of Publicness

Political analysts highlight deep marketisation and technocratic tendencies in democratisation in the Global South in the neoliberal era. Since the 1980s, many countries in the Global South have been resituating the state to overcome economic

and political crises through economic reform and political democracy (Uhlin, 1997; See Grugel, 2002, p. 165,127). Such countries, with varying degrees, have adopted a neoliberal prescription of economic and political reforms in the Global South that not only enhances free market-oriented economic reforms but also adjusts the fundamental role of the state in creating markets and making them work (Oxhorn and Ducatzenzeiler, 1998, p. 8; Green, 1999).⁶

Along with the reform, a new development discourse and strategy have been introduced in the Global South. These redefine and alter the role of the state from maximum intervention into collaboration and partnership in development practice. Abrahamsen (2000) highlights that the strategy introduces the idea of good governance that requires the state should work and share responsibilities with private and civil society actors simultaneously. Democracy then emerges as the necessary political framework for economic liberalism within such processes. In short, bad governance means state intervention and good governance means democracy and economic liberalism.

Consequently, market-oriented reform appears as the new depoliticisation practice in the Global South. The reform transforms the idea of “publicness”, the very feature of this new mode of governance, by shifting social constitutionalism into economic constitutionalism (Sprague, 2010, p. 129). Economic constitutionalism here, as Kanishka Jayasuriya (2003, p. 4) notes, refers to “the attempt to treat the market as a constitutional order with its own rules, procedures, and institutions operating to protect the market order from political interference”. In this case, primacy of political pluralism that provides space for political conflict, mediation and negotiation has been substituted by the imposition of regulations and standards (Jayasuriya, 2006a, p. 235).

In turn, the neoliberal reform also reinterprets the nature of state-citizen relations through promotion of the inclusion and participation of every citizen in the market

⁶ It worth to note that David Harvey (2007) argues that neoliberalism is not rolled out globally as a single script, but instead in a heterogeneous way. However, this thesis argues that, although neoliberalism expresses through different forms and policies, there is an agreement among these forms and policies about the primacy of market.

economy. Citizen empowerment has been reduced to developing a citizen's capability to access the market (See also Root, 2007; Jayasuriya, 2015, p. 974) and participation has been framed as being in line with market purposes (Jayasuriya, 2006b, pp. 16–17).

This economisation of the social interest and social problems leads to depoliticisation. By reducing the social problems into statistical numbers and figures, it ignores the political structural aspect behind the problem. Replacement of democratic process with technical one and the primacy of efficiency rather than right fulfilment also overlooks politics of struggle and solidarity (Bilgen, 2019, p. 6).

2.2.2.2 New Mode of Governance and Technocratisation of Civil Society

Another crucial feature of this new mode of governance is the extension of technocratic logic into works of civil society. In this new mode of governance, managerial and technocratic governance persists and is more extensive since the civil society organisation replaces old representative structures of political society in public affairs (Jayasuriya, 2006b, p. 145). Harriss (2005) notes that this new trend is claimed as “new politics” by its supporters. It tends to identify “old-fashioned” political institutions, such as political parties, trade unions and popular movements as the “dirty river” and suggests shifting towards a new and clean alternative, namely the voluntary association of civil society. The proponents of new politics claim that it is a more genuine participatory channel and can handle social problems more effectively than older forms (see Hatcher, 2009).

Furthermore, increasing attention is being paid to the primacy of social capital, identified as a “missing link” in development. This new mode of governance believes that social capital does not only contribute to development, have a positive outcome and make democracy work (See Putnam, 1994), but it is also championed as a critical factor in recovering from conflict and coping with political transition as well as poverty reduction (Grootaert and Bastelaer, 2001). Therefore, since social capital is a necessary ingredient of development and political transformation, it is crucial to encourage social participation through supporting voluntary associations, especially non-governmental organisations.

The primacy of civil society can be identified as another practice of depoliticisation because of the problem of civil society as a new representation and dominance of technocratic approach. Civil society associations are not democratically representative and accountable. They could be a channel of public participation, but they tend to ignore essential parts of democratic politics such as social antagonism, political contestations and conflicts of values and ideas that are inherent in capitalist exchange relations (Harriss, 2002).

Moreover, this neoliberal pathway has also fundamentally depoliticised civil society organisations by defining them as the third sector and reducing their role as a resource that provides an enabling environment for entrepreneurial activity and economic growth (Carroll and Jarvis, 2015). In such a process, the use of a technocratic approach and technical assistance and instruments becomes more extensive and sophisticated (cf. Carroll, 2010). It works through practices and institutions of bureaucratisation, depoliticisation and technocratisation within the civil society organisation that ignore political consideration and social transformation (cf. Carroll and Jarvis, 2015, p. 298).

2.2.2.3 Limitations of “New Mode of Governance and Depoliticisation” Literature

This body of literature provides excellent analysis of the contemporary phenomenon of depoliticisation in the Global South through in-depth explanation of transformation of publicness and technocratic logic of civil society. Nonetheless, the clarity of concept of depoliticisation and anti-politics is still missing in these studies because both terms are used interchangeably (see Jayasuriya, 2003, 2006b; Carroll, 2012). When identifying the features of the depoliticisation this body of literature also does not distinguish between the causes, symptoms and effects of depoliticisation (see Harriss, Stokke and Törnquist, 2005).

Furthermore, these existing literatures do not review further the counter processes responding to depoliticisation in the neoliberal reform. In fact, the neoliberal reform generate the paradox: it depoliticises (weakens) and repoliticises (awakens) the political movements and social resistances concurrently (Carroll and Jarvis, 2015, p. 299; see Gonzalez-Vicente and Carroll, 2017). The installation of liberal

democracy in the Global South comes with a strong awareness of and discourse on human rights. It thus opens up new political space for excluded and marginalised social groups to claim their rights that were previously undermined by the neoliberal project (Haarstad, 2012, p. 4; Nem Singh, 2012; Haslam and Heidrich, 2016).

Political participation subsequently becomes more complicated. For instance, there is an apparent conflict between popular democracy and the project of neoliberalism where many basic public services have been privatised. The role of civil society associations also varies. On the one hand, community-based organisations (CBOs) demonstrate the politics of resistance to privatisation, while on the other hand non-governmental organisations (NGOs) have become settled sub-contracting partners of the state's policies and programmes (Stokke and Oldfield, 2005, p. 133).

Hence, further analysis is required on the effect of the transformation of the state and the extension of depoliticisation through a techno-managerial scheme of civil society organisations by considering dynamic processes in different policy sectors, tiers of governance and temporal dimensions (cf. Fawcett *et al.*, 2017, p. 7). Moreover, further exploration is necessary into the effect of the institutionalisation of technocratic governance on civil society, specifically the extent to which it affects technocratic rationality within the workings of civil society associations as well as the popular control of public affairs. When the transformation of governance implies more blurred boundaries between state and society, public and private sphere, formal and informal (Flinders, 2006), the identification of depoliticisation becomes more challenging and open to more empirical investigations.

To sum up, Table 2.1 below summarises the findings and key arguments of the critical literature review. The table classifies the two pools of literatures' main arguments into three categories: Rationale of depoliticisation; essential characteristics of depoliticisation strategies; and the limitations. This summary is important because it leads to the identification of crucial aspects in the analytical framework.

Table 2.1 Summary of Critical Literature Review

Key Points	Modernisation and Depoliticisation	New Mode of Governance and Depoliticisation
Rationale of depoliticisation	<ul style="list-style-type: none"> • Deepening industrialisation requires political stability during the process of economic and political modernisation 	<ul style="list-style-type: none"> • Deep marketisation in the context of neoliberalism
Essential Characteristics of Depoliticisation Strategies	<ul style="list-style-type: none"> • Societal demobilisation <ul style="list-style-type: none"> ○ transformation of state-society relationship from incorporation to exclusion • Technocracy <ul style="list-style-type: none"> ○ Working through parameters of scientific expertise and bureaucratic management within the state 	<ul style="list-style-type: none"> • Transformation of publicness <ul style="list-style-type: none"> ○ the public affairs and state-society relationship under market imperatives and purposes (economisation) • Technocratisation of Civil Society <ul style="list-style-type: none"> ○ Technocratisation, bureaucratisation and professionalisation within and through civil society indicating the durability of using the technocratic approach in development (technicisation)
Limitations	<ul style="list-style-type: none"> • Tends to over-emphasise the independent, centralised, and monistic 	<ul style="list-style-type: none"> • It does not review in detail the response to depoliticisation in the

	<p>nature of the developmental state with its hegemonic and coercive capacity</p> <ul style="list-style-type: none"> • Depoliticisation as supplementary explanation rather than overarching framework of analysis. • Identifying depoliticisation as the effect of modernisation/development rather than as the strategy 	<p>neoliberal reform in various sectors, the scale of governance and the temporal dimension</p> <ul style="list-style-type: none"> • Depoliticisation is not the overarching analytical framework in most studies
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Source: Constructed by the author

2.3 Analytical Framework

This thesis has already explored the conceptual limitation of literatures on modernisation and new governance in terms of how they define and use of depoliticisation. Therefore, this section intends to provide the analytical framework in order to improve our understanding about the contemporary practice of depoliticisation in the Global South.

The existing empirical studies on depoliticisation reveal a mixture of nuances, definitions and scope. Depoliticisation is a contested concept without a single and universally accepted meaning. The increasing number of studies on depoliticisation in various disciplines, including works that have made depoliticisation their central element, contribute to the fluidity of its definition (Flinders and Buller, 2006, p. 294). Whereas these studies have reached an agreement on scoping the empirical practice of depoliticisation, there is still no broad conceptual consensus among scholars on the definition of depoliticisation (Foster, Kerr and Byrne, 2014, p. 226).

Furthermore, the practices of depoliticisation are not unilineal and unidimensional. Regarding the scope of depoliticisation studies, existing studies show a wide range of analyses and at different levels. Wood (2016, p. 522) underlines that

depoliticisation studies range from abstract to empirical levels. Depoliticisation studies also focus on various areas, with some studies concentrating narrowly on the strategy of governing public affairs or government action, and others looking more broadly at investigating public disengagement (anti-politics) (Fawcett *et al.*, 2017, pp. 3–4). Indeed, a large and growing body of literature also explores depoliticisation extensively by investigating the interconnection between governmental, societal and discursive aspects of depoliticisation (Wood, 2016, p. 524).

Thus, this section describes the analytical framework for exploring the contemporary governance of the extractive industries in the Global South by positioning depoliticisation as the central concept and overarching tool of analysis rather than as a mere metaphor or adjective for other concepts. Deploying depoliticisation as the key concept can help to gain a better understanding of the removal of political character in contemporary practice of governance of the extractive industries in the Global South because there are some gaps of existing literatures that should be explored further (as assessed in previous section).

Furthermore, investigating the depoliticisation of governance of the extractive industries and its counter dynamics is compelling since it refers to more than the transformation of a mode of governance (cf. Kamat, 2014, p. 67). The extractive sector itself has become a contentious sector in resource-abundant countries in the Global South. In turn, this investigation enables a more thorough explanation of the extent of popular control on public affairs in the Global South. It provides a more systematic analysis in exploring the dynamic interrelationship between depoliticisation and governance reform in the context of an emerging democracy in the Global South.

This section attempts to offer a precise stipulative definition and framework for analysing depoliticisation in resource governance in the Global South. Its primary purpose is to develop a precise and operational definition of depoliticisation by describing the concept with a clear and specific meaning as well as operationalising it into particular criteria thereby indicating the empirical aspect of the concept (See Berg, 2012, pp. 38–40). Hence, a coherent understanding of, and analytical

framework for, the concept of depoliticisation provides not only a clear and precise meaning but also defines pertinent boundaries.

2.3.1 Conceptualising Politics: A Statecraft Approach

Essentially, the way we define the meaning and scope of politics and politicisation influences how we define and determine depoliticisation. Thus, before looking at the stipulative definition of depoliticisation in more depth, it is crucial to declare the ontological position of this study in understanding the nature of the politics and politicisation. In general, making an ontological assumption is necessary because of its epistemological and methodological consequences (Hay, 2002, pp. 61–62, 2006, p. 82, 2007a; See Bates and Jenkins, 2007).

2.3.1.1 Defining Politics and Politicisation

When it comes to basic ontological understanding, politics can be understood as either an arena or a process (Hay, 2002, pp. 72–73; Leftwich, 2006, p. 13) . The arena approach defines politics as occurring within a narrow and particular arena, mainly through the government actions. This definition delimits politics as the formal institution of government. However, it can be extended into non-government arenas as far as the processes influence and impact the formal political arena (Marsh and Akram, 2015, p. 524; Lowndes, Marsh and Stoker, 2018, pp. 7–8). This approach might overlook political processes beyond the arena that prevents (excludes) or supports (includes) entry into the formal arena (Marsh, O’Toole and Jones, 2007, p. 20).

The processual approach of politics assumes that political activities can be inscribed in all social spaces and processes. There are neither differences nor boundaries between the political and the social; power relations can occur in different social contexts (Hay, 2002, pp. 73–74). This ontological position tends to give politics looser boundaries.

Therefore, this study assumes that politics is an arena of interaction between the actors, but it is open to a broad range of arenas due to the flexibility of defining boundaries, the complexity of contemporary statecraft and the plurality of the nature of politics. First, literatures on politics show that both approaches (arena and

process) are flexible in terms of their boundaries. The arena approach recognises that the political process can happen both inside or outside of the formal arena as long as the government involves in such process, and the political process impacts to formal political processor works based on the formal institution (Leftwich, 2006, pp. 14–16). This approach is also open to the possibility of "proto-political" actions which refers to events in the social arena that could possibly transform into political processes if and when they influence formal politics or policy-making processes (Marsh and Akram, 2015, p. 525).

Meanwhile, the processual approach does not always identify politics wherever it may be found. Politics is about specific rules and norms (institution) that can be distinguished from other rules and norms. Everything is not always politics, and political relations are not always present in all social relations (Hay, 2002, p. 75; Crick, 2005, p. 14). In short, this study sees politics as the continuous dialectic between these two ontological positions.

Second, contemporary statecraft in global politics entails dynamic and complex processes (cf. Beveridge, 2012, pp. 53–54). The state as a political arena has been transforming in term of its boundaries, scope and functions. It has evolved from hierarchical bureaucracy, rule-bound management, a-political civil service and permanent stability of organisation into a horizontal, fluid and hybrid organisation with complex networks and market-oriented government (Peters, 1996, pp. 1–19; Flinders, 2006, pp. 223–224; Peters and Pierre, 2006; Bell and Hindmoor, 2009, pp. 1–16; Jessop, 2016, pp. 174–175).

Moreover, state arenas also embrace aspects of informality. Even when understanding that politics as a governing strategy (arena) tends to be institutional (Hay, 2007b, p. 62), it is not merely limited to formal institutions since governance processes could also include publicly recognised informal institutions (cf. Lauth, 2000, p. 24).

Thus, this study also defines politicisation as an effort to make certain issues visible and accepted as the public agenda (Palonen, 2003; Palonen *et al.*, 2019; Numerato, Honová and Sedláčková, 2021). This effort can be identified through the activities that *recognise* political issues as matters of government, and activities that promote

participation in the affairs of government. This definition of politicisation is a middle way between arena and process-focused definitions of politics to emphasise the importance of *statecraft* (cf. Burnham, 2014, p. 196, 2017, p. 363).

2.3.1.2 Defining Depoliticisation

Furthermore, related specifically to this study, the contested meanings and diverse scopes found in depoliticisation studies might be attributable to different viewpoints and the plurality of approaches in defining the nature of politics (Foster, Kerr and Byrne, 2014, p. 226; Beveridge and Koch, 2017, p. 2). Existing studies define depoliticisation either narrowly or expansively.

The narrow definition identifies depoliticisation as the tools of government, practices of statecraft, governance strategy or the form of politics. This approach defines depoliticisation as the displacement or removal of any political character in the act of governing in the political institution, such as decision making and agenda setting (Burnham, 2001, p. 128; Beveridge, 2017, p. 4). Depoliticisation, according to the narrow definition, refers to the process of delegation or replacement of blame, responsibilities and transaction costs for, or of politicisation into indirect governing bodies or delegates through various tools, mechanisms and institutions. Depoliticisation also refers to the form of political acts by which politicians or policymakers can convince citizens that they should no longer take responsibility in public issues and agendas. In short, this narrow governmental approach of depoliticisation studies entails “arena-shifting” that aims to relocate responsibilities and influence public expectations and perceptions (Flinders and Buller, 2006, pp. 295–296; Jenkins, 2011, pp. 157–158).

Meanwhile, the expansive approach of depoliticisation studies tries to identify the absence or removal of choice, deliberation and contingency in any political spaces, either inside or outside the formal political arena (see Fawcett *et al.*, 2017, p. 5). This approach emphasises the primacy of agency that, as Laura Jenkins notes (Jenkins, 2011, p. 159) is “the contingent but reflexive interplay between pervasive power relations and capacities for autonomy in collective life”. Therefore, depoliticisation studies must extend beyond the governmental “face” of depoliticisation by

exploring more the societal and discursive “face” of depoliticisation (Wood and Flinders, 2014, pp. 156–164).

In essence, we need a definition that reconciles the narrow and expansive definition of depoliticisation. This study develops the definition of depoliticisation as the attempts and strategies that aim to ignore the context, deny the political pluralism and antagonism as well as impede the political participation. This definition basically tries to combine an analysis of depoliticisation as the act of governing with an exploration of such action’s counter dynamics. This study explores the acts of political elites in developing the tools, mechanisms and institutions of depoliticisation; moreover, it identifies the expansion of such actions and their effects related to the societal arena, particularly regarding political participation. It not only focuses on the extent of politicians’ delegation of direct control and responsibilities and the influence of technocracy in the policy-making processes, but also focuses on how both processes influence public perceptions and expectations as well as public participation.

This study deploys this novel approach because the public disengagement in the Global South is an outcome of the complex relationship between political, social and cultural changes in which the centrality of a state that underestimates citizens for a prolonged period takes on a significant role (see Silva, 2004, p. 64). Although the statecraft and its relation to practices of depoliticisation in the Global South have been extensively studied, analysing depoliticisation as a governing strategy remains relevant since most existing studies do not deploy depoliticisation as the central analytical framework and explain in depth the specific tools, mechanisms and institutions of depoliticisation and its counter dynamics.

However, this new approach also underlines that, even though the centrality of the state is crucial, the contemporary statecraft in the Global South also demonstrates dynamic changes and transformation. The transformation of neoliberal states in the Global South has combined liberal democracy and market-oriented economic reform with public sector reform. In turn, it has redefined the roles and responsibilities of the state in public affairs. It also has opened up opportunities for other actors to become involved in and influence collective life as well as redefined

citizenship or the way state-citizens interrelate with each other (Jayasuriya, 2006b; Carroll, 2010). Accordingly, the analysis of dynamics of governing strategies needs to be expanded by identifying the political processes and effects beyond the formal governing institution.

Hence, this study explores the depoliticisation through political participation by assessing the degree of public disaffection and disengagement because of the distinct statecraft in the Global South, and the relevance of assessing depoliticisation through political participation. First, the role and presence of states in the Global South is determined by each state's particular history and formation. Joel S. Migdal (2001) stresses that many studies on post-colonial states tend to neglect the complex relationship between state and society. Such studies concentrate on either Marxian or structuralist assumptions whereby the state merely mirrors the social structure of power or the statist's assumption that argues that the state is an omnipotent entity dominating all aspects of social life. However, society is not a monolithic and solid entity but is rather scattered into various social organisations such as tribes, families, clans and even the state itself. State and society in the Global South are not mutually exclusive and are instead interlocked in mutual transformation and constitution. Thus, this study is an expansive analysis of contemporary statecraft in the Global South that defines the action of governing and its effect in society as complementary, dynamic and inevitably fluid (see Fawcett and Marsh, 2015, p. 57).

Second, assessing the depoliticisation through political participation is relevant since public disengagement and disaffection reflect political alienation rather than political apathy (Vines and Marsh, 2017, pp. 5–6). In other words, public disengagement expresses an individual's active cognition with strong awareness of when he/she cannot influence the actions of government, or feels underrepresented or not represented in the formal arena rather than just inactive (Dahl *et al.*, 2017, pp. 2–3). Therefore, it is relevant to investigate the degree of absence of agency capacity regarding choice, deliberation and contingency, as well as, in turn, public disillusionment, disaffection and disengagement as the outcome of political elites' governing strategy, particularly when they seek to dilute the political character of participatory and representative channels.

Furthermore, this study considers any activities as political participation as long as the action affects formal processes. Whether they occur inside (the political) or outside (proto-political) of the formal arena or use mainstream (activism) or alternative channels (clicktivism), all are counted as political participation as long as they attempt to bring a certain issue into the public domain (Marsh and Akram, 2015, pp. 524–525).

Finally, this study also considers that the actor that attempts to depoliticise is varying. Depoliticisation is mainly deployed by formal political actors or policymakers in order to keep their credibility or shift the responsibilities and blame (Burnham, 2014, p. 195). However, corporations also can engage in actively depoliticising actors because business actors currently are increasingly involved in public goods provision and governance process (Rasche *et al.*, 2008; Rasche, 2015; Cashore *et al.*, 2021). Previously, they also were actively lobbying to influence policies related to their business activities or to protect them from policy changes that could be harmful for them (Drutman, 2015). Upholding their reputation also figures as another consideration in business actors' involvement in the political process (Gillies, 2010). Moreover, bureaucratisation and technocratic approach of civil society' involvement in contemporary development practices also could facilitate them in working through the depoliticised strategies (see Bächtold, 2015).

2.3.2 Depoliticisation in the Global South: An Analytical Framework

After sketching out the definitions of politics and politicisation in the previous subsection, this one turns to the analytical framework for depoliticisation in the Global South. The analytical framework is developed by utilising the existing studies highlighted in the literature review and streamlining these to achieve a stipulative definition of depoliticisation. In this thesis, depoliticisation refers to the act of governing that ignores contexts, stifles public debate, limits contestation over important political issues and impedes or limits public participation in politics.

This definition of depoliticisation is derived as the extent of absence of two aspects of politicisation, namely activities that recognise political issues as matters of government and activities that promote participation in the affairs of government. Recognition is an act of governing as well as a form of politics in which the political

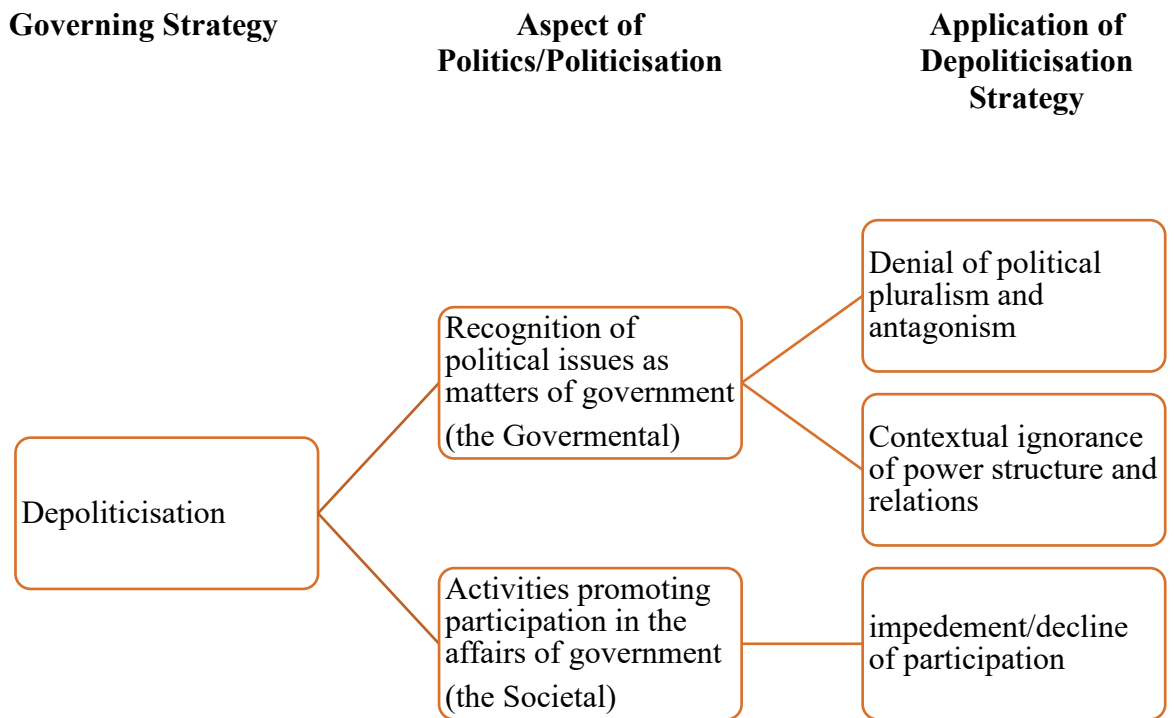
actors try to acknowledge all political characters in the political processes. Therefore, depoliticisation, as the absence of recognition, expresses through ignorance the political context, especially the political structures and power relations, and denial of political pluralism and political antagonism in terms of diverse interests, ideologies and perspectives.

Meanwhile, participation here refers to any political actor's attempts to facilitate the political articulation in the political processes. Therefore, depoliticisation, as the absence of participation, refers to impediment or decline of participation or redefinition of political representation and participation and the effects of this on political alienation. As mentioned earlier, the absence of public engagement is a result of complex relationship of structural, cultural and historical constrains and parameters (cf. Silva, 2004, p. 64).

In short, recognition relates to governmental "face" of depoliticisation whereas participation relates to the societal "face" of depoliticisation (see figure 2.1). Thus, this study offers a stipulative definition of depoliticisation in the context of the Global South as:

"Governing strategies and attempts at governing deployed by key political actors aimed at creating contextual ignorance of power relations and structures; the denial of political pluralism and antagonism; and processes of impeding participation."

Figure 2.1 Framework for Analysing Depoliticisation in the Global South



Source: Constructed by author

2.3.2.1 Aspect of Politics/Politicisation: Recognition

The political realm is characterised by a contest for power and antagonistic and conflictual relationships (Mouffe, 2005, p. 9). Depoliticisation on the contrary refers to governing strategies to deny such features of the political realm by not recognising political pluralism and antagonism in public affairs and instead transferring functions and responsibilities to agencies or actors isolated from direct control (cf. Flinders, 2012, p. 32; Wood and Flinders, 2014, p. 155).

In democratic politics, the politics of presence is necessary but not sufficient. The presence of symbolic or descriptive representation has been considered as the fundamental aspect of formal democracy. The presence (of who) indicates the opportunity for relevant actors to represent their descriptive backgrounds and their

interest. It also denotes their access, involvement and influence in the policy-process, particularly in decision-making (Phillips, 1995).

The quality of formal democracy also can be measured through how the representative is selected: either they are democratically elected, or they are appointed due to certain criteria, categories or conditions. Therefore, depoliticised process of representation takes place when only certain actors will be included in the limited or co-opted representation, such as system of state corporatism (see Porter, 2002b). Depoliticisation also occurs when a politician, who traditionally takes a role in formal political oversight, is prevented from engaging in policy implementation or new design of representation (Hatcher, 2009, p. 124,128).

However, in democratic politics, diversity, and difference (of what) related to ideas (interest, preferences or the alternatives) and antagonism also should be considered and recognised. Since antagonism is inherent in all societies, the democratic character of a political institution, including representation, can be assessed through how such diversity and antagonism has been managed and shaped (Pitkin, 1967; see Phillips, 1995, p. 4; Mouffe, 2013, p. 13, 2016).

In practice, denial of pluralism and antagonism can be identified through exercises of the second face of power which is defined as decision-making and non-decision making (or agenda-setting) (Hay, 2002, p. 180; see Lukes, 2005, p. 7). This includes efforts to set the agenda in the decision-making express through selection of what is deemed relevant and is not to the decision-making process. As a result, any potential challenges or alternative successfully have been prevented by influential or powerful actors (see Hay, 2002, p. 174,180). Kate Crowley, Jenny Stewart, Adrian Kay and Brian W. Head (2020, p. 123) note that the idea of an “agenda” indicates that not everything can be relevant at the same time, that priorities are partly set (by agent) and partly delegated (by circumstances).

In terms of methodological aspect, it is worth noting that the investigation of non-decision making (agenda-setting) is challenging because, as Lukes (2005, p. 7) highlights,

how was the researcher to investigate such ‘influencing’ (which they called ‘non-decision making’) -especially if it went beyond behind-the-scenes

agenda-setting, incorporation or co-optation of potential adversaries and the like and could be ‘unconscious’ and include the influencing of ‘values’ and the effects of ‘rituals’?

In other words, by its very nature, a non-decision is not directly open to observation and its definition is loose and debatable (McCalla-Chen, 2000, p. 34),

However, non-decision making is still empirically observable. As long as we are sensitive to public issues prevented or anticipated to be on the agenda by the powerful actors, either individuals or groups, a non-decision can be reached (Majone, 2006, p. 221) (see chapter of methodologies for further discussion).

Non-decision-making can be identified through a mobilisation of bias. This is a set of predominant values, beliefs, rituals and institutional procedures that determines which concern should be, and should not be, part of decision-making (Bachrach and Baratz, 1970, p. 74; Rochefort and Donnelly, 2012, p. 190). We can investigate the counterfactual or a case that did not happen (Lukes, 2005, pp. 44–48; Zahariadis, 2016, p. 119) because of the following strategies of mobilisation of bias, namely (see Bachrach and Baratz, 1970):

- direct forces either the extreme ones (harassment and provocation) or less coercive sanction (“stick & carrot”),
- indirect and illegitimate devaluing of a request’s significance or deliberate postponement of the request,
- reinforcement or creating new barriers to entry, and
- the individual’s failure in enhancing the issue because he/she recognises the non-decision making in the system.

Doreen McCalla-Chen (2000, pp. 34–35) also notes that the mobilisation of bias arises when (cf. Crowley *et al.*, 2020, p. 124):

- relevant information is purposely withheld to avoid certain concerns in decision-making from being pursued, and
- an extensive debate is used to shift from a topic (until the problem is forgotten) and a decision is not made.

Furthermore, non-decision making also occurs because of individual inactions, personalities and accommodation rather than the mobilisation of bias. Doreen McCalla-Chen (2000, p. 35) emphasises that non-decision-making happens, as individual rather than bias of system, when:

- someone refuses to communicate their concerns because it means sacrificing a cherished item,
- someone tends to ignore the procedures or has lack of competence to pursue the interest,
- there are conflictual interactions or personal dislikes between pursuants and decision-maker, and
- someone chooses to adjust or accommodate the existing situation rather than pursuing his/her concern or interest.

It is crucial to define the ground rules on what counts as denial and what counts as recognition. This theoretical framework specifically develops a stipulative definition of denial/recognition of pluralism and antagonism of into a more specific rule, which is the rejection/acceptance of contestation of ideas (concern, interest, preference), through both formal and informal processes, as part of decision-making and non-decision-making (agenda-setting). In other words, denial is a rejection, and recognition is an acceptance of plural and contesting ideas.

Therefore, the extent of denial of plural and contesting ideas can be identified through the absence of heterogeneity and competition, the process of solving the contesting framework and discursive rejection. First, the absence of competing interest, diverse view/perceptions, heterogeneous choices, and possible alternatives that, particularly, relates to power-relations or political questions (Ferguson, 1990; see Bächtold, 2015, pp. 1972–1974). The discussion and debates can go narrow by framing strictly on one single perspective and option, particularly the technocratic and managerial logics, that negate the alternative interpretations in identifying the problem and challenges. Here, the processes mainly focus on seeking the solution or become results-oriented activities that are obsessed with very technical terminologies rather than debates over power (Wood, 2015b; Papadopoulos, 2017).

Second, how contestation of logical frameworks is solved. If the conflict, negotiation and mediation still unavoidably appears, the resolution will be managed and solved through technocratic strategies that are “immune” from social pressure (cf. Jayasuriya, 2006a, p. 235). Hence, performance achievement becomes the main priority and source of legitimacy of decision-making (cf. Wood, 2015a, p. 1022). All collective decisions have been made indicating sets of commitment and planned activities for result-oriented and efficiency and, at the same time, it no longer has strong attention to “the right thing to do” (Bächtold, 2015, p. 1974).

Third, the denial of pluralism and antagonism also occurs through a discursive aspect of ideas in a specific way (cf. Wood and Flinders, 2014, p. 161). Pluralism and contestation of ideas can be pursued discursively by certain actors and then other actors (usually the authorities) must accept or reject it. In other words, depoliticisation is acting when pluralism and contestation of ideas, choices and alternative are absence. Denial of pluralism and contestation of ideas and choices can be expressed through (Ferguson, 1990; Jayasuriya, 2006a, p. 235; Hatcher, 2007, p. 196; Bächtold, 2015, pp. 1972–1974):

- delimiting problem-solving or social change into incremental and a-political schemes without any possible alternative by, for example, putting emphasis on "doing development better" or "focus on the result" discourse,
- Narrowing down technical solutions of public affairs in expert debates without delving into larger, underlying assumptions, ideologies or world views and insulating the technocrats from any social pressure to ensure a neutral decision. For instance, inviting the expert to provide for policy recommendation rather than asking the affected communities about the problems and solutions; and
- Reproducing technocratic language and standards in managing crucial and conflicting issues in public sectors, e.g., performance-based public budgeting and the balanced scorecard in public services

Furthermore, depoliticisation entails the processes and strategies that tend to ignore the context of political structure and power relations. Here, depoliticisation tendencies are expressed through strategies that assume political processes and changes to be isolated from diverse contexts, such as introduction of universal and

“one-size-fits-all” strategy for overcoming the problem of resource curse or poverty reduction. Ignorance of the specified conditions and neglect of pre-existing contexts leads to simplifying our understanding about the process and change. Ignorance and neglect mislead us in identifying which is essential and which is not (see Bourgoin and Haarstad, 2013, pp. 92–94).

It is necessary here to elaborate what “the context” refers to. It is a circumstance and condition in which governance takes place and affects its processes, such as the enabling or constraining condition for the practices of governance. Furthermore, the context is a structural/institutional setting (see Hay, 2002, p. 105) within which social, political and economic events occur and acquire meaning (ordered nature of social and political relations), hence, a particular outcome becomes possible and probable (Hay, 2002, p. 94,97). In other words, in different temporal and spatial contexts, different sets of actors behave and exercise the power in dissimilar ways (Lowndes, 2013, p. 95, Also see 2018, pp. 60–64).

Therefore, in practice, contextual recognition/ignorance means a tendency to recognise/ignore diverse aspects of context. The context of resource governance here refers to:

- formal aspects (see Lowndes, 2013, pp. 53–54; see Amundsen, 2014, p. 171), such as systems of authority and bodies in resource extraction and rent distribution, including structure of organisations, regulations, procedures and mechanisms, types of law and contract, and variety of fiscal regimes.
- historical and economic aspects, such as nature and chain of commodities as well as timing of discovery and exploitation (see B. Smith, 2007).
- cultural and political aspects (power structures and patterns of political relations), such as resource rent and cultural related structure of the state and geo-political landscape of resource-rich country in the region (Newell and Wheeler, 2006, p. 2; Rosser, 2006a, 2007; Ostrowski, 2018, p. 99; Rosser and Kartika, 2019; Andrews and Okpanachi, 2020).

Thus, the ignorance of such diverse contexts leads to homogeneity and unilinear processes of resource governance, such as the one-size-fits-all approach in natural

resource governance or offering this prescription in any efforts to enhance reform while ignoring the specific conditions and pre-existing contexts.

2.3.2.2 Aspect of Politics: Participation

As a governing strategy, one of the aims of depoliticisation is to influence public perceptions of the actions of government (Burnham, 2001; Buller and Flinders, 2005). Thus, there are various attempts made to persuade, convince and manipulate citizens' choices and expressions in public deliberation and contingency by arranging public participation to suit particular interests. In other words, depoliticisation, as a governing strategy, can reach out beyond the terrain of formal and narrow government. Along with the transformation of public affairs from the government to governance, the practices of depoliticisation can be executed through societal "face" aiming to influence public perceptions of the actions of government (Burnham, 2001; Buller and Flinders, 2005).

The term "societal" face of depoliticisation is not limited to the shifting of public sphere to private sphere (Wood and Flinders, 2014, p. 157) or the social withdrawal from politics and significant decline of voter turn-out and people's party identification (Charalambous and Kanol, 2019, p. 104; Dimova, 2019, p. 57). It is instead about the nature and the quality of public deliberation and participation (Fawcett and Marsh, 2014, p. 171; Vines and Marsh, 2017). The societal "face" of depoliticisation, at least, facilitates and catalyses the governmental "face" of depoliticisation when the absence of public debates and alternative choices comes along with the delegation of responsibilities and blame in governmental affairs (Wood and Flinders, 2014, p. 161,165).

In practice, the societal "face" of depoliticisation can be examined through the degree of political participation or public engagement. This study delimits political participation in terms of the degree and extent of political capacity of specific groups or individuals to make demands regarding their interests and preferences in public affairs. Political participation is all about the ability to transform collective preferences into political demands, including the scope (number of active citizens) and intensity (frequency and degree of organisational support) (O'Donnell, 1979b, p. 30). In this study, political participation mainly refers to various processes in

which an individual citizen or a social group, especially the marginalised or the excluded, attempt to achieve collective goals in the polity (cf. Creighton, 2005). It also means the process through which an individual citizen or a social group tries to control public resources that it previously did not control (Remmer, 1980, p. 275). Conversely, impediment of participation refers to strategies that make citizens lose their capacity to transform their collective preference into political demands by removing all political character from the mixture of channels of participation and system of representation to keep political order and stability as the ultimate goal (Remmer, 1980, p. 276,294).

Attempts to impede, decline or delimit participation can be made through following a lengthy process and complex strategies:

- redefining participation as individuals’ ability to realise personal benefit of assets and capacities, and defining social associations in terms of access to and participation within the market (Jayasuriya, 2006b, pp. 16–17, 154–155),
- transforming the way in which citizens define their preferences and demands, e.g., transformation of many public needs and goods from collective and cooperative arrangements to private and competitive arrangements (Silva, 2004, p. 65),
- impeding any other alternatives, e.g., barring any opposing political groups from participation in the political processes and influencing public deliberation (Takashi, 2014, p. 257) and enforcing “stick and carrot” approaches (Feith, 1980; King, 1982, p. 111; See O’Donnell, 1988),
- weakening social groups’ bargaining power and transforming group and class solidarity into rational-individual freedom and preferences (see Ally, 2008; Nem Singh, 2012, pp. 232–233),
- developing an exclusionary system of representation or interest system based on functional categories with limited membership which is organised through internal authority structure with hierarchical order of decision making (Schmitter, 1974; O’Donnell, 1979b; See Porter, 2002a, p. 9), and
- bypassing the formal political representation and undermining the decisive roles of formal political actors and, at the same time, narrowing down civil society

into civil society organisations and ignoring social movements with strong political activism (Hatcher, 2007, pp. 197–201, 2009, p. 124,128; Bächtold, 2015, p. 1976).

In sum, this study deploys depoliticisation as an analytical framework in order to answer the research question by focusing on two aspects of politics, namely recognition and participation. Therefore, this study investigates the degree of contextual ignorance and denial of pluralism and antagonism (the governmental “face” of depoliticisation) and impediment of participation (societal “face” of depoliticisation).

Below is a summary of key aspects of depoliticisation, pertaining to how they are defined and examples (see table 2.2)

Table 2.2 Overview of the Conceptual Framework of Depoliticisation used in this thesis

Aspect of Politics/Politicisation	“Faces” of Depoliticisation	Depoliticisation Strategies	Definition	Examples
Recognition	The Governmental “Face” of Depoliticisation	Denial of pluralism and antagonism	Keeping antagonism and pluralism off the agenda	A collective decision-making based on a narrow and limited preference.
		Contextual ignorance	Neglecting of pre-existing contexts and simplifying the process and change	Introduction of universal and “one-size-fit-all” strategy for overcoming the problem of resource curse or poverty reduction.
Participation	The Societal ‘Face’ of Depoliticisation	Impediment of participation or public disengagement	Delimiting citizen’s capacity to make demands regarding their collective interests and preferences in public affairs	barring any opposing political groups from influencing public deliberation

Source: constructed by author

CHAPTER THREE METHODOLOGY

3.1 Introduction

This chapter aims to explain the methodological implication of the thesis's analytical framework by exploring the choice of the research strategy and research design. The first section briefly describes the ontological and epistemological position and its connection to qualitative research strategy and case study as research design. The second section focuses on methods of data collection: document analysis, semi-structured elite interviews and unstructured observation. It also explains how the thesis uses thematic analysis as a strategy for interpreting the findings. The final section addresses the challenges and limits of this study.

3.2 Research Strategy and Research Design

This study is conducted based on a basic ontological and epistemological assumption that political phenomena are socially constructed. Knowledge and meaning are produced and acquired through the interplay between the subjective interpretation of social actors and objects in various social interactions. The construction and interpretation of social reality itself also change from time to time (see Hay, 2002, p. 62; Moon and Blackman, 2014, pp. 1170–1172).

With the recognition that the process of research question formula and research design is related to ontological aspect (Hay, 2002, p. 63; Bryman, 2016, p. 30), this study henceforth deploys a qualitative research strategy. This is because the study aims to understand and explain the complexities of depoliticisation strategies and their counter dynamics through the subject's view. In short, it examines the practices of depoliticisation and their counter dynamics through the subjective interpretation and how dominant powers and institutions frame their world of view (Pierce, 2008, p. 45).

Ultimately, it aims to answer the “how” and “why” question by not only examining depoliticisation and its counter dynamics as a contemporary phenomenon but also

taking into consideration as many aspects as they can and how they relate to each other (the idiographic approach) (Patten and Newhart, 2018, p. 174). In doing so, this study exercises depth and systemic investigation to capture the complexity of depoliticisation strategies and their counter dynamics as a bounded system through the lens of case study as research design. It also focuses on depth assessment of the contextual aspect and its relation to the phenomenon because, as Robert K. Yin (2014) states, "the boundaries between phenomenon and context are not clearly evident".

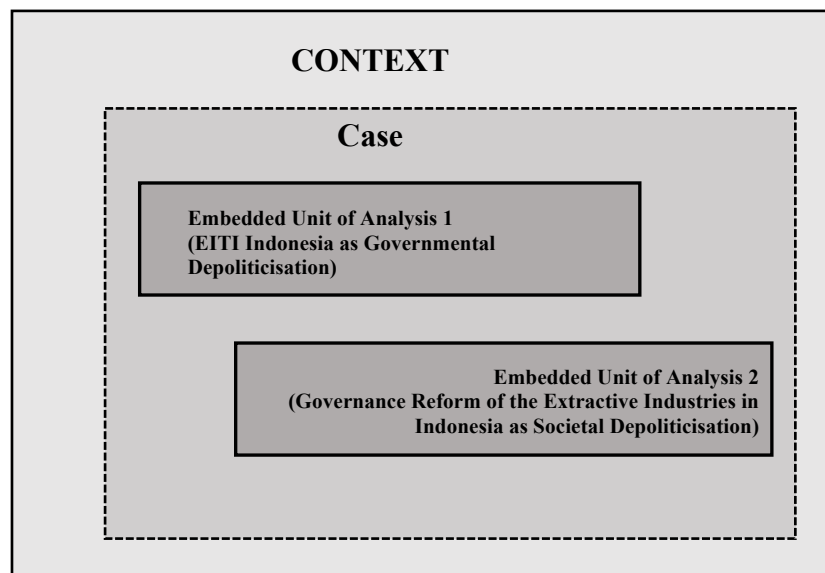
The study's unit of analysis is a single case, namely the implementation of the Extractive Industries Transparency Initiative (EITI) in Indonesia between 2010-2018. It mainly analyses the validation, reporting and dissemination processes and the interaction within the multi-stakeholder group (MSG) forum in Indonesia EITI. Moreover, this study deploys an embedded single-case study because it develops the arguments based mainly on the empirical practices of governmental depoliticisation in the Indonesia EITI and societal depoliticisation in broad governance reform of extractive industries in Indonesia, which is related conceptually to the Indonesia EITI (see the figure 3.1). Although the investigation of a single case is not enough to generalise the practice of depoliticisation, it helps to enrich the theoretical proposition of depoliticisation based on an empirical study conducted in a particular context (see Fletcher and Plakoyiannaki, 2010, p. 838).

The implementation of EITI in Indonesia between 2010-2018 is a typical case that is chosen to capture the extents of practices of depoliticisation in its counter dynamics on the ground (Bryman, 2016, p. 62). There are various reasons for choosing Indonesia EITI as a representative case of how contesting technocratic and political logics work. First, the EITI works in opposing logics by introducing the technocratic approach of transparency in the context of extractive sector which, by nature, is very political. It helps not only to understand the way that depoliticisation works but also to identify the types and degrees of its counter dynamics.

Second, Indonesia is democratic country with long history of embedding technocratic logics in their public domain. From the 56 resource-rich countries

which show a commitment to comply with the EITI's formal and informal rules, Indonesia is among those that has been growing as an emerging democracy in the Global South since the late 1990s. As a developmental state, Indonesia also has long experience of institutionalising technocratic approaches in governing the public domain. The role of technocrats in the public domain henceforth has been well established and is less likely to be resisted. Along with the processes of democratisation and governance reform, technocratic logics has transformed and extended into works of civil society (for a detailed explanation of the rationale of choosing EITI Indonesia, see Chapter 1 and Chapter 5).

Figure 3.1 Embedded Single-Case Study



Source: modified from Yin, 2018, p. 96

3.3 Operationalisation

In the previous chapter, this study has developed an analytical framework, including the stipulative definition of depoliticisation and its conceptual elaboration. The framework provides an explanation of meaning and scope of three basic concepts, namely contextual ignorance, the denial of pluralism and antagonism and impediment of participation. In turn, this study also provides a set of operational

definitions derived from the three conceptual definitions that will be deployed to measure the concept (see Bryman, 2016, p. 693). Thus, this operationalisation aspect of research concerns, “ how would the researcher recognize a mode of contextual ignorance, denial of pluralism and antagonism and political deactivation if the researcher sees one?” (Modified from Van Deth, 2014, p. 353).

First, the concept of denial of pluralism and antagonism relates to selection of what is relevant or not in the decision-making process. In such a process, a potential challenge or alternative could be prevented. As mentioned in the previous chapter, the research’s main challenge is that such non-decision is not easily observed. Thus, this study examines the denial of pluralism and antagonism through identification of mobilisation of bias by asking the following questions:

- What kind of issue is preferred in MSG decision making in the EITI Indonesia?
- What kind of issue is prevented or excluded in MSG decision making in the EITI Indonesia?
- What is a set of predominant values, beliefs, rituals and institutional procedures that determine which concerns should be and should not be part of the MSG decision making in the EITI Indonesia?

The analysis is centred around the EITI MSG to provide clarity of empirical focus in an important decision making arena related to the EITI.

Second, the concept of contextual ignorance relates to selection of what the specified conditions and pre-existing contexts that should be recognised as essential and not. Therefore, this study identifies the contextual ignorance through the following questions:

- To what extent does the EITI Indonesia recognise the specified conditions and pre-existing contexts?
- What kind of context does the EITI Indonesia recognise?
- What kind of context has been excluded by the EITI Indonesia?

Here, the study focuses on the formalised rules of the EITI, that embed particular understandings of the wider social, economic and political context.

Third, the concept of impediment of participation relates to the effort to prevent the transformation of collective preference into political demands, as well as the limits

of alternatives and removal of all political character in public deliberation. Therefore, this study identifies the political deactivation through these following questions:

- What ideas are involved in public deliberation related to governance reform of the extractive industries in Indonesia?
- What are the alternatives involved in public deliberation related to governance reform of the extractive industries in Indonesia? And by who?
- Who is most active in public deliberation related to governance reform of the extractive industries in Indonesia?

To account for these wider dynamics of participation, the study expands its analytical scope beyond the immediate EITI context, to focus on subtle shifts related to resource governance during the EITI's implementation period.

3.4 Data Collection and Analysis

In order to gain an accurate and comprehensive understanding from the valid evidence, this study uses triangulation strategy through different methods of investigation (methods triangulation) and different sources of data (data triangulation). It employs three different methods of data collection, namely document analysis, interview and observation, and uses a diverse type of data in document analysis and interview to ensure “less chance of making errors, or of drawing inappropriate conclusions than would be the case if relying upon just one data set” (Arksey and Knight, 1999, p. 21).

Document analysis here focuses on investigating the official documents, mass-media output and virtual output related to Indonesia EITI and Global EITI processes. Official documents are derived from:

- EITI Indonesia secretariat's official documents, including the EITI Indonesia Report 2010-2018, EITI Indonesia Annual Report 2013-2017 (activity report or progress report), as well as those pertaining to beneficial ownership, impact assessment and commodity trading, work plans, minutes of meetings and rules and regulations concerning EITI Indonesia.

- EITI International’s official documents, including EITI’s rules such as EITI Principles, EITI Rules 2010 (2011), EITI Standard 2013 and 2016, EITI progress report, policy documents, meeting agenda and minutes and official research reports.
- Other institutions' official publications documenting the EITI, such as various reports and guidance on EITI implementation, issued by Publish What You Pay (PWYP), the World Bank, Chatham House, Natural Resource Governance Institute, and so on forth.

Moreover, mass-media outputs refer to any published printed or online media coverage related to EITI Indonesia and EITI International. Lastly, the virtual output mainly deriving from the official website of EITI International (<https://www.eiti.org>), EITI Indonesia (<https://eiti.esdm.go.id>), PWYP global (<https://www.publishwhatyoupay.org>), and PWYP Indonesia (<https://pwypindonesia.org>). This study uses select key words for media searches: EITI, EITI Indonesia, oil and gas, mining, transparency, multi-stakeholder group.

In this study, the document analysis follows the same systemic procedure as analysis of interview and observation, mainly coding, categorising, interpreting, and thematic analysis, to derive insight, extract meaning and establish empirical knowledge from the relevant documents (see Gross, 2018) . Document analysis here is an iterative process from skimming the data, reading the details and finally interpreting it (see Bowen, 2009, p. 32).

The following strategy of data collection is through conducting the semi-structured elite interview. As a semi-structured interview, it starts by preparing an interview guide with the list of questions derived from three aspects of the analytical framework, i.e. the contextual ignorance, the denial of pluralism and antagonism and political deactivation, but flexibility is maintained during the interview (see Bryman, 2016, pp. 468–469).

A total of thirty-two interviewees, categorised into two groups, have been selected through purposive and snowball sampling as a key informant. Key informant here is someone who possesses knowledge of an issue or process that cannot be obtained from another source, such as “insider” information. Key informant usually shares

his/her perception on the certain event, social setting, or person based on his/her own experiences (Bryman, 2016, p. 692). They, in turn, nominate someone else as a candidate for the following key information because of the relevance of his/her experiences and characteristics (cf. Arksey and Knight, 1999, p. 4,8; see Bryman, 2016, p. 415).

The first group consists of a person involved in EITI implementation either in Indonesia or at the global level directly, that is:

- official in the EITI International secretariat,
- former high-ranking official in the EITI Indonesia secretariat,
- current high-ranking official in the EITI Indonesia secretariat,
- middle-ranking officials in the Indonesian Ministry of Finance,
- middle-ranking officials in the Indonesian Ministry of Energy and Mineral Resources,
- high-ranking official in the Indonesian Ministry of National Development Planning/National Development Planning Agency,
- former high-ranking official in the Indonesia’s Special Task Force for Upstream Oil and Gas,
- middle-ranking official in the Indonesia’s Special Task Force for Upstream Oil and Gas,
- activists in international CSOs or donors, such as Natural Resource Governance Institute and TIFA foundation,
- activists in national CSOs, particularly Publish What You Pay network,
- Activists in local CSOs in Bojonegoro,
- business representatives.

The second is a group of people who are not directly involved in the EITI process but engage in policy-making, advocacy or conduct research related to governance of the extractive industries in Indonesia, namely:

- a current Indonesian minister,
- a high-ranking official at the Executive Office of the President of the Republic of Indonesia,
- officials in the Indonesian Corruption Eradication Commission,
- members of the Presidential Task Force for Oil and Gas Governance Reform, and
- researchers from think tanks and universities in Indonesia concerning the contemporary governance of the extractive industries in Indonesia.

The total number of interview meetings is thirty-six, mostly including interviews that were conducted face to face in the capital of Jakarta. Three interviews were conducted in the city of Yogyakarta and three interviews were conducted in the regency of Bojonegoro, East Java. All those interviews were conducted from September 2018 to January 2019. Three interviews were conducted online in mid-2020 and early 2021. In addition, one interviewee also sent written answers through email before being interviewed. All interviews have been recorded and officially noted with anonymity, except two interviews that are off the record. In addition, all interviews were conducted in the Indonesian language, with the exception of one in English. The researcher translated the interviews himself for use in the analysis, to protect interviewees' anonymity and to enable fair interpretation of the interview transcript.

The last data collection strategy is unstructured observation conducted by attending two multi-stakeholder group meetings during the fieldwork. As an unstructured observation, this strategy of data collection aims to confirm some behaviours and interests of the government, CSO and business representatives when they interact and communicate with each other in the MSG forum because, as Lisa M. Given (2012, p. 908) notes: “when used with interviews, unstructured observation allows for comparison between participant accounts and actual behaviour”.

For analysis of findings, this study uses thematic analysis by, first of all, identifying the themes, coding and categorising the data referring to the themes, and finally interpreting the thematic block of data through exploring the similarities and

differences, the relationship between themes and its implication to theoretical aspects (see Mills, Durepos and Wiebe, 2012, p. 926).

The stages of thematic analysis in this study are as follows:

1. identification of descriptive elements of data. In this stage, this study identifies various data describing the background and rationale of EITI initiation and implementation at the global level and Indonesia and the Indonesian resource governance structure that provides rich information of the contextual aspect of EITI implementation in Indonesia.
2. classification of data by referring to the themes. This study deductively develops the themes by referring to an analytical framework covering the three depoliticisation practices: contextual ignorance, denial of pluralism and antagonism, as well as deactivation. However, this study also opens to develop the sub-themes inductively to find more dynamic and contextual aspects of three such depoliticisation practices (cf. Hawkins, 2018, p. 1759). This is a stage where the development of themes and coding works reciprocally: development of themes facilitates coding, and coding facilitates the development of themes. In this stage, the categories of code are constantly being reorganised along with the progress of the analytical process (Gibbs, 2012, p. 868).
3. exploration of the interconnection between categories after identification of commonalities and divergences. In this stage, this study tries to develop the argument or build the story through building interconnection of a block of data.

This study also underlines that such stages of data analysis are iterative processes rather than linear ones. Data classification and interconnection processes are always repetitive and recursive to deepen the analysis and apply the reliability standard to the subjective process of classification, interpretation and analysis in this study (see Bassett, 2012, p. 505).

3.5 The Limitation of Method

There are some limitations of the methods related to the chosen research method, interviewee bias and mistaken or missing data in analysis and presentation. First, as

the case study, this study cannot claim of generalisation of its finding because the case study more focuses on intensively finding depth understanding and explanation within a boundary (Bryman, 2016, p. 64).

Second, selection bias. Access to key informants in Indonesia generally more relies on the informal connection than sending them formal request. Due to this situation, this study has more interviewees from CSOs, government officials, think tanks and academics. On contrary, few business actors have been interviewed. None of politician or members of parliament has been interviewed. It was very difficult to meet politicians at that moment due to preparation of national presidential and parliament election 2019. Therefore, some groups of interviewees have been overstated and other understated in data presentation in the thesis' chapters.

Third, missing data in analysis and presentation. During the data analysis, the author classified, categorised and coded the data manually rather than utilising a supportive software such as NVivo, because the software has a limitation to identify the implicit statements. However, because of manual process, there are possibly some relevant data were not identified and categorised yet. Furthermore, the author translates the cited statement of interviewee from Indonesian language to English by himself rather than asking for professional translation, because of budget constraints. Therefore, due to the different structure of language and sometimes not-well-structured oral statements, presentation of the translated interviews verbatim as direct quotation in the thesis' chapters may include some mistakes, digressions and so forth.

CHAPTER FOUR GOVERNANCE-BY-DISCLOSURE AND THE EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE

4.1 Introduction

This chapter explores the global dynamics that stimulate the emergence of transparency as the prominent global norm and its manifestation, governance-by-disclosure, and investigates the development of the Extractive Industries Transparency Initiative (EITI) as the flagship of governance-by-disclosure. The chapter also describes the EITI's key structures at the global level and its historical timeline and strategies for diffusion and adoption by various countries. In short, this chapter provides a descriptive and historical context of EITI and its design at the global level.

The chapter begins with a discussion of the politicisation of global governance of the extractive industries that scales up transparency as an important global norm. It describes how Western companies operating in the extractive industries lost their influential power after the end of the Cold War. As the Cold War ended, civil society began to receive more political leverage on the global stage and, in turn, politicised many crucial issues in regards global governance of the extractive industries. The agenda of global governance of the extractive industries consequently has been extended from narrowly focusing on commodities prices to the impacts of resource-related economic development, such as corruption, human rights abuses and environmental degradation. These processes of politicisation influenced the initial agreement on who should be involved and what type of issues and agenda should be discussed in the EITI scheme.

Governance-by-disclosure has evolved into a key norm in the governance of the extractive industries, where the EITI is emerging as a leading global initiative, offering transparency as a panacea for the problems and challenges in this sector, particularly oil, gas, minerals and coal. This chapter outlines the context of governance-by-disclosure in the extractive sector by describing how it emerged and

its main characteristics are. In addition, it shows how transparency has been constructed as the prominent solution and considers it as a tactic of depoliticisation (preference-shaping).

The chapter then describes the EITI, the foremost benchmark of governance-by-disclosure in the extractive sector. It demonstrates the transformation of the EITI from flexible principles for revenue management into rigid and detailed global rules of the game with an extended focus and scope. There is also a discussion of the distinct characteristics of the EITI, namely the ‘multi-stakeholder group’ (MSG) and the significant role of global multi-actor networks – primarily civil society organisations (CSOs) – in diffusing and localising global norms. This translation of a global norm into an institutional design is considered a tactic of depoliticisation (rule-based and institutional).

Finally, the chapter describes some critical notes on governance-by-disclosure. It interrogates some problems related to the proceduralisation of information disclosure that tends to focus on “making the process right” rather than the outcome. It also identifies a missing link between “to inform” and “to empower” determining the extent of disclosure of plenty of data will turn into empower the citizen. The chapter also problematises the multi-stakeholder approach that invites actors from different backgrounds and with opposing interests to make collective decisions.

This chapter argues that politicisation in the changing landscape of global governance of the extractive industries, namely the decline of the influential power of companies and the new leverage of global CSOs network, increases the demand for governance-by-disclosure. It also influences the development and design of the EITI on the global level, particularly its multi-stakeholder approach and formal and informal rules.

Furthermore, understanding the global context also helps to grasp the dynamics of the politicisation and depoliticisation of EITI implementation in the national context, particularly with regard to the actors and agendas involved, which will be explored in depth in the following chapters. The national dynamics of EITI implementation cannot be entirely understood unless we first examine the

politicising and depoliticising dynamics that led to the demand for transparency in general before identifying the actors involved.

4.2 Politicisation of Global Governance of Extractive Industries and Rising Demand for Transparency

This section outlines the process of politicisation of global governance of the extractive industries by describing the settings, actors and strategies involved. It argues that the changing geopolitics⁷ of energy in the post-Cold War era have catalysed a politicisation of global governance of the extractive industries. This politicisation happens when Western oil and mining companies have no longer any influential power or privileges and, at the same time, civil society activism becomes more consolidated and influential in global politics. This provides an opportunity for more key actors to become involved in the governance of the extractive industries. It also extends the governance of the extractive industries terrain, in terms of the issues, agendas and actors involved. Hence, demands to enhance disclosure and increase the accessibility of information in the extractive sector are not only becoming more robust, but are also being echoed globally.

During the Cold War period, many Western oil and mining companies, as well as their home governments, sought justification when dealing with authoritarian and repressive regimes in resource-rich countries. On the one hand, the Soviet Union became self-sufficient especially after the massive discovery in Western Siberia in the mid-1960s that placed the Soviet Union as the world's largest oil producer in 1974 (Hamilton, 2013, p. 244). On the other hand, Western countries continued to rely on oil and mineral exporter countries in the Global South in order to ensure accessibility and availability of oil and mineral resource commodities for feeding their economies and militaries.

Furthermore, the wave of resource nationalism between the 1950s and 1970s in reserve-holding states enhanced host governments to take on more direct control

⁷ Geopolitics here refers to intersection between geographical factors, politics and international relations in which the state undertakes efforts to advance its political and economic interest abroad (Klare, 2012, p. 30; Högselius, 2019, p. 7).

over the ownership of reserves and the production of extractive commodities through nationalised companies (Bridge and Le Billon, 2017, p. 34). Hence, Western transnational companies had to also work within the framework of national companies. In order to maintain supply sustainability (Bridge and Le Billon, 2017, p. 44; Thompson, 2017, pp. 93–94), Western governments also dealt with resource-rich autocracies in host countries that increased the prevalence of the ‘rentier-state’ effect (see Andersen and Ross, 2014; Hendrix, 2018).

Nevertheless, power relations between Western international oil companies (IOCs) or Western governments vis-à-vis national oil companies (NOCs) or host countries were dynamic and relatively stable during the Cold War era. International companies' bargaining power with host governments and local companies fluctuated, regarding volatile oil prices, industry competition, the option of alternative investment and domestic political risk of reserves-owner countries (Vivoda, 2009, 2016). For instance, when the price of the international market was falling in the mid-1980s and 1990s, the host countries or NOCs had less control and power and tended to arrange cooperative relations. In the decades later, this became more conflictual. In other words, host and exporter governments gained more power to bargain and negotiate in the context of rising markets. On the contrary, in a context of falling markets, importer governments or international companies gained more control (Wilson, 1987, p. 145; see also Vivoda, 2009, 2016).

When the world was no longer divided between US and Soviet competing hegemony, the geopolitics of oil and gas changed and became multipolar. Today, emerging markets, particularly China and India, are seeing their bargaining power increase and their NOCs are expanding into overseas areas of exploration. Newcomers are also starting to export their production; and Russia has also become a dominant player in this regard (Klare, 2012, pp. 38–39). Hence, Western business actors in the extractive industries have lost their power and influence and can no longer retain their position of privilege. In addition, the previous justifications offered by companies for working and collaborating with autocracies in many resource-rich countries are no longer considered acceptable.

Furthermore, oligopoly is under threat due to the shifting of the international oil market. Prices have been collapsing since the end of the 1980s due to economic stagnation, changing fuel needs, and new supplies found in the Gulf of Mexico and the North Sea (Ostrowski, 2018, pp. 88–89; Graaf and Sovacool, 2020, p. 29). The introduction of the futures contract (the paper oil industry) on the New York Mercantile Exchange (NYMEX) Stock in 1983 and London's International Petroleum Exchange (IPE) in 1988 ended the bilateral long-term contract arrangement that had previously been controlled by the oligopoly (Graaf and Sovacool, 2020, p. 30). In short, companies now lack control and bargaining power in the new multipolar geopolitics of the extractive industries.

In this change of global power structure, CSOs have become a new influential actor and have taken the lead in politicisation. CSOs have appeared in the public spotlight, applying leverage to put their agenda at the vanguard of global governance of the extractive industries. CSOs typically develop worldwide networks in multi-level governance, involving actors from different backgrounds and disciplines – including international finance, accounting, law and social movements. They raise public concerns about government and corporate oversight in resource governance. They also ensure that extraction brings maximum benefits to citizens (Soerjoatmodjo, Hanafi and Triwibowo, 2014; see Bridge and Le Billon, 2017, p. 30; Savirani, Hanif and Winanti, 2017).

This new leverage comes with the rise of the global, neo-liberal governance reform at the end of 1980s that put CSOs as one point of particular interest. The reform had the primary intention to re-build the state into market imperatives by introducing the a-political "new politics" which bypass the old actors and representation, especially the political parties and members of parliament with strong ideological and popular linkages, and introduce the notion of the civil society organisation as a neutral and new actor that engages in depoliticised stakeholder interactions and focuses on technocratic problem solving (Harriss, 2005; Hatcher, 2009, p. 124,128). Here, a well-developed network of civil society together with business actors and the state take on responsibilities and a significant role in the development of good governance by mobilising social capital, such as trust, norms and networks for sustainable development (UNDP, 1997; see Quadrat-I Elahi, 2009, p. 1171).

Moreover, neo-liberal-oriented reform and development requires civil society for social legitimacy. Capitalist expansion or market-driven development usually generates internal contradictions. Besides, plenty of studies show that extractive activities cause social inequality, land grabbing, social conflicts and so forth, that, consequently, raise the resistance to calling for social justice and the reclamation of rights (see Haarstad, 2012; Grugel *et al.*, 2017). Hence, reorientation of civil society is necessary to support legitimacy and social reproduction in neo-liberal-oriented reform and development (Carroll and Jarvis, 2015, p. 282).

Global CSO activism mobilises different strategies to politicise global governance of the extractive industries. Initially, CSOs sought to raise public awareness, pressuring governments and businesses to tackle extraction-related public opacity, political corruption, abuses of human rights and communal rights, land grabbing and environmental degradation. Their international campaigns included a variety of efforts, from ‘name and shame’ campaigns that targeted the companies’ international reputations, to the publication of in-depth reports (see Pulver, 2017).

The strategies of global CSOs concerning the extractive sector have transformed. Global CSOs replaced reactive event-focused public campaigns on broad issues with proactive, reform-oriented advocacy that offers a specific policy agenda of dealing with the paradox of plenty. Global CSOs share a fundamental belief that resource-abundant countries can prevent and overcome extraction-related political, social, economic and environmental challenges (the ‘resource curse’) by encouraging the host government to demand that transnational resource-extraction companies ‘publish what they pay’. global CSOs insist that all payments made by companies to the host government – including payments of royalties, signature bonuses, taxes, shares and so forth – should be made known to the public; and that this must be a requirement for any companies listed on the international stock exchange and financial market (*Publish what you pay*, 2002; Global Witness, 2004).

Furthermore, global CSOs also tightly consolidated policy advocates by enhancing the global advocacy network, which comprises a dense, transnational coalition, working on interconnected, multi-tier governance to scale domestic issues onto the global stage. At the same time, the network diffuses and brings global norms around

human rights, sustainability, and transparency onto local-level governance. Mixed-actor networks that include CSO activists, think tanks, academics, international donor agencies, international finance institutions and philanthropists contribute collectively to this type of multi-diplomacy track (Grant and Taylor, 2004, p. 368).

The ‘resource curse’ thus becomes the new mantra of global CSO’s advocacy of the extractive sector (see Hayman, no date). The term originally came from extensive studies conducted by academics in various disciplines – including economics, political economy, international relations, anthropology and development studies since the 1990s. This reflects the shifting of the focus of interests in the extractive sector from one narrowly about the contribution of resource income and economic development to broad challenges, namely the resource curse: the paradoxical situation found in many resource-rich countries in which large quantities of resources and extraction come with political authoritarianism, social conflict, poor development outcomes and the absence of good governance.

Thus, lucrative extraction often impedes rather than encourages development in various ways. The symptoms of the curse manifest as the so-called ‘Dutch disease’ associated with resource-dependent economic activities (Sachs and Warner, 1995; Humphreys, Sachs and Stiglitz, 2007, pp. 5–6); the ‘conflict trap’, in which resource revenues deepen problems and exacerbate their duration and intensity (Collier and Hoeffler, 2004; Collier, 2010, pp. 1110–1112; Rutten and Mwangi, 2014); or political dysfunction, such as the absence of democratic regimes and rent-seeking behaviours (Ross, 2012, pp. 63–109). There are other factors contributing to these problems, such as the absence of high-quality economic and political institutions (Mehlum, Moene and Torvik, 2006a; Amundsen, 2014), the country’s geopolitical and geo-economic conditions in the regional and the overall global context (Rosser, 2007) and so forth.

In this new trend, Publish What You Pay (PWYP) has become a leading global network of civil society in demanding for the greater transparency of governance of the extractive industries. Inspired by the Global Witness report, “A Crude Awakening: The Role of Oil and Banking Industries in Angola's Civil War and the

Plunder of State Assets” (1999), six international CSOs –Global Witness, CAFOD, Oxfam GB, the Open Society Institute, Save the Children UK, and Transparency International UK – declared the PWYP in 2002 and received strong support and funds from billionaire philanthropist, George Soros and his Open Society Foundation (*About - Publish What You Pay*, no date; Sudetic, 2011).

The global PWYP coalition, which currently has more than 700 members with 50 national coalitions, dedicates their activities to promoting transparency. The global PWYP (2019, p. 11) argues that adoption of transparency in the country will facilitate the citizen to fix the problem of rent-seeking and corruption, make a demand to their government’ accountability and reclaim the benefit of extractive-based revenue.

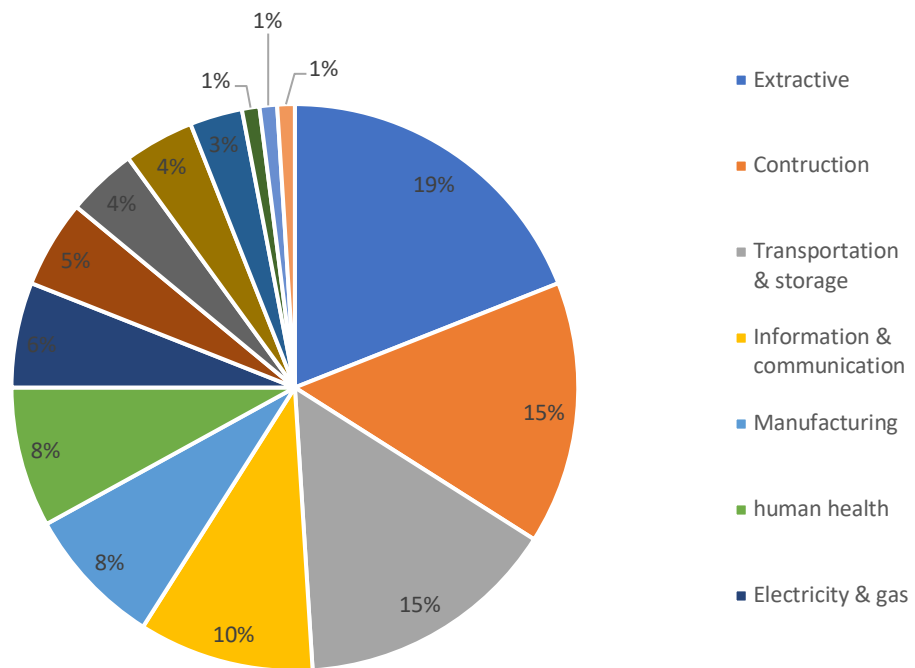
The coalition promotes the global norm that governments, business actors, and professionals should, in any international and domestic initiatives, do all they can to prevent the resource curse problem emanating from the extractive sector (PWYP, 2019, p. 11).

Stories of scandals in the extractive industry are now put firmly under public scrutiny. There have been numerous reports of international organisations, CSOs and investigative journalists that mention companies’ activities related to bribery and corruption, human rights abuses, environmental degradation, oil and mining-related conflicts and civil war financing. These include British Petroleum (BP)’s involvement in army training and spying operations in Colombia (Gillard, Gomez and Jones, 1998; *Amnesty International renews calls to oil companies operating in Colombia to respect human rights*, 1998); human rights violations and environmental problems surrounding the BP-led Baku-Tbilisi-Ceyhan pipeline project (Amnesty International, 2003); Shell’s support for the coercive strategies of the Nigerian Army, which murdered nine men when dealing with the resistance to extraction activities in Ogoni, Niger Delta (Amnesty International, 2017); the allegations of bribery against TOTAL in its pursuit of Iranian government contracts between the 1990s and the 2000s (Stothard, 2014; Ostrowski, 2018, p. 89); the Elf African leaders' bribery scandal (Henley, 2001; see Heilbrunn, 2005); and Angola’s use of oil cash to finance its civil war (Global Witness, 1999).

In addition, the general public raised the alarm about mining companies that operate around social conflicts, political instability, and weak governance in the mid- to late-1990s. The issue of ‘blood diamonds’ underscored that illicit money from the mining industry provides fertile conditions for perpetuating civil war and rebellion in diamond-producing countries such as Sierra Leone (cf. Collier and Hoeffler, 2004; Grant and Taylor, 2004, p. 387).

The OECD (2014) reported that, between 1999 and 2014, extraction was the sector most frequently associated with offering, promising, and giving bribes to foreign officials (see Figure 4.1).

Figure 4.1 Foreign Bribery By Sector (1999-2014)



Source: OECD, 2014, p. 22

In response, extractive companies apply different strategies. To alleviate their damaged reputations, some show good intentions by re-branding and making

commitments to corporate social responsibility, as well as supporting transparency and climate change initiatives. In return, they gain a positive international reputation and market share (Gillies, 2010; see Bridge and Le Billon, 2017, p. 231). For instance, BP-Amoco expressed its intention to publish vital information after Global Witness released their report, 'A Crude Awakening'. Unfortunately, the company subsequently revoked this, after *Sociedade Nacional de Combustíveis de Angola* (Sonangol) reacted angrily (Rose, 2015, p. 137). Another example is, the Kimberley Process Certification Scheme through which many companies work together with host governments and CSOs to enhance the transparency of the global supply chain of diamonds and to support extractive-related conflict prevention (Kimberley Process, no date; Haufler, 2009). Some mining companies have also shown a commitment to sustainable development (Van Alstine and Andrews, 2016, p. 98).

In contrast, some companies are reluctant and see the call for transparency and climate change initiatives as contentious and risky. For instance, Sonangol seemed to resist when BP, in response to the 1999 Global Witness report (Global Witness, no date), published crucial information, such as BP's signature bonus payment to Angola, the total net production by block, aggregate payments by BP to Sonangol and total taxes and levies paid by BP to the Angolan government (Macalister, 2002). Exxon-Mobile has also been reluctant to reveal the signature bonus paid to the Angola government, citing the confidentiality of the contract (Rose, 2015, p. 137).

In the US, some American oil companies have described the Dodd-Frank Wall Street Reform and Consumer Protection Act – which governs the transparency of US-based companies' payments to foreign governments in the oil, gas, forestry, and mining sectors – as excessively burdensome (Coll, 2012). The Dodd-Frank Act was passed in 2011 during the Obama administration. Section 1504 mandates publicly traded oil, gas, and mining firms which file annual reports with the U.S. Securities and Exchange Commission to report payments to governments across the world. In 2017, the United State House of Representatives approved to withdraw the act and Donald Trump signed the roll-back of the Dodd-Frank and claimed it as the big victory (Publish What You Pay USA, no date; *Congress Approves First Big Dodd-Frank Rollback*, no date).

Positive responses and support for greater transparency come largely from international finance institutions. For instance, the World Bank Group, which consists of the International Bank for Reconstruction and Development, the International Development Association, the International Finance Corporation, the Multilateral Investment Guarantee Agency, and the International Centre for Settlement of Investment Disputes has responded to pressure from CSOs. In 2000, the group began conducting a series of reviews of the extractive industries. The reviewers, led by former Indonesian environment minister, Emil Salim, sent a clear message that the extractive industries can contribute to sustainable development. They also recommend that the industries work in line with the group's goals for sustainable development and poverty reduction (see Salim, 2004). Crucially, the review also recommends revenue transparency as a necessary pathway on which everyone could agree (Van Alstine and Andrews, 2016, p. 98).

The World Bank has also become a strong proponent of the global EITI, promoting EITI implementation in many countries by providing country-level grants, assistance, and advisory support (The World Bank, 2018). From 2004 to 2015, the World Bank provided \$47.18 million through the EITI Multi-Donor Trust Fund (EITI MDTF) to support EITI implementation in 30 countries. The World Bank has since continued its support through its 'Extractives Global Programmatic Support' fund, which allocated \$14.4 million (until 2018) for supporting and accelerating EITI implementation in 23 countries (The World Bank, 2020).

In conclusion, politicisation in the changing landscape of global politics affects global resource governance. With this new resource governance, global CSOs have been accepted as indispensable partners. The spectrum of the resource-governance agenda has also expanded from a focus on issues of the oil market (supply and demand) and the geopolitics of production and trading in the international market and global finance to broader resource-related, political, social, economic, and environmental problems, such as human rights, corruption, poverty, and sustainable development. Furthermore, transparency has emerged and been accepted by various actors (cf. Bridge and Le Billon, 2017, pp. 196,216-217,230-231).

4.3 Emergence of Transparency and 'Governance-by-Disclosure'

This section describes how transparency has been widely accepted, promoted, and institutionalised as a global norm following the politicisation of global governance of the extractive industries. The global norm here, as Khagram et al. (2002, p. 14) define, refers to

the shared expectations or standards of appropriate behaviour accepted by states and intergovernmental organisations that can be applied to states, intergovernmental organisations, and/or nonstate actors of various kinds.

It includes how the transparency design connects with various agendas and interests. Furthermore, this section describes the disclosure of and access to information as the primary practical expression of the global norm, called governance-by-disclosure, which has been introduced in the resource sector. Governance-by-disclosure then influences the EITI scheme and its adoption in many resource-rich countries. This section argues that transparency has been widely embraced and used by many actors around the world because it is a non-political, impartial vernacular that aligns the interests of various parties and narrowly manifests itself as series of procedures.

The normative concept of transparency in public affairs is not an invention but can be traced back to and identified in the pre-twentieth century. Hood & Heald (2006) note that at least three classic ideas contribute to the development of transparency in the twentieth century, i.e. the notions of rule-governed administration, candid and open social communication, and ways of making organisation and society 'knowable'.

However, the idea of transparency in the twentieth century, especially since the 1980s and 1990s, is thoroughly different in term of its extent, diffusion and practices. It has since become a significant global norm that has been introduced through more instrumental and practical strategies. Transparency is increasingly becoming a universal remedy said to overcome complex economic, social, and political problems and challenges. It has also become a moral and political imperative in various sectors and fields, including human rights, public services, and the environment; and it is thought to be critical for promoting good governance and developing inclusive, legitimate, and democratic polities (Gupta, 2008, p. 1).

For its advocates, transparency is a determinant of accountability in public affairs: the mechanism of transparency means that citizens not only receive better information, but they can also monitor and control information and their officials and political leaders. In this way, the quality of government performance has improved (Fung, Graham and Weil, 2007, p. 2; Fung and Weil, 2010, p. 106; Hollyer, Rosendorff and Vreeland, 2014, p. 415).

Transparency has become the leading or complementary global norm of various CSOs. It is now the primary focus of interest of various transnational advocacy networks concerned with the governance of the extractive industries. It also spearheads the campaign agendas of several CSOs on indigenous rights, conflict management and resolution, anti-corruption, corporate social responsibility, environmental sustainability and climate change and so forth (Haufler, 2010, p. 54; cf. Pulver, 2017).

Transparency is also at the intersection that aligns the interests of diverse actors with different backgrounds in resource governance. For proponents of market-based governance, transparency is crucial for avoiding asymmetrical information and transaction costs of market efficiency and optimum competitiveness (Rodan, 2004b, p. 11). It is also important for “rendering greater discipline and accountability of policymakers and actors to the market” (Rodan, 2004a, p. 2). Advocates of rights-based democracy also underline that democratic governance “requires more open and inclusive forms of collective choice” (Gupta and Mason, 2014, p. 13). In short, both democratisation and marketisation emphasise the essential importance of transparency (see Gupta and Mason, 2014, pp. 13–15, 22, 2016, p. 85).

Moreover, transparency has been designed as a neutral idiom and an apolitical and technocratic instrument. It generally tends to promote the disclosure of information through formal mechanisms without further tendencies to question existing power structures (Rodan, 2004a, p. 2; Hout, 2009, pp. 30–31; cf. Gupta and Mason, 2014, p. 14). Thus, many actors – including governments, private companies and CSOs – assume that the promotion of transparency is acceptable in all types of political

regimes, that it does not pose a threat, and that it will not provoke any adverse reactions (O'Sullivan, 2013, p. 5).

Transparency as a normative concept can be defined differently. On the one hand, the narrow understanding of transparency focuses on the degree of information disclosure and accessibility for relevant stakeholders (Brunnschweiler, Edjekumhene and Lujala, 2021, p. 2). In contrast, a broader meaning of transparency puts emphasis on the capacity of the information receiver to access and utilise the available information. Epremian, Lujala and Bruch (2016, p. 4) note that extensive definition of transparency describes that the function of information disclosure is to not only increase the knowledge and ensure knowledgeable participation and educated assessment.

The contemporary practice of transparency hereafter is predominantly manifested through 'governance-by-disclosure'. The idea of transparency has been interpreted as an absence of opacity, through openness and the dissemination (flow) of data and information, as well as more open policy-making processes and critical examination (A. Smith, 2007, p. 761; see Johnston, 2007, p. 988; Hollyer, Rosendorff and Vreeland, 2014, p. 413). Gupta and Mason (2014, p. 6) see this interpretation as governance-by-disclosure and define it as, "public and private governance initiatives that employ targeted disclosure of information as a way to evaluate and/or steer the behaviour of selected actors".

Governance-by-disclosure has some basic assumptions and characteristics. First, it expresses transparency through the primacy of procedures. Governance-by-disclosure assumes that creating a series of procedures of information disclosure - from production, dissemination to access mechanisms - will inevitably lead to the achievement of the intended goals (Gupta, 2008, p. 1,3; cf. Lujala, Brunnschweiler and Edjekumhene, 2020, p. 2138).

Second, governance-by-disclosure prioritises information. Information disclosure comes with an implied assumption that the more information citizens receive and have access to, the better they will understand public issues. In turn, they will become more involved in public debates, voice their interests and concerns, and demand for accountable officials and policymakers (see Brunnschweiler,

Edjekumhene and Lujala, 2021). As Gupta (2008, p. 3) notes that the idea of transparency come with basic assumption that information disclosure causes empowerment. Despite the fact that empowerment is more complex and related to existing power relations and structures.

Third, governance-by-disclosure typically requires collective action in which state actors are not the only parties to take responsibility. Thus, the involvement of private actors and non-governmental organisations, as well as the enhancement of private and hybrid schemes in the design and implementation of transparency, are inevitable (Sovacool *et al.*, 2016, p. 179). In other words, governance-by-disclosure embraces a collective governance approach that emphasizes “the formal engagement of representatives of government, civil society and companies in decision-making and in public policy discussions” (Rich and Moberg, 2017, p. 4).

Fourth, governance-by-disclosure works predominantly through multi-level governance that involves transnational, national, and sub-national tiers (see Dingwerth and Pattberg, 2009; Diprose, Kurniawan and Macdonald, 2018; Gupta, Boas and Oosterveer, 2020). As the manifestation of a global norm, governance-by-disclosure is often agreed upon and coordinated at the global level but implemented within national or sub-national boundaries (see Winanti and Hanif, 2020).

Fifth, governance-by-disclosure has been adopted and articulated through different schemes at different stages of the extraction and trading of natural resources. For instance, before extraction, Free, Prior and Informed Consent requires the government to reveal the contracts that it negotiates with private companies (see Boldbaatar, Kunz and Werker, 2019), as well as disclosing data on the predicted impact, inviting the community to give social consent and licence for extraction (see Schilling-Vacaflor, 2017). An international certification system has also been introduced to promote transparency in production and trade. For example, the Kimberley Process Certification Scheme is intended to minimise the notion of ‘conflict’ or ‘blood’ diamonds (see Gooch, 2008).

All governance-by-disclosure schemes in the governance of the extractive industries send an important message about the link between the absence of

information disclosure and the ‘paradox of plenty’. This message is that resource-led development in many resource-rich countries does not lead to increased social welfare and sustainability. Political problems such as rent-seeking and political corruption, social conflict, secessionist movements and central-regional tension, authoritarian political regimes, as well as economic problems with volatility of public spending, Dutch disease, and so forth, are all consequences seen in resource-rich countries (Rosser, 2006b; Ross, 2012; Bridge and Le Billon, 2017, pp. 141–149). Enthusiasts of governance-by-disclosure argue that such problems and challenges inevitably occur due to acute opacity on both the government and industry sides, leading to the absence of effective political accountability in many resource-abundant countries (see Karl, 2007, pp. 264–265).

The subsequent section will go into greater detail about the manifestation of governance-by-disclosure in the extractive sector. This is reflected in the EITI scheme, which covers complex, ongoing issues, such as the contextual background of the compliant countries, revenue transparency and beneficial ownerships. The scheme also provides a new space for the MSG, where influential actors – particularly representative of businesses, governments, and civil society – can come together to make the scheme work.

4.4 The EITI as a Flagship of Governance-by-Disclosure in the Extractive Sector

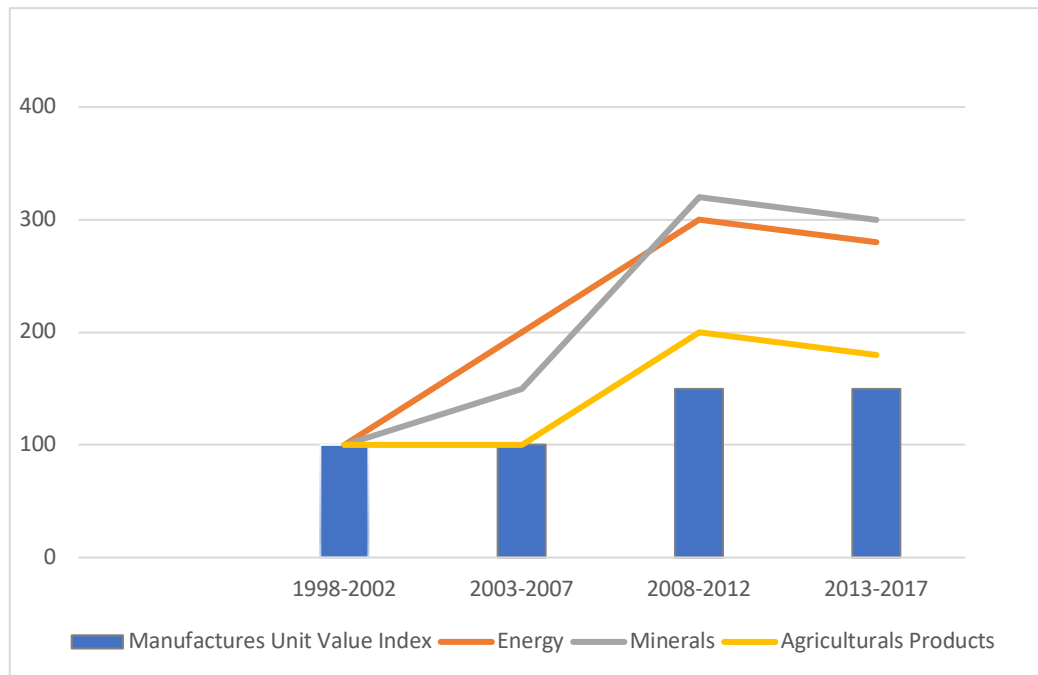
This section introduces the EITI, as a flagship programme influenced by the global norm of governance-by-disclosure in the extractive sector. In line with the idea of governance-by-disclosure, the EITI assumes that information disclosure empowers citizens and, in turn, enhances accountable governance of the extractive industries. This section focuses on the urgency of the EITI initiative, its formal and informal rules,⁸ and the MSG.

⁸ The author distinguishes between formal and informal rules in this thesis. Formal rules are those that are written, official, and enforceable, whereas informal rules are those that are not enforceable despite being made by an official.

4.4.1 New Resource Boom & Birth of the EITI

Following the emergence of governance-by-disclosure in the resource sector, a new resource boom occurred in 2003, and lasted until the middle of 2008. Resource commodity prices are currently at a peak, due to the increasing demand and supply in the changing global economy structures (see Figure 4.2). This is mainly coming from emerging markets that are hungry for energy consumption and natural resource-related raw materials, such as India and China (See Radetzki, 2006). In addition, resource-rich countries such as Brazil, South Africa, and Indonesia, which had previously exported their natural-resource commodities have since transformed into resource-seeking regions, as they have become new industrialising countries. Russia and China, as resource-rich countries, have expanded their resource exploitation into new areas through their multinational state-controlled enterprises (Nem Singh and Bourgooin, 2013, p. 4).

Figure 4.2 Evolution of Commodity Price Indices, 1998-2017
(Five-year averages; Index-based period: 1998-2002: 100)



Source: Carcamo, 2019, p. 4

This new resource boom increases public concern about the effect of industries and, as a result, the development of governance-by-disclosure in the extractive sector becomes even more urgent and relevant. The public, meanwhile, are still concerned about rent-seeking and corruption in such industries (see Papyrakis, Rieger and Gilberthorpe, 2017). Others also want to make sure that this new resource boom do not repeat some of the mistakes of the past that left little room for poverty reduction and income equality, economic diversification and investment for sustainable commodities (see Breisinger and Thurlow, 2008; Wihardja, 2016; Carcamo, 2019).

Therefore, owing to growing public pressure – led by the PWYP – for transparency and increasing concerns about the resource curse in the extractive sector, some key actors initiated the EITI in 2003 (Extractive Industries Transparency Initiative, 2019a). UK Prime Minister, Tony Blair, initially planned to deliver a speech on the EITI at the World Summit on Sustainable Development in Johannesburg in September 2002. However, this did not go ahead as planned due to the tension at the time between Tony Blair and Zimbabwe's Robert Mugabe.

In a conference in London in 2003, DFID led meetings with representatives of CSOs, business, and government, ultimately agreeing to a statement of principles for revenue transparency in the extractive sector. A range of countries, organisations, companies, and investors supported the Statement of Principles and Agreed Actions on June 17, 2003, in the London Conference (“Statement of Principles and Agreed Actions,” 2003), showcasing the diversity of support for this approach to transparency. These included:

- a) **Governments:** Azerbaijan, Belgium, Democratic Republic of Congo, Equatorial Guinea, France, Germany, Ghana, Indonesia, Italy, Japan, Kazakhstan, Mozambique, Netherlands, Nigeria, Norway, Sierra Leone, Timor-Leste, Trinidad and Tobago, United Kingdom, and the United States of America.
- b) **Companies:** AngloAmerican plc., Areva, BG Group, BHP Billiton, BP, Chevron Texaco, ConocoPhillips, De Beers, ExxonMobil, Newmont, NNPC, Repsol YPF, RioTinto, Shell, SOCAR, Sonangol, Statoil, and Total.

- c) **Industry Associations:** American Petroleum Institute (API), International Council on Mining and Metals (ICMM), and International Organization of Oil and Gas Producers (OGP).
- d) **International Organisations:** IMF, NEPAD, OECD, UNDP, and World Bank
- e) **Civil Society Organisations:** African Network for Environmental and Economic Justice, CAFOD, CARE International, Global Witness, Human Rights Watch, Open Society Institute, Publish What You Pay coalition, Save the Children Fund, Transparency International, and Transparency Kazakhstan
- f) **Investors:** Signatories to joint investor statement: Banco Fonder, Boston Common Asset Management, Calpers, Calvert Group Ltd, CCLA, Central Finance Board of the Methodist Church, Christian Brothers Investment Services, Co-operative Insurance Society, Deutsche Asset Management UK, Dresdner RCM Global Investors, Domini Social Investments, Ethical Funds, ethos Investment Foundation, F&C Management Ltd, Fidelity Investments, Frater Asset Management, Henderson Global Investors, Hermes Investment Management Ltd, Insight Investment Management, ISIS Asset Management, Jupiter Asset Management, Legal & General Investment Management, Local Authority Pension Fund Forum, M&G, Merrill Lynch Investment Managers, Morley Fund Management, New York State Common Retirement Fund, Nottinghamshire County Council, Progressive Asset Management, Railpen, Sarasin, Schroders Investment Management, SNS, State Street Global Advisors Ltd, Storebrand, Trillium Asset Management, University Superannuation Scheme, and Walden Asset Management.

In short, there were 140 participants that represented 20 governments, 18 companies, three industry associations, six international organisations, 10 CSOs, and 39 investors; and they reached a consensus on the development of a scheme to ensure transparency of payments and revenues of the extractive business in resource-dependent countries.⁹

⁹ An abundant resource country is not automatically a resource-dependent country and vice versa. There are no single proxy indicators that have been used to identify a resource-dependent

During the meeting, participants also agreed on two key features of the EITI: voluntary mechanisms and civil society engagement. The agreement assumes the government and companies voluntarily provide information about revenues and payments (including discrepancies), and that the information can then be accessed and monitored by the public (Van Alstine, 2017, p. 767). In this reporting scheme, the host government takes sole responsibility, with the active participation of civil society.

This transfer of responsibility away from the companies towards the host government is claimed as a safe method, in order to prevent tension arising between the two parties. It is also beneficial because, if the extractive company were obliged to develop the report, this would require all the extractive companies in the country to release information to the public (Haufler, 2010, p. 65) (Extractive Industries Transparency Initiative, no date c).

Furthermore, the scheme assumes that the CSOs and the public on the ground will proactively use the report to keep their government accountable. Meanwhile, plenty of information collected through the scheme could empower the public to insist that the extraction will bring greater benefit to citizens (EITI, 2005; Ölcer, 2009).

Following the 2003 London Conference, many resource-rich countries voluntarily showed interest in adopting the EITI, with varying political systems and motives. Every country has different political systems, with some ruled by authoritarian regimes, leaving minimal space for public engagement and civil society activism. Furthermore, the motives for joining the EITI vary between countries, with some seeking to become more attractive for foreign investment, others pursuing international legitimacy for an existing leader, and some intending to use the EITI for their own domestic political consolidation and legitimacy (David-Barrett and

country. However, Degol Hailu and Chinpihoi Kipgen (2017, p. 253) developed a well-known Extractive Dependent Index (EDI) that identifies the country's degree of dependence through some indicators, i.e. a) the share of export earnings from extractives in total export earnings; b) the share of the revenue from extractives in total fiscal revenue; and c) extractives industry value-added in GDP.

Okamura, 2016; Oge, 2016; Malden, 2017, pp. 789–790; Ostrowski, 2018, pp. 94–96).

Resource-rich countries on almost every continent have already joined the EITI. As of 2018, 53 countries¹⁰ have shown an interest in implementing the EITI scheme, and their applications have attained various statuses (see Table 4.1). The four pilot countries to join the EITI are Azerbaijan, Ghana, the Kyrgyz Republic, and Nigeria. They were later followed by Peru, the Republic of Congo, São Tome e Principe, Timor-Leste, and Trinidad and Tobago (see “Bringing stakeholders to the table: agreeing the EITI Principles” section on Extractive Industries Transparency Initiative, no date c).

Table 4.1 Members of the Extractive Industries Transparency Initiative (EITI), Year of Joining, and Compliance Status (as in 2018)

COUNTRY	Year of Joining	STATUS
Afghanistan	2010	Inadequate progress/suspended
Albania	2009	Meaningful progress
Argentina	2016	Yet to be assessed against the 2016 Standard
Armenia	2017	Yet to be assessed against the 2016 Standard
Burkina Faso	2009	Meaningful progress
Cameroon	2007	Meaningful progress
Central African Republic	2008	Suspended due to political instability
Chad	2010	Meaningful progress
Colombia	2014	Satisfactory progress
Côte d'Ivoire	2008	Meaningful progress

¹⁰ By December 2021, the EITI had a total number of 56 member countries. Niger and Uganda joined the EITI in 2020 and followed by Gabon in 2021. These three countries’ statuses are yet to be assessed against the 2016 Standard.

Democratic Republic of Congo	2007	Meaningful progress
Dominican Republic	2016	Meaningful progress
Ecuador	2020	Yet to be assessed against the 2016 Standard
Ethiopia	2014	Meaningful progress
Germany	2016	Satisfactory progress
Ghana	2007	Meaningful progress
Guatemala	2011	Inadequate progress/suspended
Guinea	2007	Meaningful progress
Guyana	2017	Yet to be assessed against the 2016 Standard
Honduras	2013	Meaningful progress
Indonesia	2014	Meaningful progress
Iraq	2017	Meaningful progress
Kazakhstan	2007	Meaningful progress
Kyrgyz Republic	2007	Inadequate progress/suspended
Liberia	2008	Suspended for missing deadline
Madagascar	2008	Meaningful progress
Malawi	2015	Suspended for missing deadline
Mali	2007	Meaningful progress
Mauritania	2007	Meaningful progress
Mexico	2017	Suspended for missing deadline
Mongolia	2007	Satisfactory progress
Mozambique	2009	Meaningful progress
Myanmar	2014	Meaningful progress
Netherlands	2018	Yet to be assessed against the 2016 Standard
Nigeria	2007	Satisfactory progress
Norway	2009	Satisfactory progress
Papua New Guinea	2014	Meaningful progress

Peru	2007	Meaningful progress
Philippines	2013	Satisfactory progress
Republic of the Congo	2007	Meaningful progress
Senegal	2013	Satisfactory progress
Seychelles	2014	Meaningful progress
Sierra Leone	2008	Meaningful progress
Suriname	2017	Yet to be assessed against the 2016 Standard
São Tomé and Príncipe	2008	Meaningful progress
Tajikistan	2013	Meaningful progress
Tanzania	2009	Meaningful progress
Timor-Leste	2008	Satisfactory progress
Togo	2010	Meaningful progress
Trinidad and Tobago	2011	Meaningful progress
Ukraine	2013	Meaningful progress
United Kingdom	2014	Meaningful progress
Zambia	2009	Meaningful progress

Source: Extractive Industries Transparency Initiative, no date b

4.4.2 The EITI's Rules¹¹

The EITI is a governance-by-disclosure initiative that introduced a series of mechanisms of implementation that has been transformed over almost two decades. It began by developing principles and a narrow set of rules to regulate transparency on the revenue collected by governments and the payments made by companies. Over the years, it has developed into a reporting standard that requires systematic

¹¹ The term “rules” here refers to rules in general use. The EITI also uses rules referring to specific EITI Rules that were released in 2010 and 2011 and then replaced by the EITI Standard since 2013.

development and integration into governance practices in the compliant country, addressing broader issues of extractive-sector governance. Hence, this sub-section describes the EITI's rules (principles, criteria, rules/requirements) that have been used to assess the performance of EITI country members in enhancing transparency and EITI validation as part of the process of impartial assessment.

The EITI began with basic principles that are recognised as its core. As an international declaration, the 12 principles consist of the precise values and commitments that should form the baseline of extractive-industry governance. It includes stakeholders' will to use their resource endowment for sustainable development and dedicate the resource wealth for the benefit of citizens; the vision that transparency could help for enhancing public debate and informing the choices for sustainable development; and the belief that revenue transparency enhances a government's accountability. The 12 founding EITI principles state (Extractive Industries Transparency Initiative, 2003):

1. We share a belief that the prudent use of natural resource wealth should be an essential engine for sustainable economic growth that contributes to sustainable development and poverty reduction, but if not managed properly, can create negative economic and social impacts.
2. We affirm that the management of natural resource wealth for the benefit of a country's citizens is in the domain of sovereign governments to be exercised in the interest of their national development.
3. We recognise that the benefits of resource extraction occur as revenue streams over many years and can highly price dependent.
4. We recognise that a public understanding of government revenues and expenditure over time could help public debate and inform the choice of appropriate and realistic options for sustainable development.
5. We underline the importance of transparency by governments and companies in the extractive industries and the need to enhance public financial management and accountability.
6. We recognise that achievement of greater transparency must be set in the context of respect for contracts and laws.

7. We recognise the enhanced environment for domestic and foreign direct investment that financial transparency may bring.
8. We believe in the principle and practice of accountability by the government to all citizens for the stewardship of revenue streams and public expenditure.
9. We are committed to encouraging high standards of transparency and accountability in public life, government operations and in business.
10. We believe that a broadly consistent and workable approach to the disclosure of payments and revenues is required, which is simple to undertake and to use.
11. We believe that payments' disclosure in a given country should involve all extractive industry companies operating in that country.
12. In seeking solutions, we believe that all stakeholders have significant and relevant contributions to make – including governments and their agencies, extractive industry companies, service companies, multilateral organisations, financial organisations, investors and non-governmental organisations.

Some of these principles tend to be conflicting and contradictory. When efforts to enhance disclosure and public debate on accountability are placed under the country's sovereignty in term of contracts and laws, less positive interpretations about the extent of transparency can be made (see Rose, 2015, p. 147).

The implementation of the EITI requires more than broad principles. The principles of the EITI are necessary, but not sufficient to ensure that committed countries apply these principles of transparency in their national governance of the extractive industries at every stage. Experiences of transparency adoption in the pilot countries indicate that it is not sufficient for the initiative to be a coordinating global secretariat; rather, it must also be a clear operational guide suitable for all countries, while remaining respectful of the voluntary nature of the initiative and the country-specific contexts (EITI, 2005, p. 7; Rose, 2015, p. 139).

Therefore, the EITI has been developing and extending more operational rules and regulations, protocol, and mechanisms. Before 2010, the EITI released its 'Criteria and Validation Guide'. The EITI's 'Six Criteria' were launched in 2005, defining the EITI as:

a disclosure mechanism for resource-rich countries, with the active involvement of civil society, independent auditing, and subsequent public debate on issues related to the spending of revenues from the extractive industries' (Tskhay, 2020, p. 51).

The EITI's 'Six Criteria' consist of (EITI, 2005, p. 9):

1. Regular publication of all material oil, gas and mining payments by companies to governments ('payments') and all material revenues received by governments from oil, gas and mining companies ('revenues') to a broad audience in a publicly accessible, comprehensive and comprehensible manner.
2. Where such audits do not already exist, payments and revenues are the subjects of a credible, independent audit, applying international auditing standards.
3. Payments and revenues are reconciled by a credible, independent administrator, applying international auditing standards and with the publication of the administrator's opinion regarding that reconciliation, including discrepancies, should any be identified.
4. This approach is extended to all companies, including state-owned enterprises.
5. Civil society is actively engaged as a participant in the design, monitoring and evaluation of this process and contributes towards public debate.
6. A public, financially sustainable work plan for all the above is developed by the host government, with assistance from the international financial institutions where required, including measurable targets, a timetable for implementation, and an assessment of potential capacity constraints.

A year later, the first version of the EITI guide for validation was published. Validation is an impartial assessment of a country's success in meeting the EITI requirements and in promoting dialogue and learning at the country-level. The guide expands the criteria by defining more standard indicators (Extractive Industries Transparency Initiative, no date h; The World Bank, 2008, p. 5).

The EITI has subsequently developed a comprehensive set of guidelines which has been revised several times. On the basis of feedback and comments from a series of extensive consultations and expert reviews by multiple stakeholders, the EITI International Secretariat launched the 'EITI Rules 2010' (for details, see EITI

International Secretariat, 2010), which was then replaced by the ‘EITI Rules 2011’. The EITI Rules 2011 proposes a more robust monitoring of a country’s progress towards compliance, while strengthening the role of civil society as a vanguard.

The EITI Rules 2011 provides the details of the guide in which, for the first time, the EITI has introduced a ‘requirement’ (for details of the Rules see EITI International Secretariat, 2011). The EITI Rules 2011 details the sign-up guidelines (such as the timeframe for candidature); details of the information that the country should disclose (materiality); and the procedures for implementation and validation, such as regular reporting; and an emphasis on the involvement of independent civil society (the protocol), which state that the report should comply with international auditing standards (Extractive Industries Transparency Initiative, 2011; cf. Tskhay, 2020, p. 51).

Based on feedback and proposals from various stakeholders during the intensive strategy review in 2011-2013 (Extractive Industries Transparency Initiative, no date e), the EITI officially replaced the EITI Rules for the EITI Standard in 2013 (EITI International Secretariat, 2015). The EITI Standard 2013 still kept the existing procedures of EITI implementation that are the Principle, the Requirements, the Validation Guide and the Protocol of ‘Participation of Civil Society’.

The EITI Standard 2013 comes with some new emphasises. For instance, it notes that all the processes of EITI implementation should be relevant with the country’s objectives, and that the nuances of each country are to be recognised so as to make the report more understandable. Therefore, it requires a contextual report on the country's fiscal regime, the contribution of the extractive sector to the national budget, and so on. It also aims to make the report more detailed by publishing specific items (by each company, each revenue stream and each project) and the rules more precise (Extractive Industries Transparency Initiative, no date a; EITI International Secretariat, 2012; cf. Simons and Macklin, 2014, p. 152).

Furthermore, the EITI Standard 2013 also brings other important messages about the link between a country’s wider resource governance and continuous progress of implementation, contract transparency and beneficial ownership. The EITI is willing to connect the country’s reporting process to broader issues of resource

governance in the country through national dialogues. Meanwhile, the EITI also underlines the importance of recognising the country's continuous progress in adopting this transparency scheme rather than simply giving the label of being a compliant or candidate country (Extractive Industries Transparency Initiative, no date a).

In 2016, the EITI revised the Standard and proclaimed its desire to “go beyond the report” to ensure the achievement of the intended outcomes. As Fredrik Reinfeldt (EITI International Secretariat, 2017, p. 8), Chair of the EITI Board, stated, the EITI “encourages countries to build on their existing reporting systems and practices for EITI data collection, rather than burdening themselves by duplicating the process through EITI reporting”.

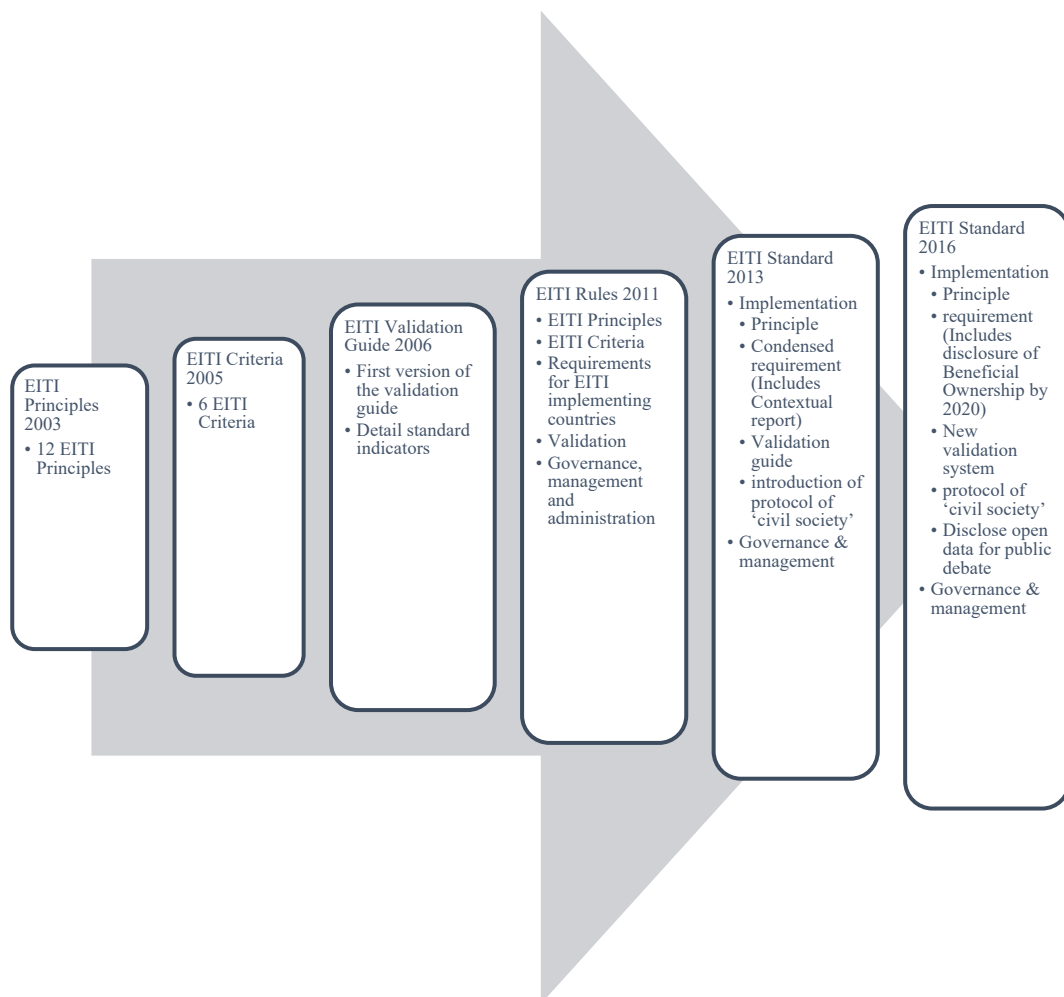
Therefore, EITI Standard 2016 has some distinct features that include its emphasis on revealing the real owner of companies, its greater recognition of the implementing-country context in the new validation system and its encouragement of integration between the EITI and the country's open-data system in order to invite more public debates on current issues of extractive-industry transparency (Extractive Industries Transparency Initiative, no date f; cf. Tskhay, 2020, p. 52) (I31(anonymous), 2020).¹²

To conclude, the transformation of the EITI's formal and informal rules - from general principles into detailed mechanisms and rules - indicates the transformation of the scope of governance-by-disclosure itself (see figure 4.3 below). In the context of the transparency of the extractive industries, the EITI has been moving away from its main concern and activities: from reconciliation by comparing two sets of

¹² The EITI, in 2019, released a new Standard again. Moreover, it continues to improve it by giving more attention to systemic disclosure, and new requirements for contract transparency, environment, and gender and commodity trading. The EITI Standard 2019 lets the country and the companies disclose information systematically through their own systems. It also pays more attention to social, environmental and gender impacts in the extractive industries. Furthermore, it re-emphasises the significance of contract transparency and requires the contract disclosure by 1 January 2021. The EITI Standard 2019 also introduces the transparency of state participation and commodity trading (Extractive Industries Transparency Initiative, 2019b).

figures of government revenue and company payments and identifying any difference between both data, towards more complex issues of systemic transparency in the extractive industries, with an extended scope and broader range of issues.

Figure 4.3 Transformation of the EITI's Rules From 2003 to 2018



Source: summarised by author

The transformation of the EITI's rules represents the way that the EITI defines problems and challenges in enhancing transparency for better resource governance.

I31 (anonymous), an official at EITI International Secretariat, indicates that two

driving factors influenced the transformation: the change of citizens' demand for information disclosure and the change of corruption patterns in the contemporary resource sector (I31 (anonymous), 2020). Citizens' demands for information disclosure have changed from a request for simple open data to real-time and online data. Citizens now also asks for more diverse public information such as issues of agenda, open contract disclosure and so forth. Furthermore, corruption practices in the extractive sector also are very dynamic. For instance, issues of tax avoidance and hidden assets mean that the EITI currently focuses on the disclosure of beneficial owners of companies. Rent-seeking activities are also often present in commodity trading and, hence, the EITI requires the information disclosure of oil commodities trading and state-owned enterprises (SOEs) (cf. Tskhay, 2020, p. 52). As I31 (anonymous) (2020) explain that:

The first is, more or less, demand driven. Progressive citizenry demand for information [now] that we are in the information age. From country to country, people are demanding for sudden type of information and sudden form of information [compared to] how we demanded information ten years ago. The type, the form and the details ... changes over years... the second one is identifying corruption risks...and there are non-corruption risks, these also are changing, and they are very dynamic.

Another crucial process is validation. Validation is central to the EITI because it aims to identify the eligibility and performance of the implementing country in fulfilling the required formal rules. It also identifies the impact, the lessons learnt and the concerns that the implementing country may have. As an impartial assessment, the validation consists of several stages, namely from preparation, initial data collection, independent validator's review to finally the board review (Extractive Industries Transparency Initiative, no date h).

When the EITI introduced the validation guide for the first time in 2006, it initially aimed to assess the countries which had shown an interest in signing up to the EITI. In this initial phase of the EITI, validation had a simple purpose: to assess whether the country meets the EITI's principles and criteria or not (EITI International Secretariat, 2006, p. 3).

In line with the transformation of the EITI's formal rules, the purposes of the validation process have also been changing. EITI Rules 2011 comes with a revision of the validation guide noting that the validation process is also in place for dialogues and horizontal learnings among stakeholders engaged in the country's resource governance (EITI International Secretariat, 2011, p. 34). Since then, the EITI claims that validation is not only an impartial assessment of the country's performance in achieving the global standard but also the EITI further impact, lessons learnt and stakeholders' recommendation (EITI International Secretariat, 2019a, p. 41).

The validation process identifies whether each requirement of the EITI Standard has been 'met'; or 'unmet' with a scale consideration. There are three categories of accomplishment, namely:

requirement met: EITI implementation meets the required standard, i.e., the threshold for compliance; requirement unmet with meaningful progress: some progress in EITI implementation, but further action required for the requirement to be considered met; requirement unmet with limited progress: little evidence of progress toward compliance. Considerable additional actions required for the requirement to be considered met (EITI International Secretariat, 2015, p. 39).

4.4.3 The EITI's MSG

The EITI's MSG is a new space for negotiation and trust- and consensus-building among stakeholders, while giving more emphasis to the significant role of civil society. The MSG has a significant role in the oversight of the implementation of the EITI, and it comprises representatives of government, companies, and civil society. The EITI has sought to scale up civil society leverage by enabling civil society involvement in the MSG decision-making processes, alongside the government and companies. Since 2015, the EITI has emphasised that compliant countries must preserve a full, independent, and active civil society through the introduction of civil society protocol; and if the country fails to comply, this protocol can set the country's status as 'suspended' (Klein, 2017, p. 772).

As like other governance-by-disclosure initiatives, the EITI adopts and embraces the collective governance or multi-stakeholder approach and translates it into a series of mechanisms to make it work. In the EITI, the collective governance approach has been expressed clearly in a representative and consultative body, namely the MSG. The main purpose of the MSG is to create a structure that collects knowledge of complex problems and acknowledges a wide range of voices. Furthermore, the MSG is also a process for dealing with conflicts and for establishing cooperation between actors from different backgrounds (Roloff, 2008, p. 322).

The MSG is designed as a space for collective decision making that handles wide-ranging responsibilities. The MSG should set the objectives for EITI implementation, to ensure and monitor disclosure of EITI data, and to certify that any findings contribute to public debate (EITI International Secretariat, 2018, p. 1). In other words, the MSG should deliver effective oversight of EITI implementation in the country. In short, EITI is managed and operationalised through the multi-stakeholder approach (Extractive Industries Transparency Initiative, no date g)

Therefore, it is hardly surprising that the development of a multi-stakeholder group subsequently has become the foremost requirement in EITI Rules/Standards (see requirement 4 of EITI Rules 2011 and requirement 1 of EITI Standard 2013 and EITI Standard 2016 (EITI International Secretariat, 2011, 2015, 2017, 2019a).

Since the MSG is essential, the EITI adopts and implements the approach and mechanism at both the global and national level. The EITI Conference in Oslo in 2006, for the first time, recognised the significance of this collective decision body and then recommended that “the EITI should establish a multi-stakeholder Board, supported by a Secretariat, to manage the EITI at the international level” (EITI International Secretariat, 2011, p. 9). Afterwards, the EITI introduced a similar entity at the national level by requiring the national governments that voluntarily participate in the EITI to establish it within which the representatives of government, companies and civil society should involve themselves in any activities delivering the MSG’s duties and responsibilities.

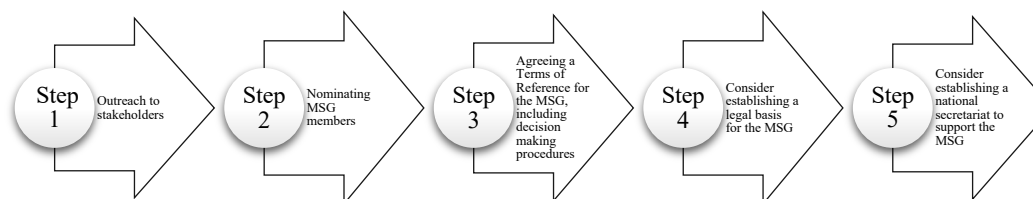
Therefore, there are some indispensable characteristics that should not be taken away from the MSG, namely collective work, independence, and representativeness. First, all activities from planning, implementation to oversight must be based on collective initiatives and works. Since many actors have supported and contributed to the birth and development of the EITI, the EITI, in turn, has underscored its commitment to keep them as key actors. As key actors, they sit together and engage in planning, organising, and reviewing the achievements of the EITI's purposes and objectives at the global and national level.

All key actors should be treated equally in the MSG's decision making. The EITI underlines that all parties should take part in the inclusive decision-making process in the MSG which treats them all as equal partners (EITI International Secretariat, 2017, p. 15, 2019a, p. 12). The EITI International Secretariat made a notion in "Establishment and governance of multi-stakeholder groups: Guidance note 14-requirement 1.4" that mirrored a sentiment repeated in many EITI documents, namely collaboration and cooperation is very essential aspect to get common consensus among members of the MSG. Furthermore, consensus-based decision making is fundamental aspect in the MSG and EITI secretariat and the absence of mutual consensus could lead to distrust and endanger EITI processes (EITI International Secretariat, 2018, p. 8).

The EITI International Secretariat requires the MSG in each country to develop a Term of Reference (ToR). The ToR, at least, arrange roles, responsibilities, and rights and internal rules and procedures. It also includes a guideline for decision making such as a quorum, voting rules and so forth. The EITI International notes that voting should be the last option in collective decision making. If the MSG finally decides to conduct a voting it should seriously consider the inclusiveness (EITI International Secretariat, 2018, p. 8)

Second, the independence of the MSG. The MSG should be initiated by the government through some steps (see Figure 4.4 below) and the government should ensure that all relevant actors will be equally represented and involved actively, fully and independently, therein.

Figure 4.4 Steps of the Establishment of the MSG



Source: EITI International Secretariat, 2018, pp. 5–9

However, the EITI needs to anticipate the impact of the different social and political structures of its country members with regard the MSG’s independence. The facts show that the MSG’s independence in each country varies. For instance, in autocracies or not fully democratic countries, the MSG cannot exercise their roles and responsibilities fully since ruler may intend to control, particularly civil society organisations, oppressively (David-Barrett and Okamura, 2013; see Oge, 2016). These practical barriers could lead to the ineffective working of civil society organisations, including self-censorship or self-imposed restrictions due to fear of reprisals. Hence, the EITI introduced “The Protocol: Participation of civil society” as part of the EITI Standard to ensure that civil society organisations engage in the EITI processes freely (Extractive Industries Transparency Initiative, 2015).

Third, representativeness. The EITI requires a transparent process and open invitation during establishment of the MSG. The EITI also emphasises that the MSG should be an acceptable, pluralistic and diverse representation that includes the private sector, a vibrant civil society such as independent civil society organisations, media or unions and government, and members of parliament. A

gender balance should be another significant consideration (EITI International Secretariat, 2017, p. 14, 2019a, pp. 11–12).

Furthermore, three actors have significant roles to play in a functional and effective MSG. The government is the primary actor that should guarantee the MSG will be a transparent and independent decision-making body that represents the relevant entities, create political spaces for active participation and deliberation for extractive transparency, and provide a strong legal basis (see EITI International Secretariat, 2018, p. 2).

Civil society organisations play a distinct but controversial role and were one of the main supporters for the creation of the EITI. They also play significant roles in the MSG both at the global and national level by overseeing and monitoring EITI processes (Klein, 2017, p. 772; Van Alstine, 2017, p. 767). This is the only way civil society can leverage corruption issues at the global level through bypassing nation-state institutions and getting a seat on their own alongside decisionmakers in government offices (Socarras, 2012, p. 28).

Companies also play a key function. The EITI sees companies as a core element because the publication of companies' payments to governments is one of the most essential parts of the EITI. In addition, companies, through the MSG, are involved in governing the EITI as well as promoting it in broad business communities (Andreasen *et al.*, 2013, p. 9).

As mentioned in the previous section, the birth of the EITI was inspired from cases of extractive industry-related corruption, practices of human rights abuses and environmental problems in which multinational companies were under fierce scrutiny. Hence, activities of companies in the extractive field, the relationship between companies and governments, and the relationships between companies and communities on the ground are often at the centre of attention in the MSG (Roloff, 2008, p. 323).

Members of parliament also have an opportunity to join the MSG, but they never have been categorised as a sole entity. For instance, EITI Rules 2011's requirement 4 identifies a parliamentarian as other civil society. Mass media also has the same category (EITI International Secretariat, 2011, p. 16). Meanwhile, a parliamentarian

has been classified as a relevant government entity in EITI Standard 2013 and 2016's requirement 1 (EITI International Secretariat, 2015, p. 13, 2017, p. 14, 2019a, p. 11).

Placing political actors as supplementary actors in the MSG shows the inclination towards anti-politics. It indicates that the EITI did not seriously invite traditional democratic institutions of oversight and political actors, such as parliaments, political parties, and politician in this consultative forum (cf. Clarke, 2015, p. 190).

Finally, the MSG has some responsibilities to ensure the transparency of extractive industries in the country through collective decision making and activities that include (see Extractive Industries Transparency Initiative, no date g):

- The MSG should facilitate and monitor the EITI initiation, implementation and institutionalisation in a country member to ensure the expected outcomes are achieved.
- The MSG has a mandate to identify the country-based EITI objectives and connect them with the broader national aims and strategies of extractive governance.
- The MSG should produce a good EITI report and ensure any EITI products and publications contribute to stimulate vibrant public deliberation for better governance in the extractive industries.

4.5 Limits of Governance-by-Disclosure?

Transparency has emerged as an important global norm due to the change of the global political landscape. Its proponents believe that it can help overcome problems and challenges of the resource curse and is one of pillars to enhance democratic resource governance in many resource-rich countries. The EITI is one of leading of governance-by-disclosure initiatives that has been transformed from a simple mechanism of revenue transparency to covering government revenues and companies' payments, contracts, beneficial owners of extractive companies, and commodities trading. Furthermore, the EITI does not only concern the disclosure of public information; it also claims to promote the integration of transparency in

public affairs and the application of transformative strategies to move transparency towards accountability.

However, there are some questions that still need to be asked in order to address the effectiveness of governance-by-disclosure. First, the governance-by-disclosure's proceduralisation tendency makes institutionalisation strategies predominantly focus on "making the process right" rather than on the achievement of intended goals. The interpretation and implementation of procedures can also be dominated by powerful actors who leave little room for alternative interpretations. The powerful actors also can use the instrument for maintaining status quo in governance of the extractive industries (Gupta, 2008, p. 4, 2010b, p. 129; Mol, 2010, p. 136). I31 (anonymous) (2020) also recognises that, based on their global EITI experiences, the powerful elite in the country could possibly manipulate any transparency tools:

I can say that EITI is a tool that I see today. EITI Standard is a tool and any tool can be used in anyway, right? You can you use it for good, you can use it for bad, you manipulate it. So, I wouldn't take out the fact that EITI as a tool can be manipulated...There are some particular requirements that have been put in place to make sure that some of these things are limited.

Second, there is a missing link related to governance-by-disclosure's basic assumption that "to inform" will inevitably mean "to empower". As Gupta (2008, p. 5) notes, information is not neutral and universally valid and the process of the production and dissemination of information itself is an arena of negotiation and contestation. For instance, since the publication of revenue and payment information is the most essential in the EITI, identification of materiality - a threshold amount or percentage to determine if a company or a payment is significant to an outcome (Extractive Industries Transparency Initiative, no date d) - will be biased and conflicting. Transparency "does not necessarily lead to a reduction in the intensity of disagreement, although it does generate new concerns, sites and problems about which it matters to disagree" (Barry, 2013, p. 5). In addition, utilisation of very technical data for public deliberation and making the data relevant for communities is not easy because both require certain technical skills (see Klein, 2017, p. 773; Van Alstine, 2017, p. 767).

Third, the requirement for collective decision making leaves some questions and puzzles that need to be answered. Learning from real experiences, decision making in the governance of the extractive industries is often contentious and possibly divergent and goes to something else beyond expected purposes due to trust issues and the different nature of interests between the stakeholders.

The following chapters will address these three critical points of governance-by-disclosure. Chapter 6 will investigate the extent of proceduralisation tendency in providing the opportunity to capitalise on data for advancing transparency in order to achieve the intended outcomes. Next, chapter 7 will explore the acceptance and rejection of multiple interests and ideas in the MSG in order to assesses the extent of consensus building. Finally, chapter 8 interrogates the process of public participation in the broad governance reform of the extractive industries to examine the empowering capacity of governance-by-disclosure.

CHAPTER 5

THE INDONESIAN CONTEXT OF GOVERNANCE OF THE EXTRACTIVE INDUSTRIES AND THE EITI INDONESIA

5.1 Introduction

Along with the process of political reform in the post-authoritarian era, the Government of Indonesia has shown its commitment to adopt the Extractive Industries Transparency Initiative (EITI) for the development of good governance of the extractive industries. To comply with the EITI's rules, the Government of Indonesia has not only officially developed the legal base and arranged all the required mechanisms and procedures but has also invited all stakeholders to engage actively in the Multi-Stakeholder Group (MSG), particularly civil society.

However, the dynamic process of EITI implementation in Indonesia is related to the context of governance of the extractive industries. The nature of extractive commodities, political structures and relationships surrounding resource management at the local and national levels, actors' rationale for complying with the EITI rules and participating in all of Indonesia EITI's agenda and programmes are all important contextual factors influencing how the EITI as a reform effort works and has an impact on better extractive governance. As a result, understanding the domestic context is just as crucial as understanding the global context - as discussed in the preceding chapter - in analysing practices of depoliticisation and politicisation in the three following chapters.

Therefore, this chapter begins by describing formal, fiscal and political aspects of governance of the extractive industries in Indonesia. The description represents the complicated structure of the extractive industry since Indonesia is endowed with a wide range of natural resources, including oil, gas, tin, gold, coal, copper, and so forth. As a result, Indonesian extractive commodities are managed through multiple actors, multi-level authorities and different systems. Furthermore, corruption,

central government / local government tensions on mining licencing authorities and income sharing, abuse of human rights in child labour, and marginalisation of indigenous people are among the problems that arise as a result of extraction.

Following that, this chapter elaborates on the EITI implementation in Indonesia, namely the background and strategy, and explains how the implementation process is linked to the domestic political climate. It investigates the 'wave' of transparency, such as open government and open data in Indonesia as the primary strategy for advancing good governance in the country. It also outlines new political opportunities for civil society organisations (CSOs) to gain new clout in policy-making processes.

This chapter argues that EITI implementation in Indonesia initially represents the development of a depoliticised regime. Furthermore, the context of Indonesia's governance of the extractive industries embodies the problem and challenges that Indonesia EITI deal with. At the same time, the context also becomes an environment that influences the types and strategies of actors politicising extractive-related issues to varying extents.

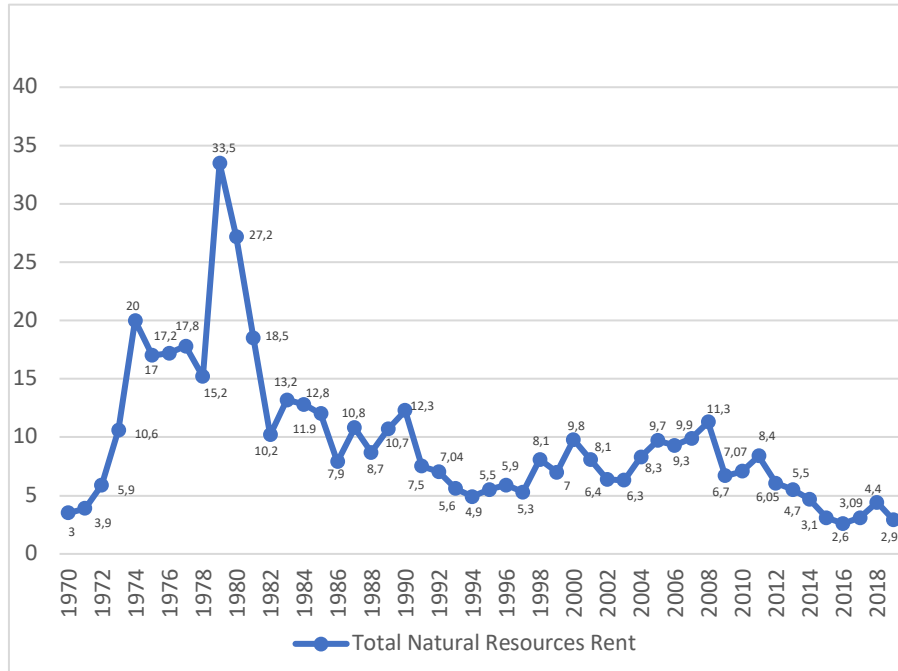
5.2 Indonesian Context of Governance of the Extractive Industries

This section provides an overview on the Indonesian context of governance of the extractive industries. It starts by providing a summary of resource endowment in Indonesia and is followed by a description of formal aspects of context, namely the fiscal system and institutions and authorities. Next, it underlines sets of political and social actors that are involved and influence the Indonesian resource governance at the national and sub-national levels.

5.2.1 Extractive Commodities

Indonesia is well-known as not only the largest but also one of the resource-richest countries in Southeast Asia. Indonesia has been extracting various extractive commodities, both hydrocarbons and mining, for decades. Even though the resource rents as a percentage of gross domestic product (GDP) declined to 4.468% in 2018 (The World Bank, 2021b), both types of resource commodities contribute significantly to Indonesia's economic development (see figure 5.1).

Figure 5.1 Total Natural Resource Rent (% GDP)- Indonesia 1970-2018



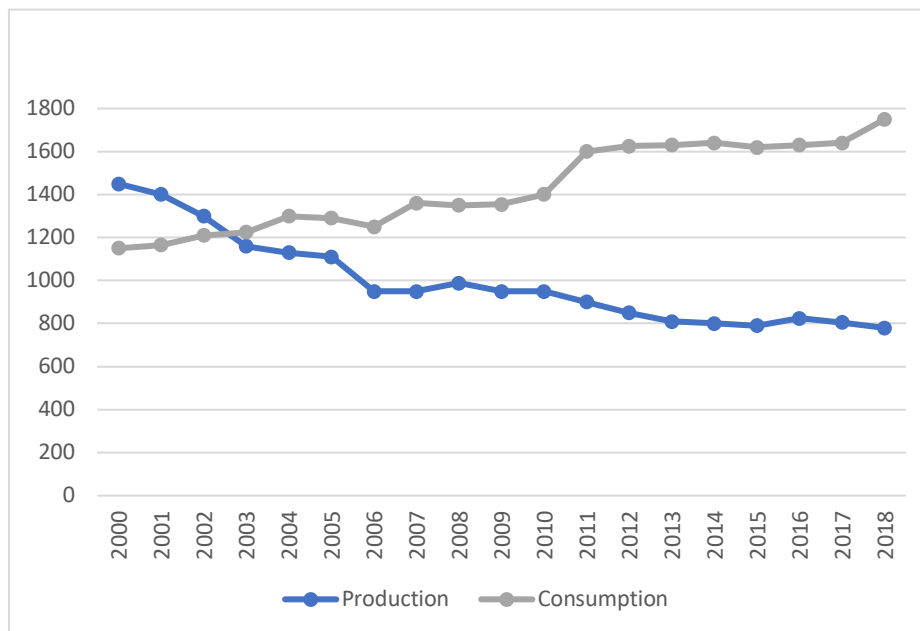
Source: The World Bank, 2021a

Since the first discovery of oil in North Sumatera in 1885, Indonesia has been exploiting their oil endowment and enjoyed an oil boom in 1973-1974 and 1979-1980 before it came to an end (Wihardja, 2016). Price Waterhouse and Coopers’ (PwC) “ Oil and Gas in Indonesia: Investment and Taxation Guide 2019” notes (PwC, 2019b, p. 12) that, according to the BP Statistical Review of World Energy 2019, Indonesia held proven oil reserves of 3.2 billion barrels at the end of 2018.

However, Indonesia is no longer an oil exporter country. The EITI also reports that Indonesia’s oil production “has substantially declined in the last two decades from its peak of 1,624 thousand barrels a day in 1995 down to 804 thousand barrels of oil per day in 2017” (Extractive Industries Transparency Initiative, 2021e). Hence, since 2004, Indonesia has become a net importer of oil because of the gap between the decline of oil production and increased domestic consumption (see figure 5.2). According to the Bank of Indonesia’s records, by December 2018, Indonesia’s oil

exports accounted for \$1.3 billion and that its imports —\$3 billion (Extractive Industries Transparency Initiative, 2021e).

Figure 5.2 Indonesian Oil Production and Consumption



Source: PwC, 2019b, p. 15

Along with that, Indonesia’s gas is still playing a significant role in world production. In 2018, PwC (2019b, p. 15) reported that, Indonesia was one of top 11 gas producer countries in the world with proven reserves of 96 trillion cubic feet (TCF) and that its reserve basis was second in the Asia-Pacific region after China. Furthermore, 1.7 out of 2.7 total million MMSCF was going to domestic demand such as industry, power plants and household and commercial gas. Meanwhile, the rest (1.2 million MMSCF) was exported in the form of LNG and piped gas (Secretariat General of National Energy Council, 2019, p. 3).

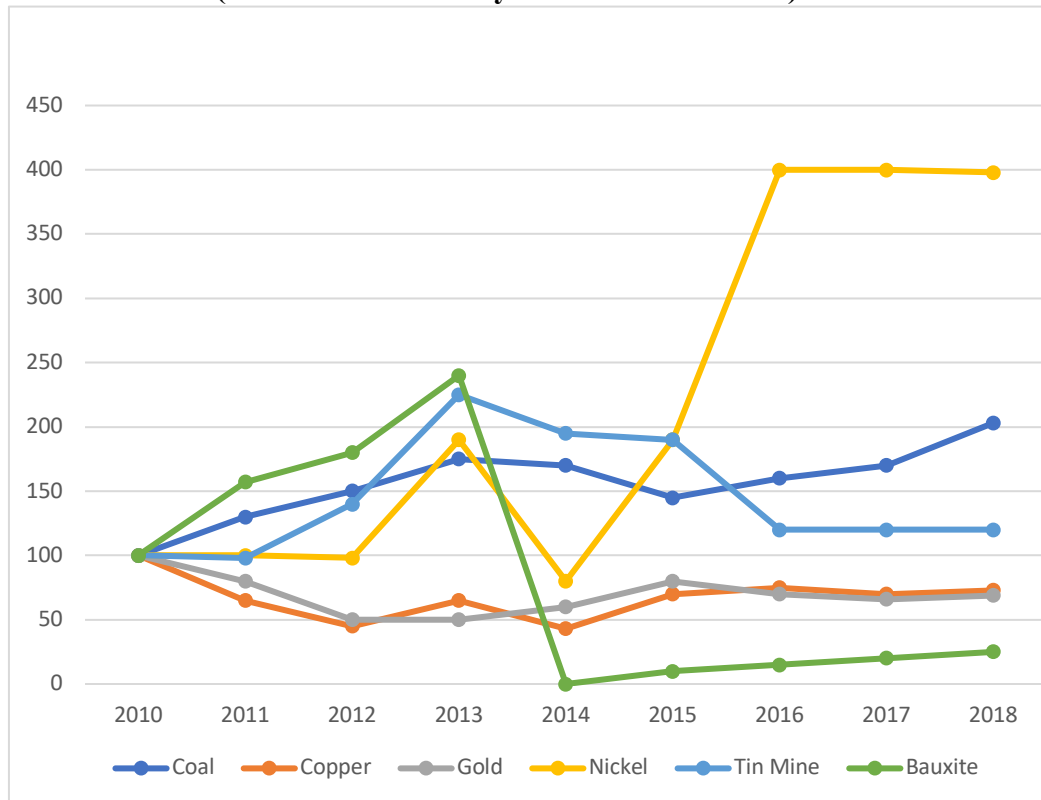
Indonesia also has diverse mining commodities that have been significantly contributing to the country’s economic development for the last 10 years. The EITI cites that, based on World Bank data, Indonesian mineral exports increased significantly from \$3 billion to \$11.2 billion (from 2001 to 2013) because of rising commodity prices and increased output. In 2016, the Indonesian mining sector

contributed \$18 billion to total mineral export value (Extractive Industries Transparency Initiative, 2021e).

Coal production has become the most significant contributor to Indonesia's mining sector. The country's coal production has increased significantly over the last decade and, according to Indonesia's National Energy Council, reached a total production of 557 million ton in 2018. Indonesia henceforth has become one of biggest coal exporter countries by exporting 63% of its coal production to China, India, South Korea, Japan, Philippines, Malaysia, Taiwan, Thailand, Vietnam and other countries (Secretariat General of National Energy Council, 2019, p. 4; APBI-ICMA, 2021).

The contribution of coal is subsequently followed by copper, nickel, bauxite, and tin. Furthermore, Indonesia is currently ranked 12th in the top 20 countries that contribute to copper production (International Copper Study Group, 2021, p. 13). Even though Indonesia's gold production is slightly fluctuating, it still remains one of the top 10 gold producers in the world (Goldhub, 2021). Indonesian nickel production has also increased significantly because of the world's high demand for electric vehicles. Thus, the Indonesian government no longer bans the exports of nickel ore and washed bauxite, as from 2017 onwards (PwC, 2019a, p. 18). Finally, Indonesia is one of the top ten tin producers in the world (ITA, 2020), however tin production tends to be stagnant. The Indonesian government aims to limit its tin export quota after it started to receive negative global attention on issues of child labour, illegal mining, and environmental degradation since 2013 (see Diprose *et al.*, 2020) (for details of Indonesian mining and coal production see figure 5.3 below).

Figure 5.3 Historical Indonesian coal and mining production trends since 2010 (indexed to the base year 2010 = 100 tonnes)



Source: PwC, 2019a, p. 19

As a result, the diversity of commodities has not only impacted the different design of the fiscal regime in Indonesia and levels of authorities that are responsible for licensing and supervising the extraction activities. As will be described in the following chapters, it has also impacted public debates over the extractive sector.

5.2.2 Designs of Fiscal Regime

Indonesia basically adopts two different designs of fiscal regime: “the set of tools that determine how the revenues from oil and mining projects are shared between the government and companies” (Natural Resource Governance Institute, 2015). For oil and gas, Indonesia has been well-known for implementing a contractual system, namely the Production Sharing Contract (PSC), with some variants, since 1966. The PSC design, which is the most widely employed in oil governance,

assumes that the host government - as the owner of the oil and gas endowment on its territory - grants the company (referred to as the contractor) a license to explore and exploit the endowment. Both the government or the state-owned company and the company then share the uplifted oil and gas output. Furthermore, in this PSC the company usually get some share of oil back to cover the cost of exploration and capital (Natural Resource Governance Institute, 2015, p. 3).

In 2017, the Indonesian government decided to adopt a gross-split PSC in which the risk and capital of the oil and gas upstream activities would be fully held by the company as a contractor (Secretariat General of National Energy Council, 2019, p. 2). It means that the Government of Indonesia no longer has responsibility to recover all approved costs of capital and production (Roach and Dunstan, 2018).

On the other hand, Indonesia implements a concessionary system for minerals and coal extraction: all license holders are required to pay production royalties. The Natural Resource Governance Institute (2015, p. 3) describes that

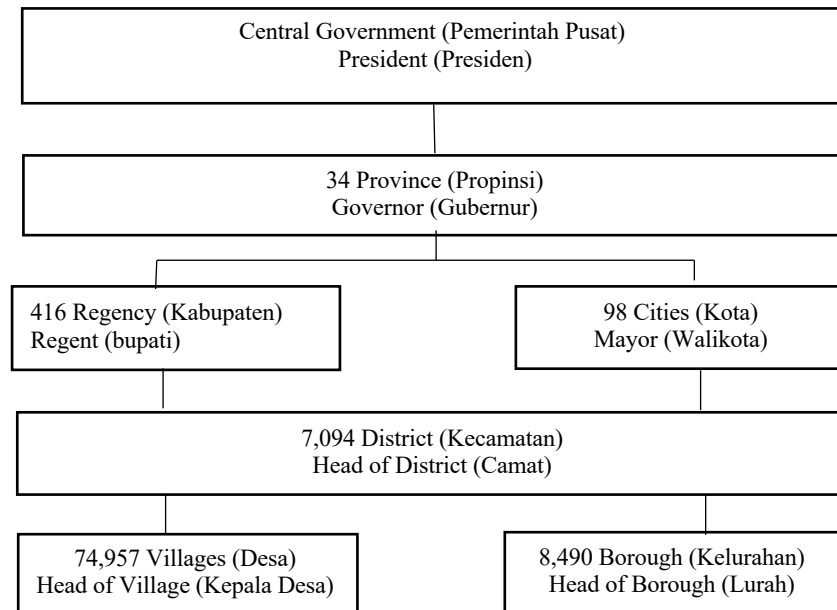
royalties is payment made in reference to the amount and value of the mineral produced. The most common form of royalties, called *ad valorem*, collect revenues based on percentage of the value of the resource extracted.

The royalty rates in Indonesia vary: they depend on the mining scale, the production level, and the mining commodity price; for example, open pit coal (3%-7%), underground coal (2%-6%), copper (4%), nickel (4%-5%), tin (3%), gold (3.75%) and so forth (PwC, 2019a, p. 78).

5.2.3 Authorities in Regulating and Managing the Extractive Sector

Indonesia is a unitary state but, at the same time, heavily decentralised. The country has a presidential government system in which the executive branch manages public affairs and is clearly separated from the legislative branch which takes more responsibilities in legislation, budgeting and oversights (for a brief description of Indonesia's administrative structure, see figure 5.4).

Figure 5.4 Structures of the Government of Indonesia



Source: Modified from the Regulation of Home Affairs Minister No. 137/2017 and Lauder & Lauder (2015, p. 9)

Hence, Indonesia’s extractive sector is not managed solely by one authority or at a single level of government. In the case of oil and gas, the central government maintains tight control over the licencing, monitoring, and standardisation of both upstream and downstream activities. The only entity responsible for making policies and developing technical standards in oil and gas extraction is the Kementerian Energi dan Sumberdaya Mineral (Indonesian Ministry of Energy and Mineral Resources) (Ministry of Energy and Mineral Resources Republic of Indonesia, 2021, pp. 22–23).

Two distinct entities are thus in charge of the organisation, management, and oversight of the country’s oil and gas activities. Satuan Kerja Khusus Minyak dan Gas (SKK MIGAS) (The Special Task Force for Upstream Oil and Gas Activities) takes the lead on behalf of the Indonesian government in organising oil and gas contractors and overseeing upstream oil and gas extraction based on a contract between the Indonesian government and the corporation. Meanwhile, Badan Pengatur Hilir Minyak Bumi (The Downstream Oil & Gas Regulatory Agency) is

in charge of overseeing the downstream oil and gas activity. In addition, in line with the asymmetrical decentralisation for the Government of Aceh, Badan Pengelola Migas Aceh (Oil and Gas Management Agency) has similar authorities with SKK MIGAS in organising and supervising oil and gas extraction in the Aceh territory (Ministry of Energy and Mineral Resources Republic of Indonesia, 2021, pp. 22–23).

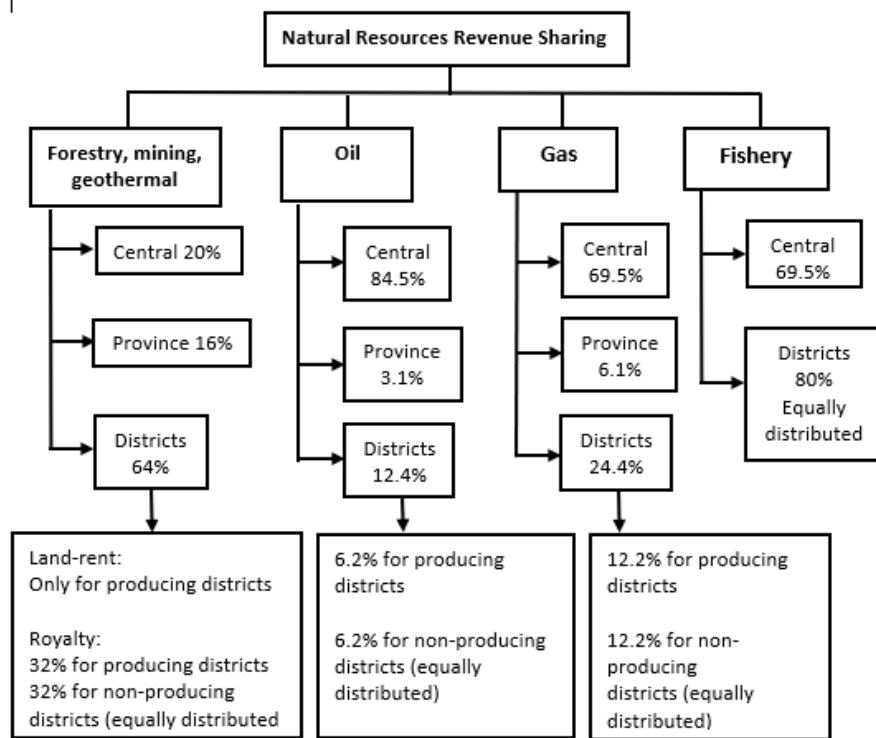
Indonesia has more decentralised authorities for mining licensing and supervision. Along with the process of decentralisation in early 2000, local government, including both provincial government and regencies/cities government, has more responsibilities to issue some mining permits and the supervision of mining extraction (see Erman, 2007; Robinson and Erb, 2017). However, since the Indonesian government issued the new Law on Regional Government No.23/2014, the authorities related to mining permits have been re-regulated and re-centralised to central government and provincial government.

Since 2009, Indonesian mining permits have been simplified. Based on the Law No. 4/2009 on Minerals and Coal, there are only three types of mining permits, namely Ijin Usaha Pertambangan (IUP) (Mining Business Permit), Ijin Usaha Pertambangan Khusus (IUPK) (Special Mining Business Permit) and Ijin Pertambangan Rakyat (People Mining Permits). IUPK replaced the old permits that had been issued before 2009 that are Kontak Karya (Contract of Work) and Perjanjian Karya Pengusahaan Pertambangan Batubara (Coal Contract of Work). IUP and IUPK are different depending on the issuing of permits, the size of the mining area, regional interests, and the business players that have the authority to conduct mining extraction. Both IUP and IUPK have different sub-types relating to the phase of extraction, namely IUP/IUPK Ekplorasi for exploration and IUP/IUPK Operasi/Produksi for exploitation or production.

The government's revenue from extraction - that comes with different sources, such as tax, oil shares, royalties and land rents - are shared between the different tiers of government. The central government shares the revenue of natural resources to provincial government and regencies/cities government through intergovernmental natural resource revenue sharing funds. The intergovernmental revenue sharing

funds vary depending on the types of commodities of the natural resources and tiers of government (central, province, producing and non-producing regencies). The central government generally recollects 69.5% (for gas), 84.5% (for oil) and 20% (for mining) of natural resource revenue. The rest goes to regional governments and is distributed within provinces. Producing regencies receive a greater portion of revenue sharing than the province and non-producing regencies (Agustina *et al.*, 2012, p. 5) (see figure 5.5).

Figure 5.5 Intergovernmental Natural Resource Revenue Sharing in Indonesia Based on Law No.33/2004



Source: Modified from Agustina *et al.* (2012, p. 5)

5.2.4 The Nexus of Business and Politics in the Extractive Sector

Indonesia is an extractive regime which “is defined by its reliance on extraction of multiple natural resources in the formation of an economic and political order that is also supported by global and regional forces” (Gellert, 2010, p. 28). Furthermore, due to the diversity of the nature of its commodities and the plurality of authorities that manage the country’s extractive sector, Indonesian governance of its extractive industries takes place within a complex relationship of political actors. On the one hand, domestic and global pivotal political drivers predominantly influence the policy processes and management of extractive resources. At the same time, the roles of numerous local actors in domestic politics are also equally significant as those of national actors.

On the other hand, the types and numbers of actors involved are related to the nature of the commodity. There are only a few actors and limited big companies involved in the business activities and policy processes in the oil and gas sector since the operations require high expertise and huge capital. More actors in different levels of governance nevertheless engage in mining to varying degrees. In short, extractive commodities notably affect the political dynamics of the country (Gellert, 2010, p. 30).

Coal is the most significant mining commodity, and as a result, the coal-related nexus of business and politics is frequently coloured in general political processes and policymaking in the regulation of extractive industries in particular. Coal business actors often provide sizable funding to political candidates (see Hadiz, 2010; McCarthy, 2011; Savirani, 2015a; Macdonald, 2017; Greenpeace, Jatam, ICW, 2018; Anugrah, 2019). Unsurprisingly, they then have an impact on national and local political processes, as well as policymaking in the extractive sector, notably decisions on mining permits (see Dalilah *et al.*, 2019).

For instance, Ordonez, Jacob, Steckel, *et al.* (2021) identify some political drivers in the dominance of coal-powered politics and its tendency to pose a challenge to climate change mitigation strategies in Indonesian resource governance and energy

policy. The President, Joko Widodo's, obsession with infrastructure development by mobilising state-owned enterprises, the extractivism-oriented revenue of the public budget at the national and local government, and coal business actors' lobbies for maximising the use of coal for domestic energy sources after the fall of global prices are the main factors for putting coal-based power as a high priority (see Ordonez *et al.*, 2021).

Even though Indonesia is no longer a net oil and gas producer, the oil and gas sector is also still significant for national politics. Fuel subsidies are still used to garner public support, get more political legitimacy and minimise social protests at the national and local level in Indonesia (see Chelminski, 2018; Kyle, 2018). At the same time, the players in the oil import business play a significant role in financially supporting national elites in running for high political positions (I1 (anonymous), 2018) (cf. Extractive Industries Transparency Initiative, 2021e).

Business actors in oil and gas and mining also influence the policy-making process directly in the legislation process. Some of them are members of the Indonesian parliament. Three hundred and eighteen or 55% of the total members of Indonesian national parliament in the period 2019-2024 come from business backgrounds: energy and oil and the gas sector (15%), technology, industry, manufacture and retail (15%) and, infrastructure and construction (12%) (Aidulsyah *et al.*, 2020).

Furthermore, local political structures and actors also affect the governance of the extractive industries. For instance, in the case of the tin-abundant province of Bangka Belitung Islands, Erman (2007) identifies that the deregulation policy that comes along with the decentralisation of mining licenses reconsolidates the tin-mining based local shadow state and the informal economy rather than benefiting local communities. Diprose, Kurniawan, MacDonald *et al.* (2020, p. 3) also found that global initiatives for improving the tin supply chain in Bangka and Belitung islands have had an unintended result: a local extractive settlement in which elite and people in the grassroots rely on the unsustainable tin mining for wealth accumulation and their basic income.

Another important aspect influencing the governance of the extractive industries in Indonesia is the intersection of domestic and global interests. Rosser (2007) argues

that the shift in domestic power elites after the counter-revolutionary social forces in the 1960s and the country's geo-political position contributed to Indonesia's success story in escaping resource-dependency through economic diversification after the oil-boom in the 1970s rather than rational economic policy choices (cf. Lewis, 2007). On the one hand, the alliance of foreign capital, Chinese-Indonesian capital, and military-bureaucratic capital all had a common interest, namely, to protect private property and to maintain macroeconomic stability. On the other hand, in the context of the Cold War, Indonesia's geo-political position created an economic opportunity by inviting more Western, Japanese, and other East Asian foreign direct investment (Rosser, 2007). In short, domestic social forces and the nature of the country's external environment helped determine the resource management and economic development outcomes in Indonesia.

5.2.5 Influential Actors & Governance Reform in the Extractive Sector

There are some groups potentially at the global, national and local levels supporting and resisting any reform initiatives in the governance of the extractive industries in Indonesia. The government and politico-business elites are influential at the national and regional/local level. International finance institutions, international donors and international CSOs also still play significant roles in enhancing the reform for better governance of the extractive industries in Indonesia. Finally, CSOs and local communities are strong proponents of the reform (cf. Rosser and Kartika, 2019, pp. 9–12).

First, national government usually shows an interest in adopting reform initiatives promoting good governance in various sectors, as will be explained in subsequent sections. The Government of Indonesia has taken the initiative to be part of some global initiatives, such as the Open Government Partnership (OGP) and the EITI. For the Indonesian national government, taking part in global initiatives is a “token of membership” of a newly democratic country a sign of its commitment for reform and anti-corruption dedication. As a result, the country can gain global recognition and become more attractive internationally (Hijrah, 2011, pp. 37–38; cf. Oge, 2016)

Second, national politico-business elites are keen to expand their extractive businesses in the midst of resource nationalism, but they tend to resist reform

initiatives. Along with the end of certain contracts between the Government of Indonesia and oil and gas and mining companies and a decline in foreign investment, the issues concerning the perils of liberalisation of the extractive sector and resource nationalism have emerged in public debates. For instance, in the oil and gas sector, the case of Blok Mahakam has been cited, whereby the Indonesian state-owned company, PERTAMINA, finally took over Blok Mahakam, East Kalimantan from Total E&P Indonesia (*En.Tempo.Co*, 2018) (I5 (anonymous), 2018). Meanwhile, in the mining sector, reclaiming ownership of the sector, especially the biggest gold and copper deposit in the Grasberg minerals district in Papua, Indonesia, has also been a rising political issue in the last decade (see Kaup and Gellert, 2017; Sangadji, 2017; Warburton, 2018; Winanti and Diprose, 2020).

During these reclaiming processes, some big domestic entrepreneurs express their interest in taking over and investing in fields of extraction which were previously operated by Western companies (Warburton, 2017, 2018). However, despite the fact that they continue to align with transnational capital and are affected by global actors (Winanti and Diprose, 2020, p. 1545), they appear to have little interest in reform. Rosser & Kartika (2019, p. 10) stress that these country's big businessmen "have consequently had a vested interest in preventing serious improvements in extractive industry transparency" (cf. Sangadji, 2017).

Third, regional governments are interested in recognising good practice in public governance and transparency in revenue sharing. Like their colleagues at the national level, the regional governments in resource-abundant provinces and regencies support the reform initiative. During the decentralisation process, many local political leaders are eager to be recognised for good practice in order to further political support from the grassroots as well as the support and attention of international funding entities operating in Indonesia (Hanif and Pratikno, 2012; Winanti and Hanif, 2020).

Furthermore, regional governments are also interested in transparency in order to get more information about their potential revenues. Some resource-rich provinces and their local communities share a common concern on just and fair

intergovernmental natural resources revenue sharing by demanding that a greater portion should go to provincial governments and regencies/cities government and asking for greater transparency of the central government's formula and mechanism of fund allocation (EITI Indonesia, 2017c). I3 (anonymous) (2018) tells CSO's experiences dealing with officials from a resource-rich province who were eager to gain access to revenue sharing funds from the central government and who see reform in transparency as a breakthrough:

My own experience is a first, so it's a bit deductive. But, on that "journey", I met many people who later saw this (EITI) as [a] 'cure' for the problems they face. For example, regional governments from Riau, regional governments from East Kalimantan, regional governments from West Nusa Tenggara, Papua, which have always struggled to demand transparency.

They don't have a platform about profit sharing funds. The only opportunity for them is [the] gains through individual relations that they have made. To get the funds, they have to ask people in the budgeting unit. But they don't have a platform that they can look at the [transparency] issues more deeply.

Fourth, regional politico-business elites have also played significant roles in extraction along with political devolution, which decentralises some mining licenses and creates some opportunities for Indonesian regional governments to be local shareholders and operators through participating interests in the oil and gas sector and the mining sector's divestment scheme. Like their national counterparts, these actors tend to secure their interests by not supporting governance reform initiatives in the extractive sector (Rosser and Kartika, 2019, p. 10).

Fifth, the controller of mobile capital, especially international finance institutions and donors. The World Bank particularly has strong support for initiating transparency as part of the enhancement of market-oriented governance reform. When Indonesia became an EITI compliant country in 2014, Rodrigo Chaves, Country Director for Indonesia at the World Bank (the World Bank, 2014), stated that the bank is very keen to collaborate with the government to ensure the extractive revenues are shared to all citizen equally.

These actors also support the Government of Indonesia, as do other resource-rich countries, to enhance the EITI in Indonesia through the EITI Multi-Donor Trust Fund (EITI MDTF) by providing grants at the country level and analytical and advisory activities (the World Bank, 2018) (cf. Rosser and Kartika, 2019, p. 10).

Sixth, CSOs and marginalised local communities. Since extraction activities often affect social and environmental aspects of livelihood on the ground, CSOs and marginalised local communities have a strong interest in improving resource governance in Indonesia. In particular, local communities, mass media and CSOs share many concerns on the environmental degradation of extraction or its negative impact on social welfare (Apriando, 2017; Baittri, 2021). As will be explained further in the subsequent section, CSOs also have a new leverage in policy-making processes in post-authoritarian Indonesia (see Rosser and Kartika, 2019, p. 11).

However, it is worth noting that the CSOs in Indonesia have different orientations and ideologies that affect the ways in which they become involved and enhance the governance reform. First, we look at the CSOs that are not willing to resist the existing social and political structures, some of which are more concerned with providing capacity building and skills training for ordinary people living near the extraction sites in order to get a better life. Others prefer to work with the government by providing capacity building and advice for policymakers in the government and assisting them on policy reform, such as the development of the government's strategic planning and action plan and the production of legal bases. This type of CSO tends to be more compromising. In this regard, Hadiwinata (2003, p. 103) explains that:

This non-political approach is designed not only to safeguard their own freedom from operation from the government intervention, but also to reflect the value of 'conflict avoidance' which are deeply rooted in many Indonesia's various culture systems, most notably among the Javanese.

Second, CSOs expect the people to be self-aware about the dominance of powerful elites and to resist existing social and political structures by offering them a proper education and organising grassroots movements (Hadiwinata, 2003, pp. 102–103).

5.3 “Wave” of Transparency, a Vibrant CSOs Network and the Development of EITI Indonesia

This section focuses on the ‘wave of transparency’ in Indonesian governance reform, the significant role of CSOs and the birth and development of EITI Indonesia. This section argues that EITI Indonesia is a result of an intersection between efforts of governance reform that predominantly focus on transparency, the rise of civil society’s role in public governance and the government’s growing interest in international recognition.

Shortly after the fall of the country’s autocratic developmental regime in 1998, amid a region-wide economic crisis, Indonesia became a newly democratic country and adopted various strategies for political and economic reforms, like many newly democratic countries in the Global South. Indonesia, first of all, accepted the IMF receipt of structural adjustment by implementing extensive privatisation and liberalisation in a short period. Indonesia then went further into polycentrism by enhancing political devolution in central-local relationships and celebrating actor pluralism in its policy-making processes, which were previously dominated by state actors (bureaucracy and military apparatus), technocrats, and which enjoyed very limited public participation in state corporatism (Porter, 2002b; Hanif and Pratikno, 2012; see Amir, 2013). In addition, Indonesia's political reforms, supported by many international agencies and donors, placed the pursuit of good governance at the forefront, along with decentralisation and democratisation (see Hadiz, 2010).

Democratisation, namely efforts for reform and decentralisation in Indonesia, provide an opportunity structure for enhancing two crucial preconditions of the EITI in Indonesia: transparency in public governance reform and active involvement of civil society in resource governance. First, the Government of Indonesia has shown a keen interest in taking part in global initiatives of transparency and implementing various transparency schemes throughout the country. At the global level, Indonesia joined the first conference of the EITI in London 2003 and was one of the founders of the Open Government Partnership (OGP) in 2011, together with Brazil, Mexico, Norway, the Philippines, South Africa, the United Kingdom, and the United States. The OGP is “a multilateral initiative in which agents of change from the government and civil society develop

open government action plans to create an inclusive, responsive and accountable government” (Open Government Indonesia, 2021; Open Government Partnership, 2021). Indonesia was also one of first to adopt the OGP local at the sub-national level when the OGP launched the “Subnational Government Pilot Program” in 2016 (Open Government partnership, 2021).

At the domestic level, the Indonesian government has developed various policies on enhancing open data, the disclosure of public information and e-government in different sectors. The Government of Indonesia also implemented Law No. 14/2008 on ‘Openness of Public Information’ (see Butt, 2013). The law is a fundamental strategy to disclose public information which details the information types that should be accessible by the public. Meanwhile, the country established the Komisi Informasi Pusat (Central Information Commission) and Komisi Informasi Daerah (Regional Information Commission) as state auxiliary institutions that act as a mediator between citizens and officials. As I26 (anonymous) (2019), a high rank official of the Executive Office of the President of the Republic of Indonesia, underlined:

So, our bureaucracy and government has long enjoyed working in secrecy because there are no questions such as: why is [a] tariff like this, why is the price so high, why do this new thing? The open government is opening that [secret] space. I have to applaud whoever made Law No. 13/2008 because it changes the paradigm in a profound, fundamental way. Before that law, everything was classified [as closed information] unless stated otherwise. With the law, it's reversed, everything is open [information] unless stated otherwise ... In the past, no one dared to question. Right now, Bado from Jember University or Brawijaya University can send a letter to the KLHK, or to the local government [and tell them] that I want to know the RTRW of my area. If they said no because these are confidential data, he brought it into (Central Information Commission) and the government lost.

The Government of Indonesia at that point introduced various follow-up information disclosure strategies. For instance, it launched the Open Government National Action Plan (NAP) with a different focus every year since 2012 (Open Government Indonesia, 2021). The government has also developed a single and

transparent spatial map and data through One Map and One Data policies and LAPOR! in dealing with online public complaints (Shahab, 2016; Nugroho and Hikmat, 2018). I26 (anonymous) (2019) concludes that:

In 2008, the Law on Openness of Public Information has been issued. In 2011, Indonesia established the OGP, along with eight other countries. In 2013, Indonesia chaired the OGP. So, we [Indonesia] became [an important part of the] Steering Committee (SC). We always become [involved in] the SC all the time, from 2014, 2015, 2016, 2017, 2018, to 2019. I am sitting there on behalf of Indonesia and 68 other countries as members [of OGP]. I am [also] one of the two members of the World Bank's OGP grant fund board, the MDTF. This is [not only] OGP [that has been established] in 2011. In 2012, we start [to initiate] One Data, One Map. The initiative basically works [but] it is a "winding road". In 2016, the Presidential Decree No.9/2016 has been drafted in order to accelerate the one map policy but it has not yet been signed until now. Related to Law on Openness of Public Information, we established the Public Information Commission. Then the similar commission was established at regional government [level]. All [initiatives] keep going.

Before that, in early 2000, the Government of Indonesia also enhanced some reforms in the public budget. The government issued three laws concerning public finance that are Law No. 17/2003 on State Budget, Law No. 1/2004 on State Treasury and Law No. 33/2004 on the Fiscal Balance Between the Central Government and Regional Governments. Along with the issue of Law No. 17/2003, the government also introduced performance-based budgeting for public finance. These new laws come with the idea of the importance of efficient and transparent public finance, as I3 (anonymous) states that:

In the context of 2004, when we promoted the EITI, the government at that time secretly started to do public finance reform. It started in 2004.

There are three packages of laws: State finance law, state treasury law, and central-regional fiscal balance.

That's a big agenda. Our public reform after the [economic] crisis is public finance reform. That's the flagship, which is fiscal transparency.

It includes performance-based budget too. This also includes, for example, the question of the existence of the BPK. We are “traumatized”, because in the past the BPK was under the executive control. Then they become independent BPK for overseeing the process of public finance reform. I think this [reform] of state revenue in the extractive sector makes us easier to do sectoral campaigns on openness of the extractive sector. [We tell them] that because government has already done these [reforms], so it is not difficult to [enhance the transparency in the extractive sector]. Because we justify [our advocacy] through transparency issue and they [the government] also boost transparency. Both Fiscal transparency and revenue flow transparency are not much different, it's even simpler if you want to review it.

Second, CSOs have emerged as leading pro-democracy actors in Indonesia, becoming actively involved in public discourse and policy processes. They have gained significant legitimacy as reform actors who can support the development of democracy and the promotion of good governance in Indonesia's emerging democracy (Budiman and Törnquist, 2001; See Mietzner, 2012). In addition, the number of vibrant CSOs has mushroomed. In the early 2000s, there were about 20,000 civil society groups across Indonesia, working in the fields of development, advocacy and empowerment, and litigation. Ten years later, in April 2010, Indonesia's Ministry of Home Affairs noted that there were more than 100,000 CSOs in the country (Suharko, 2011, p. 463).

Indonesian CSOs have a long experience in developing networks among pro-democracy actors from different ideologies, using these networks to promote their favoured causes (see Uhlin, 1997). The networks have evolved to become more globalised, formalised, and diverse in terms of advocacy issues and strategies (Hanif, 2013, p. 138).

Scaled-up links between Indonesian CSOs and their international partners have been developed through various networks. Some are based on formal links with international donors whose primary role is the provision of financial support to Indonesian CSOs. Other networks have involved collaboration between Indonesian CSOs and international civil society groups on particular issues or concerns, often supplemented by some form of financial support. For example, the Strategic

Alliance for Poverty Alleviation was funded by the Ford Foundation and International Budget Partnership (Nugroho and Tampubolon, 2008).

These international networks have played a significant role in transforming and shaping coalition structures and strategies of policy advocacy in national and sub-national governance processes in Indonesia (Subono, Priyono and Samadhi, 2007; Savirani, 2015b). Many Indonesian CSOs have also gained rich experiences in developing advocacy networks to support participatory and open budgeting, before dedicating themselves to advocating for transparency in extractive industries.

Furthermore, many CSOs have developed partnerships and other significant relationships with policymakers such as IDEA Yogyakarta, Indonesian Corruption Watch, LAKSPEDAM-NU, PATTIRO, and SEKNAS FITRA (Hanif, 2013, p. 137). In short, the increasing number of global and domestic civil society networks, and their capacity to influence public discourse across a range of issues, have given Indonesian CSOs amplified credibility and leverage in public affairs, particularly in the spheres of policy advocacy and global norm promotion (I14a (anonymous), 2018; I14b (anonymous), 2018; I8 (anonymous), 2018).

In this political context, many CSOs endorse the Indonesian government's joining of the EITI to advance the anti-corruption and good governance agenda in Indonesia. They believe that the EITI will further anti-corruption advocacy in Indonesia in the natural resource sector, in which harbours the most challenging and secretive corruption practices (I3 (anonymous), 2018). The experiences of CSOs demonstrated that corruption in the extractive industries (oil, gas, and mining) was intractable, due to the complex nature and the government's lack of interest in open data and information (I3 (anonymous), 2018; I9 (anonymous), 2018).

Therefore, CSOs expect that, by joining the EITI, the Government of Indonesia will voluntarily allow the public to access essential data, especially information relating to government revenue. The government also assumes that the EITI in Indonesia will be a catalyst for further anti-corruption efforts. I24 (anonymous) (2018), one of EITI Indonesia's initiators, indicates this expectation and explains this in his written answer to the author's question about the importance of the EITI for governance reform in Indonesia:

EITI Indonesia is the first and only example that is stated in a regulation that clearly involves multi-stakeholders, namely the government, private sector, and civil society (Civil Society Organization/CSO). In the previous administration, this inspired transparency in the wider sector for improved governance, namely the Open Government Initiative. From these two initiatives, the Presidential Instruction on Corruption Prevention then has been issued, including in the extractive sector. Indonesia's EITI data related to state revenues from taxes and non-taxes in the oil and gas and mining sectors are also used as a reference to government agencies, including the KPK.

CSOs are also expected to have complete knowledge of the technicalities and the political and economic aspects of the extractive industries, such as the actors involved, the chain of exploration and exploitation, and the money flow to the government that they had not previously known (I3 (anonymous), 2018; I15 (anonymous), 2018).

CSOs are becoming increasingly involved in the development of the EITI in Indonesia. Between 2001 and 2003, Indonesian CSOs demonstrated their eagerness to enhance the transparency of public governance and understand the EITI. For instance, 40 Indonesian CSOs developed a coalition to propose a law of freedom of information to the Indonesian parliament in 2001. Transparency International Indonesia (TII) took part in the global Publish What You Pay coalition and attended the first EITI conference in London in 2003 (Soerjoatmodjo, Hanafi and Triwibowo, 2014, p. 10).

In the next stage (between 2003 and 2007), CSOs tried to learn more about the nature of the extractive industries and the EITI initiative. The CSO coalition brought this EITI knowledge to a broader audience of relevant stakeholders and showed the significance of the initiative for anti-corruption efforts and the promotion of good governance in Indonesia. For instance, TII published a report on "Extractive Industry Economy Transparency in Indonesia" focusing on corruption in the extractive sector. A year after, TII and Indonesian Corruption Watch attended the 3rd EITI Conference in Oslo, Norway (Soerjoatmodjo, Hanafi and Triwibowo, 2014, p. 16).

After attending the conference, Indonesian CSOs took some crucial steps. A total of 43 Indonesian CSOs from seven resource-rich provinces consolidated a coalition of PWYP Indonesia in November 2007 (Brown and Kirana, 2009, p. 76; PWYP Indonesia, 2016a). This establishment of PWYP Indonesia not only represents the consolidated network of anti-corruption actors in Indonesia but also shows the strong connection between global and national network of CSOs. I4 (anonymous) (2018) describes that, in 2006, the Indonesian CSOs start to focus on the advocacy of governance of the extractive industries supported by international donor:

Apart from the ICW (Indonesian Corruption Watch) project, PATTIRO organised [advocacy] in Cepu in collaboration and partnership with the Open Society (Institute) in 2006. Then TI (Transparansi International) Indonesia conducted research on the company's transparency index, including an oil and gas company.

I4 (anonymous) (2018) then explains that the global CSOs network tries to develop connections and links with the national CSOs in Indonesia. The international donors operating in Indonesia also support the process:

From there, we then heard about the EITI and Global Publish What You Pay. Global Publish What You Pay initially contacted a CSO leader ... We see this [initiative to connect] as an opportunity to develop a movement and so forth. ICW then take the offer [to connect], take lead [of the process] and then declare [it to the public]. Prior to the declaration, the Revenue Watch Institute and the TIFA Foundation funded a meeting to do joint identification [of the problem and challenges].

I4 (anonymous) (2018) also underlines that before the global and national CSOs develop the network and collaboration, the CSOs in Indonesia had already got some insights from the World Bank's EI review that was led by former Indonesia environmental minister, Emil Salim:

Before that, actually, Kiki as member of Mr. Emil Salim's team of EI review contacted CSOs who were considered quite vocal. These CSOs were encouraged to be a pressure group.

Following these lengthy processes, Indonesia's CSOs strengthen their network in order to advance advocacy in the extractive industry by creating the Indonesia PWYP. I4 (anonymous) (2018) describes further:

ICW then invited most of their networks, for example POJKA in Kalimantan and SOMASI in NTB. So, ICW invites their partners that focus on governance and anti-corruption to join declaration and join the coalition. Then, after becoming a coalition, if [they] talk about the coalition governance, the coalition from 2007 to 2009 was just a convention of a collective agreement like a steering committee. It ... used to be called [the national] coordinator. After that, the coalition had [its] first member meeting in 2009. In this meeting, we draft the organisation statutes.

CSOs also tried to lobby relevant ministries and agencies in the central government, particularly the Minister of Finance and Minister of Energy and Mineral Resources, and other influential figures, such as Emil Salim, and urged them to implement the EITI in Indonesia. Furthermore, Indonesian CSOs also drafted an academic paper and regulations for a legal base of EITI implementation in Indonesia and, at the same time, reached out to the public to further awareness about the significance of EITI implementation in Indonesia (Brown and Kirana, 2009, p. 76; PWYP Indonesia, 2016a).

Finally, along with the official process of EITI implementation in Indonesia, the CSO coalition has facilitated and monitored the EITI implementation at the national level since 2010. They also actively promote the adoption of transparency initiatives at the sub-national level. For instance, the Indonesian Parliamentary Centre invited local CSOs from five resource-rich regencies and the capital of Jakarta to attend their training and prepared local CSOs to provide technical assistance to national and local members of parliament in conducting political oversight of natural resource management (Soerjoatmodjo, Hanafi and Triwibowo, 2014, p. 19).

However, the Government of Indonesia is complying with the EITI's rules for different motivations than those of the CSOs and international community: international attractiveness and a good investment climate. The adoption of a transparency initiative indicates the government's serious commitment to fight

corruption, which will be an essential issue for attracting foreign investment to Indonesia (Hijrah, 2011, pp. 37–38). Brown and Kirana (2009, p. 76) note the positive gesture of the president regarding the EITI's invitation because "when the EITI Chairman, Peter Eigen, met with president Yudhoyono in late 2007, the president insisted that his administration intended to be a bulwark against the country's legacy of corruption". The president and his ministers have showed their keen interest in supporting and participating in the EITI as a global standard in the extractive industries (Extractive Industries Transparency Initiative, 2017). In other words, the main consideration of the Government of Indonesia in taking part in the EITI is related to external and global factors rather than as a response to people's demand for transparency and accountability. I9 (anonymous) (2018) explains that:

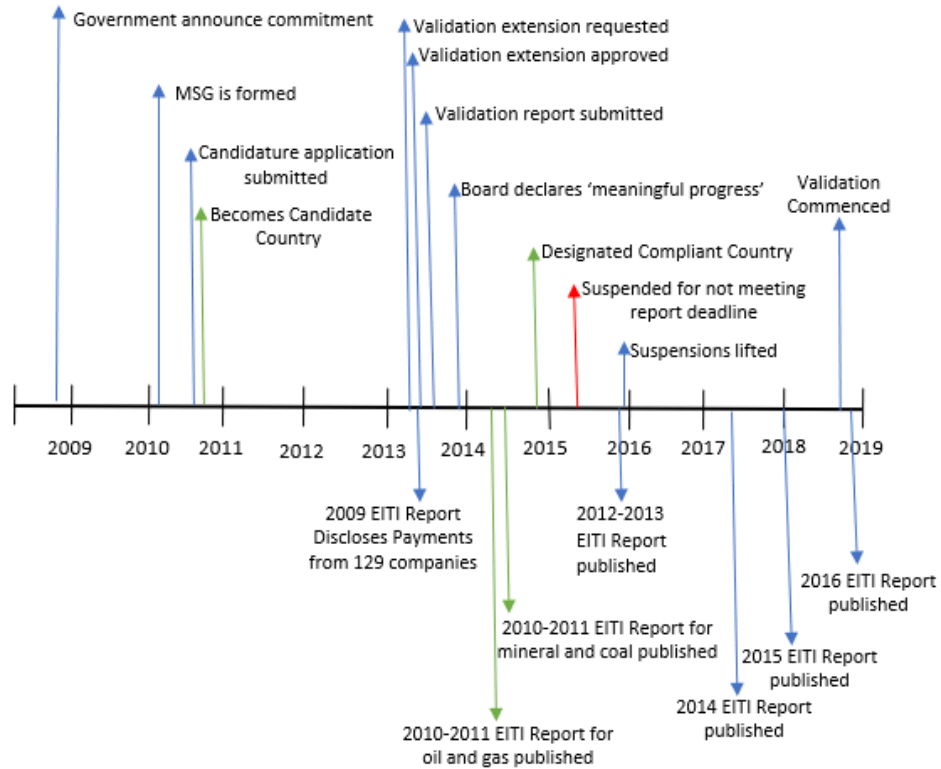
To put it simply, [Indonesia] EITI initiation was not triggered by a big scandal in Indonesia which then resulted in political reaction or resistance that express a public demand to more accountability. EITI was initiated because it is part of Indonesia's interaction in a global context. So, the external actor has a bigger influence. So, we can see, for example, that the legal base of [Indonesia] EITI is the Presidential Decree. It indicates the political will of the SBY (Susilo Bambang Yudhoyono)'s government at that time [to join EITI]. So, [Indonesia EITI] was not genuinely a product of [a popular] movement. Although we saw a big scandal later [in Indonesia], the case of PETRAL in oil and gas sector. That's [an] extraordinary case because it reinforces the importance of the issue of transparency and other cases that [are] related to issues, such as taxation.

The Government of Indonesia was initially ambivalent. In 2003, they attended the first EITI conference in London and the government's representatives stated that they would support the EITI principles under Indonesian laws and regulations. The Indonesian Minister of Finance, Boediono, also restated the commitment of the Indonesian government to support the improvement of extractive governance after the World Bank Group released its Extractive Industries Review in December 2003 (see Salim, 2004) that pointed out the compatibility of extractive industries and the World Bank's poverty reduction and sustainable development strategies (Soerjoatmodjo, 2012, p. 3). However, a further concrete action plan of EITI implementation in Indonesia never transpired.

The government has shown a strong interest and commitment to adopting and implementing the initiative since late 2007. In December 2007, the Indonesian Anti-Corruption Commission drafted the legal base of the EITI in Indonesia that sanctions the formation of the EITI Steering Group and the EITI Secretariat and identification of the revenue stream that will be covered in the EITI (Brown and Kirana, 2009, p. 77). In 2008, a new Minister of Finance, Sri Mulyani, continued to endorse the EITI.

Finally, Indonesia implemented the initiative. In March 2009, the Government of Indonesia officially stated its intention to work under the EITI's rules, for which the coordinating Ministry of Economy, Ministry of Finance and Ministry of Energy and Mineral Resources took joint responsibility (Soerjoatmodjo, 2012, pp. 6–7). On 23rd April 2010, the president of Indonesia signed the Presidential Regulation No.26/2010 on 'Transparency of State and Regional Government's Revenues from Extractive Industries' (Soerjoatmodjo, Hanafi and Triwibowo, 2014, p. 15). In short, after a long journey, Indonesia finally became a candidate country in 2009 and was fully recognised as a compliant country in 2014. It was given the status of 'meaningful progress' (see the historical timeline below) while showing signs of reduced commitment in the era of the country's new president, Joko Widodo ((Rosser and Kartika, 2019, pp. 6–7) (see figure 5.6).

Figure 5.6 Timeline of the EITI implementation in Indonesia



Source: Extractive Industries Transparency Initiative, 2021e

- Good progress
- First time in each event
- Bad progress

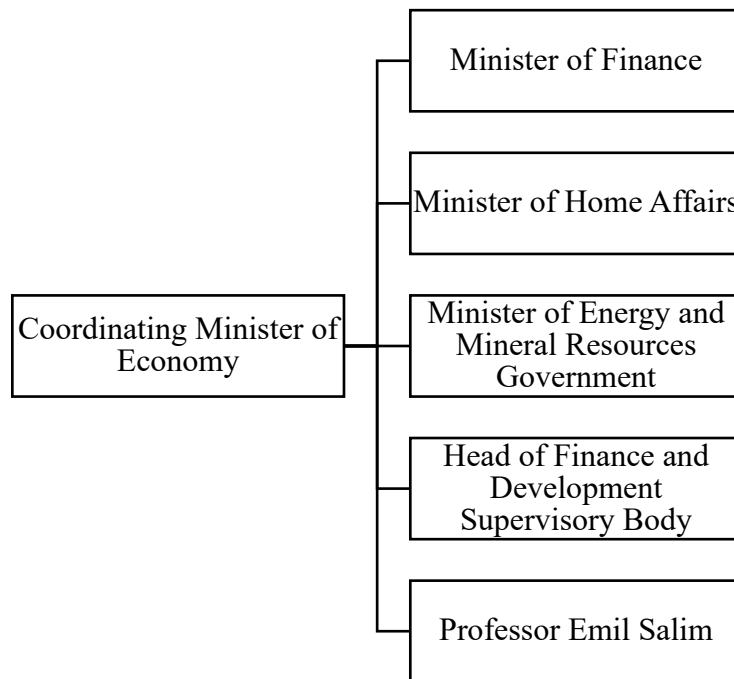
One of the most crucial issues of the EITI is the establishment of the MSG. The Government of Indonesia initiated and called relevant stakeholders in the extractive sector to establish and join the MSG in 2010. Unsurprisingly the MSG is dominated by government officials from different relevant ministries and bodies.

Based on Presidential Regulation No. 26/2010, the Government of Indonesia established a transparency team that consists of a Steering Committee and an

Implementing Committee. Figure 5.7 sets out the members of the Steering Committee (as mentioned at article 7, Presidential Regulation No.26/2010. EITI Indonesia, 2021b). These include:

- Coordinating Minister of Economy (as the chair)
- Minister of Finance
- Minister of Home Affairs
- Minister of Energy and Mineral Resources
- Head of Finance and Development Supervisory Body, and
- Professor Emil Salim (economist, former minister of the environment and representative of civil society organisations).

Figure 5.7 Steering Committee of the Multi-stakeholders Group in EITI Indonesia



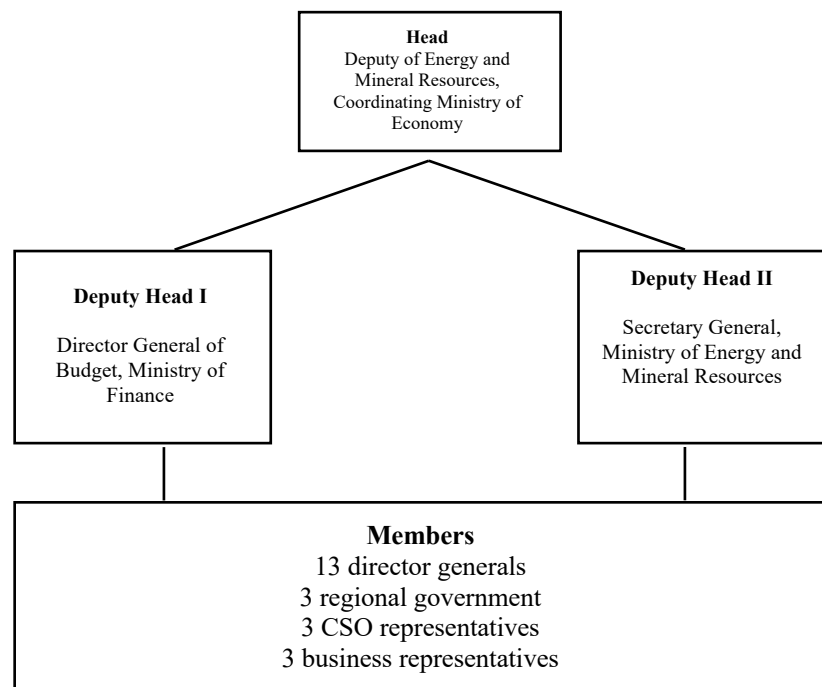
Source: EITI Indonesia, 2021b

Meanwhile, the Implementing Committee consists of various representatives from different backgrounds. The Implementing Committee is led by the Deputy of Energy and Mineral Resources, the Coordinating Ministry of the Economy (as the

Head), the Director General of Budget, the Ministry of Finance (as the Deputy I) and Secretary General, and the Ministry of Energy and Mineral Resources (as the Deputy Head II). Figure 5.8 sets out the members of the Implementing Committee include (as mentioned at article 10, Presidential Regulation No.26/2010. EITI Indonesia, 2021b). These include:

- Thirteen director generals of government ministries and agencies, such as the Coordinating Ministry of Economy, the Ministry of Finance, the Ministry of Energy and Mineral Resources, the Ministry of Home Affairs, Finance and Development Supervisory Body, SKK MIGAS (Implementing Body for Upstream Business Activities), and PERTAMINA (state-owned oil company)
- Three regional secretaries of resource-rich regional governments
- Three representatives of oil, gas, mineral and coal business associations, and
- Three representatives of civil society organisations.

Figure 5.8 Implementing Committee of the Multi-stakeholders Group in EITI Indonesia



Source: EITI Indonesia, 2021b

The implementing team has some key responsibilities. In general, the transparency team works in a three-year period to ensure the publication of reconciled public revenue (see article 14, Presidential Regulation No.26/2010. EITI Indonesia, 2021b). In more detail, the team has several responsibilities that include (see article 8, Presidential Regulation No.26/2010. EITI Indonesia, 2021c) :

- Assigning work plans of the transparency team
- approving the Terms of Reference of EITI Indonesia's reports
- establishing a technical team
- approving the establishment of an independent agency as a reconciler that draws up EITI Indonesia's reports
- disseminating the EITI Indonesia's reports
- preparing a report to the president of the Steering Committee, and
- doing other things that are necessary to implement the transparency of revenues and payments of the extractive industries, including issues that are assigned by the Steering Committee.

No parliamentary members or political parties play a significant role in the MSG. The absence of political actors is caused not only by the anti-politics design of the MSG itself but also by the reluctance of CSOs in Indonesia. I15, a CSO activist, states that civil society activists in Indonesia blame Indonesian politicians as part of the problem for poor extractive governance. They believe that many politicians and political parties have been enjoying rent-seeking from the closed and non-transparent extractive governance in Indonesia. For instance, several members of the national and local parliament also own or lead mining companies (Watchdog Image, 2019; see Greenpeace Indonesia, 2020; WALHI, 2020). Other politicians are funded by mining companies, or oil and gas companies to run in national and local parliament elections (I15 (anonymous), 2018).

5.4 Conclusion

This chapter provides two important descriptions as a “bridge” for further understanding and analysis of the depoliticisation/politicisation dynamics in

subsequent chapters: the context of governance and the background and initial phase of Indonesia EITI. The governance context of Indonesia's extractive industries clearly indicates a complex setting of diverse commodities, various fiscal regimes, and multi-level authorities. Furthermore, it suggests a strong link between business and politics. It also demonstrates how different actors have different tendencies and interests in extractive sector reform efforts.

Indonesia EITI is at the intersection of the 'wave' of transparency in public governance and the rising demand of CSOs' advocacy that meet with the government's interest to attain greater global recognition and international attractiveness. As a result, the EITI structure indicates the acceptance of more significant roles of civil society but, at the same time, it demonstrates the dominance of officials of the executive branch and the absence of democratically elected politicians.

Therefore, this descriptive chapter shows that the context of Indonesia resource governance and the mechanism through which the EITI is being implemented provides, on the one hand, the institutional prerequisite for depoliticisation and, simultaneously, the structural setting in which actors who wish to politicise and make political demands in the system can do so.

CHAPTER SIX

A PARTIAL RECOGNITION OF THE LOCAL CONTEXT AND THE SPACE FOR POLITICISATION

6.1 Introduction

The aim of this chapter is to investigate the practices of depoliticisation/politicisation in Indonesia EITI through the lens of the extent of contextual ignorance/recognition. The EITI requires its country members to implement complex rules in order to achieve transparent governance of the extractive industries. The EITI's rules have been transforming from modest to rigid and details rules as explained in chapter 4. The EITI's rules cover the required type of published information and the required processes that each implementing country must follow.

As Flinders and Buller (2006, pp. 303–304) describe, one of the tactics of depoliticisation is the adoption of certain rules into the decision-making process that limits the possibility of political discretion, therefore this chapter seeks to examine how the EITI's rules define and consider the particular meaning or practice of the local context. It also assesses how the Government of Indonesia interprets and adjusts the EITI's rules through Indonesia EITI's reports, plans and actions. Next, it also identifies how stakeholders respond to such contextual definitions and scope.

This chapter first examines the definition and scope of context of resource governance in the EITI's rules. This is followed by an exploration of Indonesia's country-level EITI implementation in order to unravel the degree of flexibility in interpreting the global EITI's rules at the country-level and the related contextual interpretation. Both sections aim to identify the extent of the EITI's rules in recognising the real circumstances and conditions on the ground that constrain or enable the purposes of EITI implementation in Indonesia to be achieved. In short, this chapter aims to answer this key question: "To what extent do the EITI's rules and the EITI implementation in Indonesia recognise/ignore the local context of governance of the extractive industries?"

This chapter argues that the EITI's rules and their implementation in Indonesia partially recognise the local context. For instance, the EITI's rules recognise the importance of providing information on the legal, fiscal, and administrative aspects of governance of the extractive industries at the country level but ignore the significance of further understanding the social and political contexts. While the EITI considers the flexibility of rule implementation due to the different local contexts of the implementing countries, the space for adjustment is only for formal processes and legalistic, procedural aspects. Since the EITI remains strictly focussed on assessing the achievement of the list of performance indicators, hence, the country variation, or the country status, is related to the progress of the said achievements.

This chapter also argues that depoliticisation has not been fully achieved. While the available data and information are accounting-heavy and the implementation procedures are highly legalistic and formalistic, the CSOs, as leading actors, try to utilise the available accounting data for requesting more and more transparency in the extractive sector and strengthening their technical knowledge and extending their network accordingly.

6.2 The EITI's Partial Recognition of Context: Accounting and Scorecards

Before we look at the Indonesian case, it is important to understand the meaning and scope of the context and recognition of the diverse local context in the EITI's rules. Therefore, this section primarily focuses on the EITI's rules, namely EITI Criteria (2005), EITI Rule (2011) and EITI Standard (2013 and 2016) by examining the degree, the nature, and the changes of the context that are recognised by the EITI.

This section argues that the EITI has depoliticising tendencies since the local context is only partially recognised. In practice, the EITI focus is on a formal process-oriented strategy. This means that the EITI narrowly recognises the country-specific formal processes and legalistic procedures that relate to the planning and action of the EITI implementation at the country level. The EITI also recognises different countries' achievements of fulfilling their requirements.

While the EITI's rules have been changing over times and its focus has been extended, the EITI does not go beyond the formal context. The EITI overlooks other significant domestic structures, especially the nature of the commodities and how it influences social and political relations as well as domestic power structures and relations. In addition, the rules do not consider geopolitical aspects in the region and beyond that, for varying degrees, influence the governance of the extractive industries.

6.2.1 Degree of Context Recognition in the EITI's Rules

To what extent does the EITI recognise context? The EITI introduces a practical aspect of transparency by developing common rules for all country members but, at the same time, recognising the flexibility of EITI implementation at the country level. The EITI narrowly recognises the formal aspect of local conditions at the country level.

After officially launching in 2003, the EITI initially started to encourage some countries to implement the EITI's Principles. The EITI allowed the pilot countries, that are Azerbaijan, the Republic of Congo, Ghana, the Kyrgyz Republic, Nigeria, São Tomé e Príncipe, Timor Leste and Trinidad and Tobago, to develop their own interpretation about the implementation strategies and scope and depth of transparency from June 2003 to March 2005. The EITI let the pilot countries consider their own local dynamics and simultaneously recognised the supplementary support of other existing forms of local transparency in the country.

As a result, the pilot countries have made diverse attempts to reach a consensus on the development of decision-making mechanisms, work plans, capacity-building strategies and sustainability financing in their own countries. Each country makes different efforts to ensure the full engagement of government, companies and civil society, the development of credible and comprehensive disclosure of revenue and payment data, and feedback for review and improvement. Meanwhile, each country has their own pathway to global norm adoption.

The pilot countries also have different legal bases and procedures for allowing third parties to audit state companies. For instance, Kyrgyz Republic requires specific

legislation to develop EITI's legal base, whereas Azerbaijan only requires a Memorandum of Understanding between the various EITI stakeholders (see EITI, 2005, pp. 10-12,18).

In term of published data and the sectors involved, the pilot countries also have different experiences. For instance, Liberia interprets forestry and agriculture as part of the extractive sector; Nigeria publishes physical, process and financial audits; Ghana and Peru take the initiative to publish not only the national government's payment details but also those of the sub-national government (Extractive Industries Transparency Initiative, 2021f).

In other words, during this initial phase, the EITI implements inductive and bottom-up approaches and takes account of the different local contexts. The EITI encourages the pilot countries to not only introduce their own understanding of local openness initiation and the implementation strategies and scope but to also analyse what happens during the processes in order to gain some insights and reflections on the needs, issues and challenges of transparency implementation.

This policy is in line with the EITI Principles. EITI's principle 2 insists on the autonomy of the host government in the exercise of national interest-based resource management. Moreover, EITI's principle 6 recognises the importance of preserving local contracts and regulations in terms of the localization of transparency as a global norm.

Nonetheless, EITI recognition of the pilot countries' local conditions and mechanisms have led to global debates and discussions of the EITI. The diverse depth and length of the published data and information and the richness of the organised initiation, implementation and review processes bring some reflections on the significance of establishing similar rules of the game for all implementing countries. For instance, the UK Secretary of State for International Development, Hilary Benn, underlined at the second conference of the EITI in March 2005, that 4 piloted EITI have different strategies of EITI implementation. Therefore, it is necessary to have common and obvious global rules that every country should follow (Extractive Industries Transparency Initiative, 2021b).

In the meantime, the wider debates also emphasise the strong consideration for respecting the voluntary nature of the initiative and the country-specific implementation (EITI International Secretariat, 2011, p. 12).

Therefore, the EITI introduced, for the first time, general rules for EITI implementation that should be followed by all implementing countries: the EITI Criteria and guidelines for validation. In 2005, the EITI launched the EITI Criteria that set out some general and minimum indicators that each country should meet while open to the possibility of going beyond those indicators (EITI, 2005, p. 7). The EITI also produced the first version of the guide for validation: an impartial assessment of the compatibility of the candidate country with the EITI Principles and Criteria. The EITI International Secretariat emphasised the importance of a single tool of assessment, while still kept flexibility where possible (EITI International Secretariat, 2011, p. 36). The state that:

The EITI goes one step forward by expressively pointing to the local context when the EITI replaces indicators with requirements. More rigid and detailed requirements were introduced in the EITI Rules 2011, EITI Standard 2013 and EITI Standard 2016. This clearly suggests that the EITI's rules are common, but also flexible and open to going above and beyond the minimal requirements (EITI International Secretariat, 2011, p. 36).

In EITI Rules 2011, EITI International Secretariat (2011, p. 12) underlines the robustness of the rules but asserts its adaptability. By encouraging the countries to go beyond the minimum requirements by introducing frequent and nuanced validations, the EITI expects that there are more innovative strategies to maximising the benefit of EITI at domestic level (Extractive Industries Transparency Initiative, 2021a).

Furthermore, the EITI introduced contextual information as a requirement back in 2013. Clare Short, Chair of EITI Board, noted that EITI Standard 2013 urges contextual information to be included in the EITI's country reports. Such contextual information makes the report readable, more understandable and usable for those interested. Accordingly, the contextual information will stimulate the national debates with sufficient information (EITI International Secretariat, 2015, p. 6; Extractive Industries Transparency Initiative, 2021a). Although the EITI Standard

no longer put contextual information as one of requirements, it still requires some items and specifications that are comparable with the EITI Standard 2013's contextual information. Those items are distributed into some new requirements (for detail requirements see the table 1). In addition, EITI Standard 2016 also adds some new issues regarding contextual information.

It is very clear that the EITI is seeking to find a “balance”. As a globally applicable scheme, it is necessary to develop common ‘rules of the game’ that should be compatible to all countries. However, because the conditions and circumstances of each country are not homogenous, the rules also should be flexible and recognise the local context (EITI International Secretariat, 2020).

6.2.2 The Nature of the Recognised Context

Therefore, *what is the nature of the context that the EITI recognises?* The EITI recognises the local processes of workplans and actions and flexibility of revenue streams and the identification of companies during the collection, presentation and sharing of the required data. When the EITI initially mentioned local needs and circumstances, it referred to the voluntary nature of the initiative and country-specific implementation. Later, the EITI explicitly mentioned contextual information that focused on the legal framework and fiscal system of the country. As a result, the EITI would rather recognise the diverse degrees of performance in fulfilling the EITI Standard.

The EITI describes the local context as a country-specific situation. In 2005, it published a supplementary document - the EITI Source Book 2005 - providing practical guidance for countries to implement, such as how government, companies, and civil society should engage in the implementation process. The guidance provides diverse illustrations drawing on the unique experiences of implementing countries and companies during the pilot phase which fit with the EITI Principles and Criteria and represent country-specific conditions (EITI, 2005, p. 10). The IMF also published the Code of Good Practices on Fiscal Transparency and the Manual on Fiscal Transparency that can be used as guides for implementation. These supplementary manuals make the EITI Criteria more practical and workable since they provide step-by-step platforms and illustrations of particular implementation

processes in the country (The World Bank, 2008, pp. 3–5; EITI International Secretariat, 2011, p. 11).

The EITI Source Book describes two categories of recommended actions during the processes of the initiation, implementation and review of the EITI's Principle and Criteria in the country: suggested actions and additional actions. The suggested actions include some essential and necessary activities that are important for successful implementation. For instance, during the initiation, the government should identify the EITI stakeholders. Others include additional activities that can be taken to enhance the implementation process. For instance, the government can arrange a formal stakeholder assessment and identification of the drivers, feasibility and impact of implementing the EITI (EITI, 2005, p. 12).

Furthermore, the EITI also defines the local context by underlining the chances to go above and beyond the minimum their milestone and indicators/requirement. The EITI has set a milestone requiring minimum implementation actions to enhance the transparency of the extractive sector at the country level. However, at the same time, it opens up the chance to go beyond the minimum indicators/requirements in their Criteria/Rules/Standards by considering different circumstances and needs, especially the possibility of country-specific extensions of processes and techniques (EITI, 2005, p. 7; EITI International Secretariat, 2011, p. 12, 2017, p. 11).

One of the most crucial issues is a country's consensus on materiality. Materiality is a crucial part of accounting because the accuracy of decision making relies on it. Materiality by definition is "a threshold amount or percentage to determine if a company or a payment is significant to an outcome" (cf. Law, 2016; Extractive Industries Transparency Initiative, 2021c). EITI suggests the MSG in the country agrees on the definition and threshold of materiality.

However, the EITI International Secretariat also urges the country to refer to its guidance. The materiality of companies' payment and the government's revenue becomes the issue that the implementing country should not only solve by themselves but also under the International Secretariat's guidance (see EITI International Secretariat, 2016). It is critical to refer to the guidelines, because, based on the experiences of the initial phase, the pilot countries showed different

benchmarks of materiality that increased the risk of neglecting the major companies and revenue streams such as the case of Kazakhstan and Azerbaijan (Revenue Watch Institute, 2008, p. 14).

Therefore, when the country should report all material of payments and revenues, the EITI International Secretariat develops guidance for defining the materiality, reporting the threshold (of the revenue stream) and reporting the entities (of the companies) (EITI International Secretariat, 2016).

EITI Standard 2013, for the first time, provides a clear but narrow definition and scope of the context and introduces the Contextual Report. Requirement 3 EITI Standard 2013 mentions that: “the EITI requires EITI Reports that include contextual information about the extractive industries” (EITI International Secretariat, 2015, p. 21). The contextual information is confined to the legal and fiscal elements of the extractive industry, that are (EITI International Secretariat, 2015, p. 21):

a summary description of the legal framework and fiscal regime (3.2); together with an overview of: the extractive industries (3.3); the extractive industries’ contribution to the economy (3.4); production data (3.5); state participation in the extractive industries (3.6); revenue allocations and the sustainability of revenues (3.7 -3.8), license registers and license allocations (3.9- 3.10); and, any applicable provisions related to beneficial ownership (3.11) and contracts (3.12). The multi-stakeholder group should agree on who prepares the contextual information for the EITI Report (3.1).

Even if contextual information is no longer a sole requirement, the EITI maintains these restricted and formal (legal and fiscal aspects) bounds of context definition in EITI Standard 2016. The EITI still requires some items that are similar to the EITI Standard 2013 contextual information. For instance, EITI 2016’s requirement 2 emphasises the disclosure of legal frameworks and licenses that cover “(2.1) legal framework and fiscal regime; (2.1) license allocations (2.3) register of licenses; (2.4) contracts; (2.5) beneficial ownership; and (2.6) state-participation in the extractive sector”.

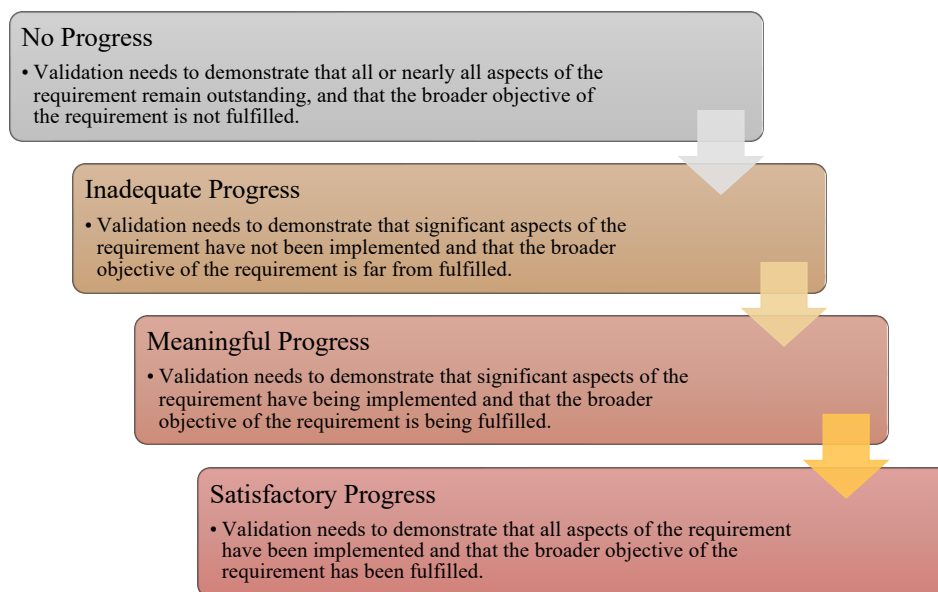
EITI Standard 2016 also adds some new items that indicate the extended scope of the context. Exploration, revenue allocation, and social and economic spending are

new additions to EITI Standard 2016 (see table 1 for detail of the requirements). In order to assess the consequences and outcomes of the extractive sector, disclosure of social and economic spending is particularly taken into account that covers “[6.1] social expenditures by companies; [6.2] SOE quasi-fiscal expenditures; and [6.3] an overview of the contribution of the extractive sector to the economy” (EITI International Secretariat, 2017, p. 28).

Furthermore, the EITI’s way to recognise the local context or the country-specific situation is a form of acceptance of a country’s adapted implementation and change of validation system (the scorecard). The adapted implementation is an exceptional situation, such as the constitutional and political barriers that lead to a deviation from the requirement of implementation. A country can request for this through its MSG and ask for the approval of the EITI Board (EITI International Secretariat, 2015, p. 15, 2017, p. 32).

Along with the introduction of EITI Standard 2016, the EITI introduced a new validation system. This new validation system acknowledges the gradual process of enforcing the requirements of the EITI (Extractive Industries Transparency Initiative, 2021d). The EITI recognises the incremental achievements of its checklist by providing more labels for the implementing country, namely “no progress”, “inadequate progress”, “meaningful progress”, and “satisfactory progress” (see the chart below) rather than just concentrating on marking it either a candidate or compliant country (cf. Tskhay, 2020, p. 52).

Figure 6.1 Different Progress of EITI Implementation Based on EITI Standard 2016



Source: EITI International Secretariat, 2017, pp. 32–33

6.2.3 The Change of Recognised Context

How does context recognition change over time? The EITI is a “living” body of rules that has been transforming and extending over time. It started as modest principles and has developed into more practical criteria. Finally, it equips the process of transparency adoption in the country by introducing more sophisticated rules and standards with complex technicalities.

While the EITI has been changing the details of the requirements and making them more concise, it does not mean the nature of recognition has also been changing over times. The EITI has extended its focus of transparency, from merely about revenue transparency to an open contract, beneficial ownership and oil trading.¹³ However, the fact shows that since the EITI remains narrowly focused on the formal process of implementation, its context recognition is not shifting with regard to the country specific strategies of implementation and the scope of materiality.

¹³ In 2019, the EITI also started to strongly consider the institutionalisation of gender perspectives as well as the energy transition and climate changes which comes along with transparency (see EITI International Secretariat, 2019b).

The EITI started to break down the modest principles into more practical criteria. The criteria provided a general guidance of the type of published materiality of companies' payments and the government's revenue, the expected processes that include the independent auditor, reconciliation of revenue and payment, the companies that should be included, engagement of civil society and the host government's sustainable workplan (Extractive Industries Transparency Initiative, 2021b). As mentioned above, to support the adoption of the Criteria, the EITI also launched the EITI Source Book 2005 that collects different piloting countries' experiences in implementing the 12 principles, as suggested actions and additional actions.

However, the official review led by the Scanteam focusing on EITI implementation in Nigeria, Gabon and Mongolia found that it has lacked having an impact on societal changes due to its narrow activities. The study recommends that if the EITI aims to achieve its objectives, it should develop a standard that covers not only revenue management and be more in line with its principles and focus on partnerships beyond the extractive sector. Furthermore, the study recommends that the extension of the standard should be combined with flexibility of assessing achieved performance rather than just yes/no value (see Scanteam, 2011).

The EITI then followed up the recommendation by not only extending the focus from just revenue management into broader sectors and introducing a new system of validation, but also changing the indicators into more detailed requirements. Initially, in EITI Rules 2011, the EITI International Secretariat introduced 21 requirements that had to be accomplished for candidacy/compliance in 2011. Afterwards, in EITI Standard 2013 and 2016, the requirements became more concise in order to ensure the country could cope with the major challenges of reform and to improve its extractive sector in line with citizens' interest as well as national priorities and reforms (EITI International Secretariat, 2015, p. 6) (see table 6.1).

Table 6.1 The Requirement in EITI Rules 2011, EITI Standard 2013 and EITI Standard 2016.

EITI Rules 2011	EITI Standard 2013	EITI Standard 2016
<p>SIGN-UP REQUIREMENTS</p> <ol style="list-style-type: none"> 1. The government is required to issue an unequivocal public statement of its intention to implement the EITI. 2. The government is required to commit to work with civil society and companies on the implementation of the EITI. 3. The government is required to appoint a senior individual to lead on the implementation of the EITI. 4. The government is required to establish a multi-stakeholder group to oversee the implementation of the EITI. 5. The multi-stakeholder group, in consultation with key EITI stakeholders, should agree and publish a fully costed work plan, containing measurable targets, and a timetable for implementation and incorporating an assessment of capacity constraints. <p>PREPARATION REQUIREMENTS</p>	<ol style="list-style-type: none"> 1. Effective oversight by the multi-stakeholder group. 2. Timely publication of EITI Reports. 3. EITI Reports that include contextual information about the extractive industries. 4. The production of comprehensive EITI Reports that include full government disclosure of extractive industry revenues, and disclosure of all material payments to government by oil, gas and mining companies. 5. A credible assurance process applying international standards. 	<ol style="list-style-type: none"> 1. Oversight by the multi-stakeholder group 2. Legal and institutional framework, including allocation of contracts and licenses 3. Exploration and production 4. Revenue collection 5. Revenue allocations 6. Social and economic spending 7. Outcomes and impact

<p>6. The government is required to ensure that civil society is fully, independently, actively and effectively engaged in the process.</p> <p>7. The government is required to engage companies in the implementation of the EITI.</p> <p>8. The government is required to remove any obstacles to the implementation of the EITI.</p> <p>9. The multi-stakeholder group is required to agree a definition of materiality and the reporting templates</p> <p>10. The organisation appointed to produce the EITI reconciliation report must be perceived by the multi-stakeholder group as credible, trustworthy and technically competent.</p> <p>11. The government is required to ensure that all relevant companies and government entities report.</p> <p>12. The government is required to ensure that company reports are based on accounts audited to international standards.</p>	<p>6. EITI Reports that are comprehensible, actively promoted, publicly accessible, and contribute to public debate.</p> <p>7. That the multi-stakeholder group takes steps to act on lessons learned and review the outcomes and impact of EITI implementation</p>	<p>8. Compliance and deadline for implementing countries</p>
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13. The government is required to ensure that government reports are based on accounts audited to international standards.

DISCLOSURE REQUIREMENTS

14. Companies comprehensively disclose all material payments in accordance with the agreed reporting templates.

15. Government agencies comprehensively disclose all material revenues in accordance with the agreed reporting templates.

16. The multi-stakeholder group must be content that the organisation contracted to reconcile the company and government figures did so satisfactorily.

17. The reconciler must ensure that that the EITI Report is comprehensive, identifies all discrepancies, where possible explains those discrepancies, and where necessary makes recommendations for remedial actions to be taken.

DISSEMINATION REQUIREMENTS

18. The government and multi-stakeholder group must ensure that the EITI Report is comprehensible and publicly

<p>accessible in such a way as to encourage that its findings contribute to public debate.</p> <p>REVIEW AND VALIDATION REQUIREMENTS</p> <p>19. Oil, gas and mining companies must support EITI implementation.</p> <p>20. The government and multi-stakeholder group must take steps to act on lessons learnt, address discrepancies and ensure that EITI implementation is sustainable. Implementing countries are required to submit Validation reports in accordance with the deadlines established by the Board</p> <p>RETAINING COMPLIANCE REQUIREMENTS</p> <p>21. Compliant countries must maintain adherence to all the requirements in order to retain Compliant status.</p>		
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Source: Extractive Industries Transparency Initiative, 2011; EITI International Secretariat, 2015, 2017

The change of words and simplification of the requirements do not really contribute to the shifting of the nature of the context that the EITI recognises. While the EITI considers the country objectives, relevance and diverse context and nuances, it still narrowly focuses on the plans and actions of implementation, especially with regard the legalistic procedures. In other words, the EITI continues to treat transparency as the ultimate goal rather than as the means by concentrating primarily on reporting (Wilson and Van Alstine, 2014, p. 19).

Focusing on transparency as the end rather than the means leads the EITI to ignore the actual context on the ground that affects the development of good governance in the extractive sector. The EITI can only show diverse performance in achieving the EITI Standard without any further ways to explain why different countries fulfil the data and progress of good governance in different ways in the extractive sector on the scorecard (For illustration, see Indonesia's scorecard in the next section).

In short, the EITI is *heavily focused on the performance assessment by recognition of the diverse status of compliance, rather than understanding the broader and specific institutional context*. The scorecard implies that the norm itself is globally compatible or a “one-size-fit-all”, but a country is not necessarily required to comply with all requirements at one time. In other words, it offers partial recognition (narrow and homogenous) since the EITI recognises the diverse progress of fulfilling a ‘tick box’ approach, rather than recognising the diverse context of a country, and that the rules of the game cannot be changed due to a different context (it focuses on a legal and fiscal ‘tick box’).

6.3 Practices of Partial Context Recognition in Indonesia EITI

As the EITI at the global level shows its depoliticisation tendencies through partial context recognition and scorecard-oriented performance, this section aims to explore the further spectrum of context recognition at the country level. Therefore, this section examines the nature and extent of recognition of the local context in EITI implementation in Indonesia. This section shows that EITI Global Board recognises that the Government of Indonesia has followed most of the required procedures and mechanisms as well as making some local adjustments and innovations in terms of the process – the workplan and action – and materiality.

This section argues that, while the EITI claims to be open for flexibility and local adjustment, based on Indonesia's experience, *EITI implementation at the country level does not go beyond the reporting itself*. Although EITI Standard 2016 declares the importance of shifting from report to results, the rules are still very rigid and mechanic. Thus, the Government of Indonesia simply tries to fulfil the requirements or 'tick the box' as far as possible to ensure the country's good performance.

6.3.1 The Extent of Local Context Recognition in Indonesia EITI

To what extent does the EITI recognise the local context in the case of Indonesia?

The EITI has been introduced in Indonesia by considering local circumstances, in term of the workplans and actions, and materiality. This can be identified through the process of validation which is not only an essential process but also a crucial entry point in identifying the extent of local context recognition by the EITI in Indonesia (for an overview of validation, see chapter 4).

Having been declared officially as a candidate country in 2010, Indonesia is preparing itself to comply with the requirements and processes as mentioned in the EITI's rules of the game. Before anything else, Indonesia releases Presidential Decree 26/2010 about the transparency of the central and regional government revenue of extractive industries as the legal base of EITI implementation in Indonesia. The decree organises the transparency team - that consists of the Steering Committee and the Executive Committee - and the transparency mechanism, including the financial sources of activities of the team and mechanism (Sekretariat Negara RI, 2010). As an implementing country, Indonesia has been assessed through two validations in 2013 (based on EITI Rules 2011) and 2018 (based on EITI Standard 2016) (for an overview of the initial development of the EITI in Indonesia, see chapter 5).

The processes of EITI validation in Indonesia combine attempts to ensure Indonesia complies with all EITI requirements strictly and the flexibility of workplans and actions and materiality. Regarding the workplan and implementation, the EITI International Secretariat recognises several adjustments and innovations due to local conditions. The validation is also an interactive process since it invites EITI

Indonesia's MSG to give some comment and respond to the initial validation report by the independent validator (see EITI Indonesia, 2021a).

For Indonesia EITI's validation in 2013, the EITI International Secretariat not only approved Indonesia's request for an extension of validation but also identified some adjustments and innovations beyond the minimum requirements at the country level. Since key activities are still on the schedule, they agreed to delay the implementation of the EITI work plan in relation to the original scope and the agreed upon reporting templates (Deloitte, 2013, p. 13).

Furthermore, in terms of materiality, the EITI International Secretariat also underlined that Indonesia's first EITI Report shows comprehensiveness and innovations by presenting the following information, volumes of oil and gas that company shares to government and vice versa, sale price of those oil and gas and the proceeds gained from the sale which, after some deductions, are deposited in Bank Indonesia (Deloitte, 2013, p. 79):

Furthermore, this validation identifies strong support from different parties. The CSOs' own knowledge, perspectives, and field experiences about the unique aspects of the Indonesian extractive industry sector helps to enrich the implementation. As such, they are substantially engaged with the EITI in Indonesia (see The World Bank, 2013, p. 23). The validation report claims that the EITI also fits in with the "corporate culture" of Indonesian bureaucracy and, while the small scale of mining activities has not yet been assessed, the companies from a diverse array of extractive activities also support the transparency initiative (Deloitte, 2013, p. 78).

However, the EITI validation process continues to concentrate solely on the Indonesian government's compliance to the Standard. The recommendation of Validation Report 2013 did not mention the urgency of the adjustment of rules in order to adapt to the broader Indonesian institutional context of the extractive sector. It rather focuses on how to strengthen the process to ensure Indonesia meets all the requirements in the strictest sense (see Deloitte, 2013, pp. 80–81). For instance,

when the Indonesia EITI reconciles two values between the data of BP MIGAS¹⁴ and the Ministry of Finance's data on *Penerimaan Negara Bukan Pajak* (non-tax state revenues), as two government entities that are responsible for oil lifting, the validation report pointed out that despite the fact local adaptation is allowed but integrating two revenue streams of two government units is not part of local adaptation (Deloitte, 2013, p. 80).

The MSG's replied to the initial validation report and also narrowly clarified the fulfilment of the Rules. Since validation is interactive, the MSG in EITI Indonesia is allowed to send some comments and responses related to the EITI's initial assessment. The MSG focused on the clarification of some issues that were assessed as unmet requirements such as requirement 5 (e), requirement 11, requirement 12, and requirement 13 (see EITI Indonesia, 2013, pp. 37–40).

The EITI International Secretariat finally recognised that Indonesia had shown progressive steps in the EITI implementation and accepted Indonesia as a compliant country in 2014 (EITI Indonesia, 2013, p. 40). The EITI International Secretariat officially concluded that Indonesia has shown meaningful progress by meeting most requirements of EITI Rules 2011 (see table 6.2). Unfortunately, this country's status was suspended in early 2015 after it missed a report deadline but the suspended status was then lifted at the end of 2015.

¹⁴ BP MIGAS stands for *Badan Pelaksana Hulu Minyak dan Gas*. BP MIGAS manages a body of oil and gas in Indonesia. After the country's constitution court announced that BP was unconstitutional and disbanded it, the Government of Indonesia established SKK MIGAS to take over BP MIGAS's roles and responsibilities.

Table 6.2 Result of Indonesian’s EITI validation 2013 based on EITI Rules 2011

Requirement	Met or Not Met
1. The government is required to issue an unequivocal public statement of its intention to implement the EITI.	Met
2. The government is required to commit to work with civil society and companies on the implementation of the EITI.	Met
3. The government is required to appoint a senior individual to lead on the implementation of the EITI.	Met
4. The government is required to establish a multi-stakeholder group to oversee the implementation of the EITI.	Met
5. The multi-stakeholder group, in consultation with key EITI stakeholders, should agree and publish a fully costed work plan, containing measurable targets, and a timetable for implementation and incorporating an assessment of capacity constraints.	Met with the exception of 5 (e)
6. The government is required to ensure that civil society is fully, independently, actively and effectively engaged in the process.	Met
7. The government is required to engage companies in the implementation of the EITI.	Met
8. The government is required to remove any obstacles to the implementation of the EITI.	Met
9. The multi-stakeholder group is required to agree a definition of materiality and the reporting templates	Met

10. The organisation appointed to produce the EITI reconciliation report must be perceived by the multi-stakeholder group as credible, trustworthy and technically competent.	Met
11. The government is required to ensure that all relevant companies and government entities report.	This requirement has been met with the exception of the 20 PSC partners who did not report
12. The government is required to ensure that company reports are based on accounts audited to international standards.	Not met. There was insufficient evidence to confirm that the requirement was met
13. The government is required to ensure that government reports are based on accounts audited to international standards.	Not met. There was insufficient evidence to confirm that the requirement was met
14. Companies comprehensively disclose all material payments in accordance with the agreed reporting templates.	Met
15. Government agencies comprehensively disclose all material revenues in accordance with the agreed reporting templates.	Met

16. The multi-stakeholder group must be content that the organisation contracted to reconcile the company and government figures did so satisfactorily.	Met
17. The reconciler must ensure that that the EITI Report is comprehensive, identifies all discrepancies, where possible explains those discrepancies, and where necessary makes recommendations for remedial actions to be taken.	Met
18. The government and multi-stakeholder group must ensure that the EITI Report is comprehensible and publicly accessible in such a way as to encourage that its findings contribute to public debate.	Met

Source: Deloitte, 2013, p. 75; EITI Indonesia, 2013, p. 36

As the status of an EITI implementing country is reviewed every three years, the second term for EITI implementation in Indonesia was scheduled for 2017. However, this was postponed since Indonesia was having difficulty finishing its 2014 EITI report (EITI Indonesia, 2021a). As a result, the next validation was rescheduled for 2018.

EITI Indonesia's validation in 2018, identified some progress, local problems and challenges of governance of the extractive industries in country. By referring to EITI Standard 2016, the EITI International Secretariat assessed the performance of Indonesia's EITI and recognised that Indonesia had made a serious effort to apply and met most of the EITI's requirements. Particularly, the transparency of the beneficial ownership was well noted. The validation report also realised that Indonesia could go beyond reporting without any further explanation of the core problem as outlined by the report (CowaterSogema, 2019a, p. 5).

The validation process of EITI Indonesia in 2018 remained reciprocal. EITI Indonesia's MSG gave some comments and feedback to the first draft of the validation to clarify the validator's initial findings (the scorecard and recommendation) (Indonesia EITI MSG, 2021). Some clarifications were accepted, and others rejected by the validators due a lack of supporting data or evidence (CowaterSogema, 2019b).

Moreover, the EITI International Board encouraged the Government of Indonesia to go one step forward. As the country with a meaningful progress status (see the figure below), the EITI International Board recommended Indonesia to maximise EITI implementation for the improvement of resource governance and making it part of a broader effort of governance reform. Furthermore, it also encouraged the EITI Indonesia to guarantee that all the constituencies are not only represented but also involved in the processes (EITI Board, 2019, p. 3). In short, the EITI International Secretariat recommended that Indonesia do more than just focusing on the reporting itself.

Table 6.3 Independent Validator’s Assessment on Indonesian Compliance in 2019 based on EITI Standard 2016

EITI Requirements		LEVEL OF PROGRESS				
		No progress	Inadequate	Meaningful	Satisfactory	Beyond
Categories	Requirements					
MSG oversight	Government engagement (#1.1)					
	Industry engagement (#1.2)					
	Civil society engagement (#1.3)					
	MSG governance (#1.4)					
	Work plan (#1.5)					
Licenses and contracts	Legal framework (#2.1)					
	License allocations (#2.2)					
	License register (#2.3)					
	Policy on contract disclosure (#2.4)					
	Beneficial ownership (#2.5)					
	State participation (#2.6)					
Monitoring production	Exploration data (#3.1)					
	Production data (#3.2)					
	Export data (#3.3)					
Revenue collection	Comprehensiveness (#4.1)					
	In-kind revenues (#4.2)					
	Barter agreements (#4.3)					
	Transportation revenues (#4.4)					
	SOE transactions (#4.5)					
	Direct subnational payments (#4.6)					
	Disaggregation (#4.7)					
	Data timeliness (#4.8)					
	Data quality (#4.9)					
Revenue allocation	Distribution of revenues (#5.1)					
	Subnational transfers (#5.2)					
	Revenue management and expenditures (#5.3)					
Socio-economic contribution	Mandatory social expenditures (#6.1)					
	SOE quasi-fiscal expenditures (#6.2)					
	Economic contribution (#6.3)					
Outcomes and impact	Public debate (#7.1)					
	Data accessibility (#7.2)					

	Follow up on recommendations (#7.3)					
	Outcomes and impact of implementation (#7.4)					

Source: CowaterSogema, 2019a, p. 7

Legend to the assessment card

	The country has made no progress in addressing the requirement. The broader objective of the requirement is in no way fulfilled.
	The country has made inadequate progress in meeting the requirement. Significant elements of the requirement are outstanding and the broader objective of the requirement is far from being fulfilled.
	The country has made progress in meeting the requirement. Significant elements of the requirement are being implemented and the broader objective of the requirement is being fulfilled.
	The country is compliant with the EITI requirement.
	The country has gone beyond the requirement.
	This requirement is only encouraged or recommended and should not be taken into account in assessing compliance.
	The MSG has demonstrated that this requirement is not applicable in the country.

Along with the introduction of the new validation system in EITI Standard 2016, the EITI Board lets the Government of Indonesia improve its performance in order to increase its status from meaningful progress to satisfactory progress. As a country with meaningful progress, Indonesia has to make some improvements in next 18 months (until 24th June 2021). EITI Indonesia should pay attention to improving following requirements, namely:

the requirements relating to government engagement (#1.1), industry engagement (#1.2), civil society engagement (#1.3), MSG governance (#1.4), work plan (#1.5), license allocations (#2.2), license register (#2.3), policy on contract disclosure (#2.4), state participation (#2.6), production data (#3.2), export data (#3.3), comprehensiveness (#4.1), in-kind revenues (#4.2), SOE transactions (#4.5), disaggregation (#4.7), data quality (#4.9), subnational transfers (#5.2), mandatory social expenditures (#6.1), SOE quasi fiscal expenditures (#6.2), public debate (#7.1), follow up on recommendations (#7.3) and outcomes and impact of implementation (#7.4) (EITI Board, 2019, p. 3).

However, the EITI's recognition of local circumstances is still problematic as it tends to blame the country for all of problems and challenges of EITI implementation. For instance, the validation report appears to blame Indonesia, as the implementing country, rather than provide more reflection regarding the rules and the broader institutional context as to why Indonesia cannot go beyond simply the reporting aspect.

The validation process is not always culturally sensitive which can lead to confusion. For example, during the validation process, the EITI International Secretariat's assessors complained about the government representatives who rarely participated in the meeting and contributed little to the discussions. For instance, I16 (anonymous name) (2018), a high official in the EITI Indonesia Secretariat offered an experience they had with the assessor:

So, they complained to me, "I16 (anonymous), why doesn't the MSG Indonesia have a dynamic discussion, it's like there is no debate". I was annoyed. So, I said "I've been in bureaucracy for 30 years, and this is typical of Indonesian bureaucracy". I said, "I often lead ad hoc committees like this and the atmosphere is always like this". I said, Indonesian culture is not like in America. Americans usually speak out. Indonesians prefer to sit and listen first. What's the issue? If they are bothered by the issue, for example, they just respond. If they have the courage to raise an issue in the forum, they will raise it. Not all are brave, the point is like that. So, it's not non-existent. So, if you say no, it's not really true either. The debate exists. It's only if they don't have any concern or there's nothing that offends them, they just keep quiet. Basically ... We're not like that. Most Javanese culture or bureaucrats will be like that. Especially if they are only at staff level. While the leader is there, they are afraid. They prefer to convey it outside or informally, or report to their superiors, the process is like that. They (official) can't understand that.

Indonesia EITI's impact study report which was conducted by the EITI Indonesia Secretariat in 2018 arrived at a similar conclusion. The report focused on internal aspects constraining the broader impact. The report ignores the broader institutional setting and does not consider the EITI's rules themselves. The study recommends EITI Indonesia to strengthen its legal bases and corporate governance and to intensify its public communication for greater impact (see Sekretariat Transparansi Industri Ekstraktif, 2018).

Furthermore, the demanding EITI processes of country implementation makes efforts to go beyond the reporting simply not a top priority. Although the number of EITI requirements have reduced since 2013, I19 (anonymous) (2018) reflects upon their experience as a members of

Indonesia EITI's MSG and sees that the EITI still requires a detailed process and information. They admit that:

We spend most our time just for reporting, sometimes we get stuck at the same point. Moreover, for us, in the end, this is like a burden. Then, we have to teach our colleagues who are responsible to input the data about what type of data should be presented. The problem is we have to teach the same things many times because a person who in charge is replaced by new ones. I have to make sure that we provide the appropriate data for EITI since the data itself need to be selected and cut off into different reports. What we do is like that... We have to be more careful not to let this become a boomerang because the audit report is based [on] the opinion [of the auditor]. We ended up getting there a lot more. For example, if, in case, we find a fraud case we have to ensure that we report that [fraud] in a proper way.

For instance, the EITI Indonesia Secretariat spends most of its time arranging various technical meetings of the implementing team and coordinating meetings with the relevant ministries. It also conducts various social events and public seminars to share findings and the report to the country's national and local bureaucracy as well as to the public. After getting official status, Indonesia now has to submit an annual EITI report and annual progress report as well as corrective actions before the second validation. In addition, both the government and companies are eager to achieve a good performance for the sake of the country's international reputation.¹⁵ I12 (anonymous) (2018), one of key persons responsible for managing the EITI Indonesia Secretariat, admits that the EITI is very technical and demanding:

Those areas of the report were really technical.

Very technical. All details of [the] report are derivative data. When I start to [be] involve[d] in [the] reporting process, I [was] aware that I am not the perfect one, but I already know the items... So, when Mr. David¹⁶ came, he was surprised that the reporting process is going well.

One of the international EITI's standard is integration and how ... to ensure that the goal of transparency is achieved. [For instance], the implementing team should formulate the goals, and it is really hard to formulate. I am an Indonesian and I knew and understand,

¹⁵ Based on the author's participatory observation at the MSG of EITI Indonesia's technical meeting, Jakarta, 23rd November 2018.

¹⁶ David Brown is the World Bank official in Jakarta who was in charge to facilitate the EITI in Indonesia

after being involved in [Indonesia EITI] for 2-3 years, the behaviour of civil servants in the government office. When they asked me [to formulate], Both Arfin, the David Brown's boss and a technical person at the world bank [and] Andrew ... another straight from America, strictly ask me to follow the standard without any flexibilities. I have to do this and this [they emphasise].

Therefore, Indonesia EITI cannot “go beyond reporting”. The disclosure of information and the implementation of recommended actions (as the output) do not directly enhance the policy reform or improve extractive governance in Indonesia (as the outcome) (I18 (anonymous), 2018; I16 (anonymous), 2018).

Another illustration that shows how EITI implementation at the country level ignores the institutional context is the profile of government representatives of the MSG. I18 (anonymous) (2018) acknowledges that not all government representatives are decision makers. Hence, many government's representatives focus more on managerial and technical issues and data collection for complying with the requirements than utilising the Indonesia EITI's finding to develop evidence-based policy and support broad governance reforms of the extractive industries.

Also, what I understand, based on my experience of involvement for the past 2 years, representatives from the government who are very active in participating in the discussion come from the management level ... This means that they are not the decision-making level of management. That's why I said why EITI has become less and less echoed [repeated between officials]. So, if we can conclude earlier, I'm not saying it's a weakness. But indeed, those who discussed it were more focused on how to comply. Because when you want to go further than that, you should enter into a policy issue. Now, if it's already entered into the policy, it's not a function of the parties discussing it. Because EITI's involvement is multi-stakeholder.

The government representatives are not in leadership positions, not at a higher level. Even though the high rank official is a member [and] they are indeed the one who is in charge of attending, but they usually assign more technical staff. Those leaders probably thought that such a level of staff could really get the job done.

At the same time, the template of the EITI report is also designed to describe mainly information on revenue and payments for the purposes of accountancy reconciliation rather than providing good policy analysis for reform in certain policies and sectors. These issues have been raised in Indonesia's EITI reports, but it looks like an introduction rather than deep analysis. I18 (anonymous) (2018) states that:

We must also understand that the current EITI report is designed only to provide an idea of whether the money received by the state from extractive activities is the same as that reported by the company [reconciliation]. That is the context. During the process, then we found other additional information, but we are still not moving forward to another stage ... doing evaluation, identifying the conditions [on the ground]. We are not at that stage yet. The reports are still only to show whether the money received by the government, and the money paid by the company, can be reconciled.

Indeed, there are some issues that the report tries to address, but it's still just an introduction, not something in-depth. So, in the end, it cannot produce even a recommendation or anything that will have a direct effect on a policy that can change or influence the current system.

6.3.2 The EITI Indonesia's Definition of Local Context

How does EITI Indonesia define the local context? EITI Indonesia's definition and scope of the local context is mirroring EITI's global definition and scope of context. Indonesia in general has submitted various type of reports, such as reconciliation reports, contextual reports, and progress reports that refer to the EITI's report template.

Indonesia has submitted EITI Indonesia Reports annually from 2009 to 2020. The EITI Report basically consists of the executive summary, contextual report, reconciliation report and appendices and usually releases backdated data (two year before). EITI Indonesia has released annual reports that were published strictly based on the template. The reports are:

- Indonesia EITI Report 2009 (in 2013)
- Indonesia EITI Report 2010-2011, both report on oil and gas as well as mining and coal, respectively (in 2014)
- Indonesia EITI Report 2012-2013 both report on oil and gas as well as mining and coal, respectively (in 2015)
- Indonesia EITI Report 2014 (in 2017)
- Indonesia EITI Report 2015 (in early 2018)
- Indonesia EITI Report 2016 (in the end of 2018)
- Indonesia EITI Report 2017 (in early 2020)
- Indonesia EITI Report 2018 (in March 2021)

EITI Indonesia's contextual reports, in particular, also refer to the EITI Standard template. It narrowly focuses on providing descriptive legal and fiscal aspects of Indonesia's extractive

industries. For instance, Indonesia EITI's contextual report 2015, which refers to EITI Standard 2013, provides information about the governance of the extractive industries, licenses and contracts, contribution of the extractive industries in Indonesia, state-owned enterprises, environmental and social responsibilities, management of state revenue generated from the extractive industries, and recommendations. The contextual report's environmental and social responsibilities are also limited to corporate social responsibility, abandonment and site restoration funds, reclamation and post-mining guarantees and people mining (see EITI Indonesia, 2015).

EITI Indonesia also records some policy reforms in governance of the extractive industries in their contextual reports. For example, EITI Indonesia's contextual report 2018¹⁷ provides a list of policy reforms that are (see Ministry of Energy and Mineral Resources Republic of Indonesia, 2021, pp. 268–293):

- Simplification of oil and gas licensing, provision and disclosure of oil and gas data, fiscal system flexibility and fiscal stimulus (oil and gas sector)
- Contract licensing, production, state revenue, allocation of state revenues and social and environmental responsibilities
- National strategy for the prevention of corruption
- Beneficial ownership

While EITI Indonesia's contextual report 2018 provides additional information about various reform efforts in the extractive sector, it still focuses on fiscal and legal aspects of reform, rather than exploring the social and political settings of reform (see Ministry of Energy and Mineral Resources Republic of Indonesia, 2021).

CSO representatives in EITI Indonesia's MSG go beyond the template in reporting the context by redefining the meaning and extending the scope of the local context but it is difficult to get consensus from other parties. I12 (anonymous) (2018) states that:

If it's beyond reporting, actually CSOs have started to do it. CSO involvement [in the EITI] is much more dynamic because they also get input from abroad, the international PYWP. Then in the EITI, CSOs also join at the international level. So, they have done a lot of

¹⁷ EITI International recognise the flexibility of reporting due to the COVID-19 pandemic by extension of measures (see EITI International Secretariat, 2021).

things that are beyond the scope of the report itself. [For instance, they] raise environmental issues [and] focus [on] beneficial ownership issues.

I14c (anonymous) (2018), also confirms that CSOs want to go beyond the template by having more social and environmental impacts in Indonesia's EITI contextual report, such as the number of deaths due to unsafe conditions in disused mines and illegal mining as well as environmental degradation. However, the representative of companies tends to resist. Due to unresolved disputes, the MSG members finally agreed on producing a descriptive report.

Based on the author's observation of the technical meeting, some participants also raised issues of linking regional revenue related extractive industries and their impact on poverty reduction in the contextual report. The meeting concluded that any new idea and concern which is beyond the template should be noted in the recommendation.¹⁸ Unfortunately, the published contextual report was released in template form and some concerns that were noted in the recommendation contained no further analysis.

6.4 A Pandora's Box for Politicisation

This section shows that even though the EITI is a depoliticised tool and process-oriented strategy, it also stimulates an incentive for politicising EITI implementation in Indonesia. A wealth of information relating to the extractive industry and CSOs' new expertise and technical skills are becoming a new source of knowledge-based policy advocacy to foster and negotiate the enhancement of transparency.

To what extent does the partial recognition of the context stimulate politicisation? Despite the EITI's partial recognition of local circumstances, it also generates an intermediate outcome. It provides a means for politicisation, especially for CSOs. Engaging intensively with the process of EITI implementation provides Indonesian CSOs with a wealth of information about the extractive activities as well as new leverage and skills in Indonesian policy-making processes, particularly in the extractive sector. The accounting data-based report and workplan and action-oriented implementing process produce the space for knowledge-based power struggles to varying degrees.

¹⁸ Based on the author's observations when he joined EITI Indonesia's technical meeting in Jakarta, on 23 November 2018.

First of all, all parties that are involved in EITI implementation in Indonesia agree that of the wealth of information on revenue and payment streams released by EITI Indonesia opens up a “Pandora’s box”. For years, the extractive industries have been contributing to Indonesia’s economic development but, at the same time, they have remained somewhat untouchable. Before EITI Indonesia, many relevant stakeholders did not know and could not access such information. The Indonesian public only had scant information about the volatile prices of oil and gas during the oil booms in the 1970s, the oil crisis in the 1980s and the government’s fuel subsidies when anticipating volatile gasoline prices (I15 (anonymous), 2018). I3 (anonymous) (2018) describes that:

In 2004 when we start to talk about EITI, the extractive sector, including oil and gas, became a black box. Black box ... not in the sense of the aviation world, but it is a dark world that cannot be seen by the public. We only feel, for example, [there is a problem in the extractive sector] and that we, as the public, can only access and “consume” a very few reports for example, total state revenues from oil and gas. Then we also experienced the [oil] crisis from 1978 to 1983, was due to the decline in global oil prices. But deeper issues, such as the fiscal policy framework or the so-called fiscal regime that governs the industry, are dark.

Only few are informed well about the extractive industries in Indonesia. Many officials in relevant ministries in the central government and their counterparts in regional government, on the other hand, are in the dark. For instance, when Indonesia introduced fiscal decentralisation in the early 2000, many resource-rich regions in Indonesia were not aware about the benefit of their resource endowment. For instance, few knew about the oil lifting data in their area which is the basis for natural resource revenue-sharing funds between the central government, provincial government, and regencies/cities government. Even the CSOs concerned with issues of public budget and corruption knew little if anything. I3 (anonymous) (2018) describes that:

Even if someone knew, there are too few people, so it can't be discussed publicly. For example, NGOs, the world I'm in, as well as the ladies and gentlemen in the regional government where they work because these producing regions get paid, get a share of the revenue sharing. But why they got that much, what the basis of calculations to get those numbers out, it can't be questioned, can't be explained too much. In essence, the finance official will say that we receive this much from the product, our share is in a certain percentage, and the formula according to the Fiscal Balance Law is like this. That's what it feels like.

Therefore, EITI implementation in Indonesia is expected to open a Pandora's box in the country's extractive sectors by providing plentiful data and information previously unavailable or inaccessible to the public. Emy Perdanahari, Chairwoman of the EITI Indonesia Secretariat, stated when Indonesia released its first EITI report in 2009 in 2013 (*En.Tempo.Co*, 2013) that:

The Indonesian extractives sector and the amount of revenues it generates have long been source of contention, simply because detailed information was not available to the general public. With the release of this report, the public will finally know how much, officially speaking, each resource company paid to each government agency. This is a huge milestone in government transparency.

The report provides what may be the first ever figure on the overall income tax and royalty contribution of the mineral and coal sectors. Before the implementation of EITI, the only number that was public was a single figure for all royalties paid by mining firms.

The EITI starts with a simple mechanism that is the publication of data reconciliation between the government's revenue and the companies' payments. This simple data is easy and everyone can follow and understand. I15 (anonymous) (2018) explains that:

The EITI is an interesting concept, because what it is, it actually offers a simple way and this may have been easily accepted by many stakeholders, or at least by the government at that time. What is offered is simple; just provide regular reports with the Standard that we have agreed on. If you have that, that's enough. Actually, the appeals are like that. So, it's not too complicated, because the EITI did not talk at that time, you have to dismantle all the existing structures for transparency. It's simple, report what the government receives, in terms of oil and gas revenues, from minerals and other parts, and existing financial costs are consolidated in one report with a certain template.

This basic EITI model gives the central government an alternative breakthrough for consolidating and integrating dispersed fiscal data on the extractive sector and then publish such data to the public and regional government. I15 (anonymous) (2018) states that:

We see the first generation of EITI is simply about the actual consolidating report, which is already in the APBN, which is already in the government budget. It just needs to convert those government accounting records into a format that can be accessed by the public and can be peer reviewed via external peer review. Now that is appealing because I remember that in the context of EITI at that time the government had difficulties in communicating how much government revenue actually went to regional governments, right?

This simple report not only helps the government with fiscal consolidation as part of the internal reform, but also can raise public awareness on their right to know, particularly in the context of governance of the extractive industries. Despite the fact that the accounting data are not easily understandable by non-experts, the EITI raises awareness that the extractive industries should no longer be kept secret. I12 (anonymous) (2018) underlines that:

The EITI is only a small part of the report. The Ministry of Finance enhances much, much larger reform, includes (management of reports). For example, (the ministry) develop single account by pulling all the accounts in the ministry into one (account). Withdrawn to state's (financial account). That's already one thing that really doesn't need to be reported. But that's very substantive, yes. if it's not withdrawn...we don't know where the interest [has] gone, right?

But it wasn't reported, so what needs to be done is maybe...the term EITI is a bridge of awareness. Again, the report is a kind of media to provide information that citizens have the right to know and when that information is available...regardless of the problem [the EITI report] can be read or not, it means that there is concern, right. So, when the community begins to understand more, it is our rights. That's something that can balance the government's side, right?

It is actually a common understanding, isn't it? Because we are heading towards a democratic society, so information is [important]. Only what information needs to be disclosed from the extractive industry side, that sometimes we don't know.

The EITI also provides a new space for power struggles, particularly knowledge-based ones, and often for CSOs who are involved in various forms of policy advocacy in the context of governance of the extractive industries. Engaging with EITI Indonesia extends CSOs' focuses and perspectives, feeds them with plenty of data and brings them into a new area that requires not only broad policy orientation but also strong technical knowledge and skills.

Prior to EITI implementation in Indonesia, CSOs had a narrowly focused concern on the impact of the extractive activities, such environmental impacts and human right abuses. At the same time, they have little if any idea about the details of extractive licensing, contracts between the government and companies, the revenue that the government collect and the companies' payment and allocation of revenue.

EITI Indonesia provides new knowledge with which CSOs can develop actors and a social map of extractive governance for further community organising and enhanced policy advocacy regarding social licensing and open contracts. I3 (anonymous) (2018) describes that:

What is surprising to me is that when the EITI was introduced along with the Publish What You Pay campaign, it opened the door for us to enter. For us to know more about the characteristics of the oil and gas industry, what the structure of the players is, on what basis they are grouped, and how they get permits and contracts. We didn't understand at that time. From our work at the EITI and Publish What You Pay, we accidentally [learn about those issues]. Indeed, as part of professional demands, we also have to study it. We learnt about economic aspects such as the fiscal regime in the oil and gas industry, [for instance], why is it calculated like that, what are the pros and cons and so forth.

What's interesting is that Indonesia was the inventor of PSC, but [PSC] is not public knowledge, only elite knowledge. Only a few technocratic elites in the oil and gas industry understand that. So, we actually emancipate. The EITI and PWYP campaigns have made the arena [of extractive sector] become more emancipatory. The process makes people outside the industry, outside regulators, outside businessmen, outside associations, outside experts or scholars, uneducated people like us at CSOs then understand [the extractive sector], talk about it, and get involved in the discussion about how the sector should be regulated.

When CSOs seize the power of knowledge from the elites, this is also the beginning of politicisation as I3 (anonymous) (2018) claims that:

So, it's like we seize power too, yes, seize the power of knowledge too. From knowledge that was previously very elitist, then it became knowledge that became [part of] the public domain... But of course, we don't stop by just engaging with these elite people, we also bit by bit, as far as we can, we also share knowledge and knowledge with the public, local governments, journalists, academics, political parties, because there are requirements to be able to engage in the debate.

As a result, CSOs are encouraged to equip themselves with technical knowledge through capacity building and MSG engagement. I4 (anonymous) (2018) and I12 (anonymous) (2018) admit that CSOs first had challenges in catching up with the nuances of the extractive industries and engaging in technical discussions with companies and the government. They then found various learning spaces through engagement with the MSG, outreach programmes and workshops. Supported by international organisations, particularly the World Bank, USAID and a global network of PWYP and Revenue Watch Institute, CSOs have also been equipped by various capacity building processes in increasing their technical knowledge and skills in understanding the chain of the extractive industries, such as the licenses, legal aspects of the extractive industries and fiscal systems (The World Bank, 2013, p. 23). I12 (anonymous) (2018) explains that:

So, at the beginning, people from government agencies, especially technical agencies, such as the technical ministry, and BP Migas (or) SKK Migas, felt that they were the only ones who knew exactly that. So, when the CSOs ask technical questions, they say you are wrong.

But then CSOs get support from RWI (Revenue Watch Institute) and from within (EITI) itself. CSOs are starting to understand technical matters. So, on average, Jakarta-based CSOs receive training, receive this (capacity building) and data... We do shares of tasks. So, some are forced to get into the technical stuff. Because of that, so they can talk on the same level.

While they acknowledge that the EITI's strong technical orientation has certain limitations in confronting the prevailing existing power structure in the extractive sectors, CSOs believe there is still room to leverage the technicalities to further their policy advocacy. I15 (anonymous) (2018) argues that:

The technicality, well I imagine that that was necessary for advancing the agenda. By knowing the technicalities, we can advance the agenda. Because these technicalities are knowledge of sorts that can help us prepare reform agendas in the form of policy regulations, even when we don't know how things work on the ground, how to draft good regulations. That is something that few of my colleagues have.

In line with that, I9 (anonymous) (2018) also agrees that the CSOs can utilise EITI Indonesia's technical data by comparing them with other sources of data for achieving the advocacy's intended outcome.

EITI, with all its limitations, can still be a tool for, what is it called, revealing or for more comparative analysis. For example, there is a report of Exxon Mobile and Chevron's tax avoidance that losing in court in Australia. We can then see that they generate so much profit avoiding taxes not only in Australia but also in Indonesia, one of which is the Blok Rokan.

Furthermore, the EITI Indonesia's MSG becomes the arena for further politicisation of issues of the extractive industries. The MSG has a significant role not only in facilitating and monitoring the EITI implementation in Indonesia but also in identifying and selecting issues that all parties should be concerned about. However, politicisation in the MSG is not easy because, by nature, all parties have different interests and, thus, they have to bargain and negotiate in order to come to a consensus (I2 (anonymous), 2018). On many issues, the CSOs also frequently take opposing positions from the representatives of government and companies in the early stage of the MSG's initiation. Although bit by bit, the CSOs then garnered mutual trust and political leverage in policy-making processes. I17 (anonymous) (2018) identifies that:

They have different perceptions. This is because civil society thinks that the discussion should be open, while the company considers that their competitive[ness] cannot be maintained if everything is too open. Because later his business opponents will find out. That's a bit of a block.

However, to what extent CSOs can really politicise the EITI's depoliticised tools and broad governance reform of the extractive industries? The next two chapters will answer this question by elaborating further the extent of politicising through the identification of the degree of inclusiveness of plural ideas, alternatives and actors in EITI Indonesia's MSG and the degree of participation in the broad governance reform in Indonesia and its link to the EITI implementation in Indonesia.

6.5 Conclusion

This chapter has demonstrated how the EITI's rules restrain the contextualisation of EITI implementation by the Indonesia EITI. It is difficult for stakeholders of Indonesia EITI to change the details and processes needed in order to incorporate them into the broader institutional local context. The change of EITI's rules over time does not change their main focus -the heavy works of accounting.

Although the EITI allows for some flexibility due to local circumstances and acknowledges some adjustments and innovations, the EITI rules strictly focus on the process of performance achievement. Indonesia, as an implementing country, cannot go beyond the EITI reporting stage or link the Indonesia EITI to broad governance reform of extractive industries. In other words, the EITI scheme establishes the institutional structure within which those rules being interpreted as it is. Furthermore, the EITI rules come with the assumption that problems and challenges are isolated within the country and have nothing to do with the rules they make. In other words, plenty of accounting data with partial recognition of the local context means that the EITI will be unlikely to achieve its ultimate goal: enhancing social change on the ground effectively.

In the midst of such depoliticisation tendencies, the findings identify a space for politicisation. The plentiful accounting data provided by EITI can be an arena for the struggle against the control of knowledge by a few people. When CSOs seize the power of technical knowledge of the extractive industries, the data can be easily accessed by the public in a readable format. Thus, the public can utilise such data to find out more about extractive industries, including the contribution to the public revenues, and demand for substantial reform.

The EITI Indonesia's MSG is also another space for politicisation. The CSOs have new leverage in policy-making processes by sitting equally with other significant stakeholders and are equipped with technical knowledge, capacities and skills. As part of the MSG, they have the chance to not only facilitate and monitor the progress of EITI implementation in Indonesia but to also mobilise the MSG for framing the issues of concern to all parties. However, this requires a collective agreement.

Finally, it seems the accounting is essential and necessary, but not sufficient. There is bad accountancy if there is no consideration what the number actually means. It will not effectively lead to accountability if it is merely about to account where money is going, some are very broad-brush and just based on legal frameworks. It is better if the ETI is organising in more flexible ways. But, on other hand, even though it is an accounting system and necessarily has its limits, these limits are still important and still demonstrate their effect, as has been shown in this chapter.

CHAPTER SEVEN

THE DENIAL OF PLURALISM AND ANTAGONISM IN THE MULTI-STAKEHOLDER GROUP

7.1 Introduction

This chapter looks empirically at deliberation processes of collective decision in the multi-stakeholder group (MSG) in order to reveal the practices of depoliticisation/politicisation through the denial/recognition of pluralism and antagonism. It examines the collective decision making of EITI Indonesia's representation body, the MSG, from 2010 to 2018 within which various actors representing the central government's ministries and bodies, regional government, civil society organisations (CSOs) and companies of oil, gas and mining extraction are present. All parties are involved in the discussions and negotiations, and in agreeing collective decisions related to EITI implementation in Indonesia. This chapter particularly examines how a diversity of ideas, preferences and alternatives have been discussed, accepted, rejected or overlooked as part of the EITI implementation agenda in Indonesia. It also investigates how conflicts of ideas and preferences have been managed and shaped in this collective decision making.

This chapter is divided into three sections. The first identifies each party that is involved in the EITI Indonesia's MSG. Furthermore, it also investigates parties' interests and preferences in governance of the extractive industries and their motivations to take part in the MSG.

The second section looks at the process of trust building between three groups of representatives as the foundation of collective decision making and explores how CSOs' capacity building and mediation help to build trust and find intersections between each parties' opposing interests and preferences.

The third section conducts an in-depth investigation of the denial of pluralism and antagonism in the Indonesia EITI's MSG by examining representatives' dynamic interactions. It focuses on six key issues: intergovernmental revenue sharing, domestic market obligation (DMO) in coal mining, negative impact of mining, contract transparency, oil and gas cost recovery and oil import. It investigates the acceptance and rejection of competing and heterogeneous views

when the MSG parties identify the problems, challenges and solutions of EITI implementation in particular and governance of the extractive industries in general.

Third, this chapter concludes by arguing that the MSG's collective decision making shows the complex processes of preventing and pursuing issues in Indonesia EITI's agenda. While the three groups of representatives in the MSG, to some extent, have succeeded to build trust between them through capacity building and mediation it is not sufficient to build collective decision making. The opposing interests and preferences in the MSG discussions mean certain parties fail to recognise some issues as important agenda topics in the EITI Indonesia. When there are no strong conflicting interests between parties, collective agreements can be fully achieved, particularly in the case of intergovernmental revenue sharing funds and Domestic Market Obligation (DMO). However, unsolved disputes can lead to rejection by making use of various non-decision-making strategies. Some rejections use a single mobilisation of bias, such as the request of the postponement of data access and devaluing the MSG process and the barrier-to-entry of negative mining impacts. Others use multiple and combined strategies of mobilisation of bias and individual inaction and accommodation, such as the case of cost recovery, contract transparency, and oil import. In short, the complex processes of acceptance and rejection indicating depoliticisation, in terms of denial of pluralism and antagonism, are contingent and contested.

7.2 Three Representatives of the MSG

This section examines the nature of the interests of each party in the MSG in order to identify to what extent collective decisions can be made. The MSG consists of representatives of the Government of Indonesia's relevant ministries and agencies, representatives of resource-rich regional government, representatives of oil and gas and mining business associations, and representatives of CSOs (for more details of the organisational structure of the Indonesia EITI's MSG, see chapter 5).

This section argues that each stakeholder brings various interests, conflicting concerns and preferences, power capacities, and technical skills to governance of the extractive industries. Before they meet and sit together in the MSG, some of them have contentious and tense relationships. These circumstances are then reflected in the MSG's collaborative decision-making processes. As a result, the MSG process becomes dynamic, ranging from unanimity on certain issues to unresolved conflicts on others.

7.2.1 Civil Society Organisations

CSOs are the most vocal members of the MSG, with a strong desire to advance policy advocacy in governance of the extractive industries in Indonesia. CSOs have contributed significantly to the development of Indonesia EITI from very beginning (see chapter 5) and, hence, they are very keen to ensure the achievement of the EITI's goals, include the MSG.

Indonesian CSOs see the MSG as a breakthrough, a new space of engagement, in decision making. The MSG provides the space where CSOs sit equally with other key actors in making crucial collective decisions related to governance of the extractive industries, one of the most secretive public sector areas. As a result, in the MSG, CSOs function as decisionmakers rather than simply articulating public pressures from the outside. As I7 (anonymous) (2018) states:

we have equal space with the government and businessmen, even to decide an issue. For example, in Indonesia, what data do we want to access? This was discussed and agreed upon. Previously, we've been on the outside. Even, if in this (MSG), an agreement on what data will be discussed in “one table” [one forum] ... the position of civil society is equal to the government. Because we have to [be] “pounding the gavel” together [collective decision making], a decision must be signed together. In my opinion, this is something interesting, because if we are outside, at most we [can] only demand, urge, appeal, but the final decision is right there. In the context of EITI, the decision is made by MSG and the Director General.

Being an insider is a novel experience for CSOs. Previously, under Indonesia's authoritarian regime, bureaucracy and technocrats were the only actors that were politically powerful and who had privileges to become involve in policy making (see Amir, 2008, 2013). At the same time, civil society had been depoliticised in the midst of ‘rent-seeking’ between the government and businesses in the extractive sector (Gordon, 1998; see Ross, 2001; Hadiwinata, 2003, pp. 94–96). On the contrary, in the MSG, CSOs are invited to discuss and build a consensus, provide reviews and ensure that disclosed information of extractive sector is publicly accessible (see Winanti and Hanif, 2020, p. 267) (I7 (anonymous), 2018).

CSO representatives in the MSG initially faced a “barrier” because of a lack of technical knowledge. The MSG process requires all stakeholders to speak in the same “language”. Therefore, a language barrier in the MSG occurs when, on the one hand, representatives of the bureaucracy and companies prefer to use technical and practical language that they are familiar with. On the other hand, CSOs are more familiar with discussions with broad orientations, commitments and values of extractive industries. At the beginning, CSO representatives found

some difficulties in understanding the technical and practical aspects of extractive industries because their backgrounds and the extractive sector itself are, by nature, complex, particularly oil and gas. However, CSO representatives have to up on their technical knowledge because they have to understand that “the devil is in the detail”. This situation is not only time consuming (Soerjoatmodjo, Hanafi and Triwibowo, 2014, p. 21) but it also can overwhelm CSOs representatives. I22 (anonymous) (2018) acknowledges that:

We see this (MSG) is really powerful. As a stakeholder, we [CSOs] have been acknowledged and [our presence as CSOs] is a prerequisite in many processes [reform initiatives] ... It feels strong in the EITI. The EITI formalizes the election of multi-stakeholder members and the EITI meetings also are very formal. So, we knew this a door which is opened for NGOs, so we could sit on the same level as them. On the other hand, from the knowledge side, we also know that the issue is really heavy because it's very technical, and we are then being overwhelmed. But through EITI processes, we have been encouraged to learn a lot about technical issues.

The problem of the technical knowledge gap was subsequently remedied after CSO representatives became equipped through a series of capacity development and horizontal learning activities, as facilitated by some international donors and finance institutions. For instance, OXFAM and the World Bank¹⁹ supported assistance to EITI Indonesia and sent some representatives of civil society to attend global trainings (I22 (anonymous) 2019; I30a (anonymous), 2018). USAID's IKAT-project Indonesia²⁰ also funds Asia-Pacific Knowledge Hub (NRGI-UGM)²¹ and regional training as well as horizontal learning among civil society networks, especially Publish What You Pay's regional and national networks (PWYP Indonesia, 2015b). I30b (anonymous) (2021), a CSO representative in the early phase of EITI Indonesia, describes that:

The one who backed up (CSOs) a lot at that time was the World Bank. I myself also had no knowledge at all at that time, especially regarding oil. When it comes to minerals and

¹⁹ As mentioned in chapter four, the World Bank is the leading actor that support the EITI adoption and implementation in many countries through the Extractives Global Programmatic Support (EGPS) that is a multi-donor trust fund aims to drive inclusive and sustainable growth, development and poverty reduction (see Scanteam, 2015; the World Bank, 2021).

²⁰ For brief information about this project see (Embassy of the United States Jakarta-Indonesia, no date)

²¹ For a brief review of this project, see (RegINA, no date)

coal, there are a lot of interactions with friends in Kalimantan so that in the end I am quite familiar with the terms. And minerals and coal are not as complex as oil. Finally, capacity building is carried out several times before we formulate what the scope of EITI will be. If I'm not mistaken, the (training) is not only related to mineral and coal and financing, but also to oil and gas. (We studied) oil and gas in Yogyakarta. These (trainings) make our understanding (of extractive industries become) wider and we have to share with PWYP regarding what we will achieve in the future for EITI, what must be transparent, and this is very useful when we formulate the scope of work.

In the series on capacity building, the CSOs' representatives gained technical knowledge. They learnt broad issues about the extractive industries, such as fiscal regimes in the extractive industries, particularly the production sharing contract, the calculation flow and critical variables involved in the calculation of oil and gas revenues, such as lifting, first tranche petroleum, cost recovery, entitlement, domestic market obligation, oil and gas tax, over/under lifting, signature bonuses, production bonuses and so forth (PATTIRO, 2011). As one CSO representative in the early phase of EITI Indonesia, I4 (anonymous) (2018) points out:

At that time, I was financed by OXFAM. So, they have the Cepu project and so on, and then there is a small project to finance EITI because (OXFAM) at that time saw some women on the table of [the] multi-stakeholder group.

So finally, we took PSC courses, and I got an instructor who was really an accountant of PSC, and he knew deeply the calculation of over or under lifting and so on. This also includes studying with the World Bank specialists to analyse.

However, for CSOs, the use of technical language is a dilemma. On the one hand, technical language helps to achieve mutual communication and gain trust from other stakeholders through constructive engagement (Soerjoatmodjo, Hanafi and Triwibowo, 2014, p. 22). On the other hand, by merely focusing on technical aspects, the discussion hides the power, policy orientation and ideologies related to the issues. I7 (anonymous) (2018), one of CSOs representatives, admits that, despite the fact that the MSG discussions are technical and not overly focused on details, CSOs may get stuck in the trap of engaging in technical debates and miss the broader context, fundamental goals and expected outcomes of extractive industry transparency:

Of course, if we talk about achievements, the advocacy that is carried out by friends [CSO] focusing on the technical level will definitely have good impacts. But then when you focus your energy for fixing small things, (you tend to ignore) the macro aspects that have a lot

of implications [impact], don't you? Strategic policies are not monitored (because of concerning the technical).

7.2.2 The Government

The Government of Indonesia's main interest in the MSG is to make sure Indonesia can complete the EITI requirements and be aware a good EITI status. As described in chapter 5, Indonesia is keen to receive a positive international reputation with regards to having transparent and accountable governance (I16 (anonymous), 2018). The Government of Indonesia also wants to attract foreign investments by providing a good investment climate, particularly with regard corruption eradication, as I17 (anonymous) (2018) states that:

So, if a country has promoted transparency of their oil and gas sector, then these big oil companies will consider that country more than other countries that don't want transparency. So, at that time Indonesia really pushed it. Mr. Emil Salim, Mr. Eri Riana, the finance minister at that time, Sri Mulyani, the coordinating minister at that time, Mr. Budiono, are (important persons) who really pushed for transparency. Because they know, they are aware that it will bring in investment, especially in the extractive sector. It is a long process because there may be resistance from certain interests. but thanks to people like Emil Salim, Eri Riana, Muhammad Husain, at that time, and even Pak Hatta himself strongly encouraged it. In the end, Perpres 26 was issued.

As has been described in chapter 5, the EITI Indonesia echoed the loudest when the World Bank and International Finance Corporation urged the Government of Indonesia to comply with the EITI's rules voluntarily (Brown and Kirana, 2009, p. 76).

Therefore, the government representatives' main concern is to ensure the fulfilment of the requirements, and accurate and relevant data collection and report publication. I19 (anonymous) (2018), one of government representatives, agrees that the worldwide reputation gained by just issuing a report on government revenue and company payments was the government's primary reason for joining the EITI. As a result, by actively participating in the MSG, the government aims to guarantee that the report is well-presented and free of misinterpretations. I19 (anonymous) (2018) explains that:

If we make a report, we also don't want this reconciliation process [report] carried out by a third party because he/she doesn't know or maybe doesn't know yet clearly what the process is like. Don't let us report, then K3S (Kontraktor Kontrak Kerjasama) will also report. At that time, we asked to EITI (secretariat) to ensure both the government and the company have the same perception while they make a report. Which data should be submitted?

Because, maybe, for example, what do they report in one year, what do we report? There are different cut offs, then there will be no difference. Don't let the difference result be blown up suddenly, even though it does not necessarily mean a fraud. That's what we took care of at first.

Then, for example, in case of income tax. It used to be managed at our office, before took over by the DJP. The monitoring, at the beginning, is still at our office. We really ensure prudently what data we will reconcile. (For instance) is (the report based on) actual data or cash bases? If, if they [the company] convey the actual whereas we [convey] cash bases, it will definitely not be the same...Yes, it's kind of like that. In the beginning, when we conduct the reconciliation there was a difference in the numbers. Apparently, there were different perceptions. That (is why) we asked ... should we share the same perceptions first for the reporting.

Furthermore, the central government and regional government share a similar interest: accurate data. On the one hand, data on oil and gas activities are well gathered under the single central authority, the Satuan Kerja Khusus Minyak dan Gas (Special Task Force for Upstream Oil and Natural Gas Business Activities). On the contrary, the data of mining companies, including regional-government-licensed small and medium mining companies, are still messy. The central government and regional government want to consolidate data further for the sake of maximizing the government's revenue in the extractive sector and preventing government losses (Hartriani, 2017b, 2017c). In addition, the regional government is also keen to know the exact data used for formulating intergovernmental revenue sharing funds, such as data on oil lifting (I15 (anonymous) (2018); I19 (anonymous), 2018).

In other words, as long as the processes can secure the completion of EITI's minimum requirements and avoid damaging the country's international reputation and providing accurate data on extraction, the government is keen to support the EITI and engage actively in the MSG. When the country's new elected president, Joko Widodo, had no strong interest in global recognition, the relevant ministries no longer had to send their high-ranking public officers to the MSG meetings as required by the EITI (I14C (anonymous), 2018). I22 (anonymous) (2019), based on the MSG meetings, described the government's representatives who attended the meeting:

(They attend just) to "cancel" the obligation. And they don't want to bother with all kinds of burdens. I mean, I think at that point they've seen it as a burden and (don't know anymore) what it's actually for. So, if I look, at the 4th or 5th year, their enthusiasm has really dropped.

(They are already) lazy [not interested anymore]. (They ask) why we do that thing? (Why do we) meet again and again? (Why do we) continue to produce something.

Consequently, the government representatives do not explore the EITI reports or use them to discuss broader purposes and policy implementation because they do not have the authority to decide on such matters, as I18 (anonymous) (2018) states:

In terms of international EITI guidance, it is indeed a minimum requirement. It means that we raise the minimum requirement, which is actually very possible to be able to dig further. The important thing is that the minimum (requirements) has been met, and the rest we can explore further. However, before we make a report, we do a scoping study first. The scoping study was discussed. At that time, we identified or arranged any issues beyond the required requirements that we wanted to include. The problem is (the official) who attend the scoping study meeting is still a person at the management level that may know the issue but do not have the authority to convey [decide] a policy.

In addition, the government's relevant ministries also often send different people to different meetings and, as a result, each new person starts from the beginning (I14a (anonymous), 2018). In short, this indicates that the government is slowly losing its interest in EITI implementation (cf. Rosser and Kartika, 2019).²²

7.2.3 Companies

Reputational considerations also become the main concern and interest for companies when they engage with Indonesia EITI and its MSG. Companies become the focus of attention of many of the current public discussions, such as the issue of resource nationalism, divestment, fuels subsidies, mining licenses, environmental degradation and the contentious interpretation of Article 33 (3) of Indonesian Constitution that notes that “the land, the waters and the natural resources within shall be under the powers of the State and shall be used to the greatest benefit

²² Another indicator is that the Government of Indonesia released the Presidential Regulation No 82/2020 on the Committee for Handling Corona Virus Disease 2019 (Covid-19) and Economic Recovery which arranges the dissolution of 18 presidential teams, including the transparency team. The transparency team then integrates into the Ministry of Energy and Mineral Resources (PWYP Indonesia, 2020).

of the people” (see Taufik, 2020). Since that, companies need to convince the public about their commitment towards good governance and social responsibilities.

Therefore, the Indonesia Mining Association (IMA) and Indonesia Petroleum Association (IPA) voluntarily joined Indonesia EITI and sent their representative to the MSG after some initiators of EITI Indonesia told them about the benefits of declaring their payments to the government. Company involvement in the EITI does not only highlight compliance with any regulations and obligations in Indonesia but also allays public doubt. I19 (anonymous) (2018) explains that:

(Their engagement) is for branding according to our colleagues from SKK MIGAS. there are some KKKS who say this is good. They maybe feel that way. For us, as the government, the compliant status at least indicates that we can publish (to public) that the management of the upstream oil and gas industry is already quite better.

I4 (anonymous) (2018) also agrees that companies take advantages by joining the EITI and attending the MSG meetings. I4 (anonymous) (2018) shows how SKK MIGAS, as an implementing agency in Indonesia’s upstream oil and gas sector that deals with all companies (the contractor), proudly announced itself as a transparent body in several EITI meetings:

Lastly, even SKK MIGAS, all of them, if they are asked about transparency, we have been transparent through the EITI report.

Yes, this is a shield. they always attend every EITI meeting, then talk about transparency because they think this is very important.

I24 (anonymous) (2019) describes further how, as one of initiators of EITI Indonesia, he convinced mining companies to take part in the EITI and, as a result, they now do so for the sake of their public reputation:

The most important thing is openness of the things related to financial aspect in particular is not easy. But this is not too difficult (to convince the mining companies) after we explain that through this transparency you can more easily convince various stakeholders that you have performed your obligations properly and those obligations are reconciled. In other words, it (the EITI) is legalized by the recipient, namely the government. On the government side, it is the same. We assure that this will be something that can convince (the public) that what you receive is the same as what you paid for. This is good, for the government it's good, in the end they want it too. Indeed, this is not easy but with a long process and then there are figures too, there is Mr. Emil, then my experience as a tin worker as well. It all makes it easier. So many colleagues who work in mining that I know as well. So, whatever they are worried about, I understand. Finally, after going through all the

processes they went through, they finally agreed. Second, there are also those who say that this is a voluntary, initiative, it is difficult for us to be voluntary. Finally, we agreed to propose that there is a rule that underlies this, a Presidential Decree is issued. After the Presidential Decree was issued, it became easy.

Some initiators of EITI Indonesia also need to convince oil companies before they finally agree to join EITI Indonesia. I17 (anonymous) (2018) explains that many oil companies think it is more urgent to develop post-payment tracking because they want to know where the money they have paid to the government goes. The multinational oil and gas companies in Indonesia also initially had little interest in the EITI. For instance, Exxon Mobile, Chevron and Total EP as subsidiaries operating in Indonesia initially did not show any interest in EITI Indonesia (I14c (anonymous), 2018). Some initiators of EITI Indonesia had to persuade and convince them about the benefits of the EITI (I17 (anonymous), 2018).

Through time, oil and gas companies and mining companies apparently held varied degrees of interest and engagement in the MSG. The oil and gas companies had been less keen and later the IPA officially ceased its participation in the MSG in 2017 by claiming that its governance and auditing system had been settled under the SKK MIGAS through the PSC system (for further explanation about SKK MIGAS and Indonesian PSC, see chapter 5). The IPA also argues that, as an independent organisation, they have nothing to do with the preparation of the financial statements of IPA members. The IPA also proposes that the EITI directly coordinate with SKK MIGAS for all matters related to oil and gas companies (EITI Indonesia, 2017b). Furthermore, the IPA argues that it had been audited by Badan Pemeriksa Keuangan (the Audit Board of Republic of Indonesia) regarding its accountability. PERTAMINA, a state-owned company, is the only oil and gas company still attending the MSG meetings, but it is less supportive. Different from its parent companies which strongly support the MSG at the International Secretariat EITI, the international oil companies operating in Indonesia, such as Exxon Mobile and Chevron also no longer show any interest in joining EITI Indonesia's MSG meetings. I14a states that:

If in the global trends [EITI], Exxon and Chevron are active players in the international EITI, in Indonesia, they are different. For example, here the active company is Freeport. Mr. Mukhlis (Vice President of Freeport) is a member of the MSG. Mr. Hendra Sinadia who has [a] coal mining background is also very active. While gas and oil and gas associations [are] ... not active. there is only state-owned company, PERTAMINA.

The oil and gas players tend to withdraw themselves.

The mining companies, on the contrary, have been actively engaging in the MSG to show their serious commitment to obey any government regulations and to gain a positive public reputation. Since mining governance, including licensing and audit systems, vary and are decentralised to different degrees by government authorities, the mining sector has been a serious concern to the government, such as the issue of the “leak” of government revenue from mining sectors, clear and clean in mining permits, post-mining recovery and so forth (Wijaya, 2017; *Coal miners owe the Indonesian government hundreds of millions of dollars*, 2017). The public are also more concerned with the impacts of mining activities because they usually have a direct effect on the communities living as well as natural environment near the extraction field (Yovanda, 2019). In addition, mining issues have become convenient political commodities for any elections, with regards the likes of resource nationalism, divestment and reclamation of ownership of the Indonesian biggest gold mining in West Papua operated by Freeport (Coca, 2017; Kaup and Gellert, 2017; Warburton, 2018; see Winanti and Diprose, 2020).

Therefore, the mining companies have not only kept up with their continuous support to the implementation of the EITI in Indonesia but have also been engaging actively in the MSG by sending high-profile staff and familiarising their association members with the EITI (EITI Indonesia, 2019c). The Indonesian Mining Association and Indonesian Coal Mining Association are official representatives of mining companies in the MSG. They send high-profile personnel to meet and actively discuss with other stakeholders in the MSG, namely Mukhlis Ishak, The Vice President- Tax of PT. Freeport Indonesia (PTFI) and Hendra Sinadia, the Executive Director of ICMA (EITI Indonesia, no date). It is an unsurprising strategy because the Freeport case in the Province of Papua and coal’s impact on communities and the environment in some areas in Indonesia are now firmly under the media spotlight.

The mining companies’ representatives still politically drive the processes of EITI Indonesia’s MSG. I14c (anonymous) (2018) tells about their MSG meeting experiences which show that companies’ representatives endeavour to ensure the EITI reports should not contain negative information about companies.

7.3 Three Representatives and Trust Building

The MSG’s collective decision making becomes a tough process if there is no trust between the parties. As in the early days of the MSG (2010-2013), on the one hand, the companies’ representatives doubted that the CSOs would have equal knowledge on the technical issues of

the extractive industries. I4 (anonymous) (2018) shares their experience of CSOs' representatives in the early phase of MSG meetings:

The companies told us recently that you are [CSOs] actually very evidence-based and learned about it. So, we realized that at first, we were belittled (by them before). (Before, they asked) Have you ever read PSC, do you know the profit-sharing model, split and so on? And in fact, we know. We know but we are learning too.

The government and companies, to some extent, have similar interests and practical skills and knowledge that made them often dominate the MSG meetings (Soerjoatmodjo, Hanafi and Triwibowo, 2014, p. 20) (I4 (anonymous), 2018). On the other hand, the CSOs are more sceptical about the serious commitment of the government and companies in promoting transparency and fighting corruptions (I24 (anonymous), 2019).

In the early phase of the MSG, such problems were solved by CSO capacity building. As mentioned earlier, in the early phases of EITI Indonesia, the CSOs had been well-equipped by a series of capacity building programmes and horizontal learning that helped them catch up with technical related discussions. When the CSOs had sufficient knowledge about the issues at hand and could confidently communicate through the same technical language with other stakeholders and offer some insights, the other stakeholders admitted that they were eager to continue the discussion without underestimating and mistrusting the CSOs' representatives any longer (I22 (anonymous), 2019; I4 (anonymous), 2018).

However, the companies still showed their hesitancy and distrust in the MSG process. For instance, some still objected to discussing too many aspects of transparency and believed that some areas of contracts should kept secret due to business competitiveness (I24 (anonymous), 2019). I2 (anonymous) (2018) indicates that some oil companies were open to discussing revenue transparency only:

In the beginning, there was resistance, especially from American oil and gas companies, Exxon, Chevron, and so on. The ones that are more open are companies from Europe, and even then, if it (discusses) about revenue only. Recently, mining companies have been more active.

The champions of Indonesia's EITI also play a vital role in MSG trust building as mediators. The champions here refer to exceptional persons who bring high hopes and lead the processes because of their education, experiences, background or personal characteristics (de Gramont, 2014, p. 5). Two particularly influential persons are Emil Salim, a former Indonesian Minister

of the Environment and Erry Riyana H, an interim Head of EITI Indonesia Secretariat who had many years working in the private sector, civil society organisations, and ultimately Indonesia's Commission of Corruption Eradication. Both gained trust from all parties and then mediated to include all parties. I24 (anonymous) (2019) emphasises that:

Trust first... the government is usually suspicious of NGOs... what do they want? NGOs are always made sceptical by bureaucrats. I (have worked) from 2 or 3 workplaces, I have been the managing director of BUMN, I have been active as an NGO. In my opinion there is no problem, actually, we go through a process of understanding. Then, with the same understanding, trust emerges...after trust emerges, communication will be good...if good communication, all problems can be resolved. Yes, at first it was difficult.

The reform champions played a significant role in mediating disputes between actors, especially between the representatives of government and the representatives of CSOs. They also became channels for the CSOs to communicate with relevant high-rank public officers when the government or the representative government resisted CSOs' ideas on certain issues (I22 (anonymous), 2019).

Trust building between the parties is necessary but not sufficient to mediate conflict or to achieve full agreement in every collective decision-making process in the phases of the MSG. The CSOs' representatives admit that there is some suspicion and hesitancy in MSG meetings, especially when discussing sensitive issues concerning other parties' interests and reputations (I14c (anonymous), 2018). Moreover, the absence of such aforementioned champions has not only affected the mediation in the MSG but also the MSG's pressure power when dealing with high-ranking officials in the government's ministries and companies to ensure they obey the EITI Standard (I4 (anonymous), 2018; I2 (anonymous), 2018).

7.4 From Trust Building to Consensus Building on Collective Decision

This section investigates further the practice of decision making and non-decision making in some key cases. As mentioned in chapter 2, access to the actual deliberations is quite difficult, and data of meeting minutes or summaries and lists of participants are of interest. Therefore, this section analyses the conflict outside of the MSG first to paint a story or explanation and assumes that conflict outside of the MSG reflects the interaction within the MSG by employing multiple data sources. In short, this section aims to answer these following key questions: *“What's the issue? What's the argument of the stakeholders? When did it happen? When did*

they make the request? Is it accepted or rejected? And who is doing this acceptance and rejection?”

This section argues that although trust among the stakeholders has been initially achieved, the processes of communication and negotiation among them in the MSG remain contentious. Collective decision making in the MSG thenceforward shows the complex practices of denial or acceptance to set the agenda rather than just building trust. The MSG’s collective decision making becomes a process of pursuing or preventing either the interpretation of the EITI Standard or new ideas emerging beyond the minimum requirement, including what perspectives should be written in the report. In short, it is a political process of what should be and should not be part of the collective decision (see the summary in the table 7.1 below).

Table 7.1 Key Issues Representing the Pursuit and Prevention of the Agenda in the MSG

Depoliticisation tendencies	Key issue	Key question	Key aspect			Non-decision-making Strategies
			Issue	Time	Process	
Recognition (extensive/partial)	Transparency of Intergovernmental natural resource revenue sharing	<p>Issue</p> <ul style="list-style-type: none"> - What's the issue? - What's the argument of the stakeholders? <p>Time</p> <ul style="list-style-type: none"> - When did it happen? - When did they make the request? <p>Process</p> <ul style="list-style-type: none"> - Is it accepted or rejected? 	<ul style="list-style-type: none"> - Regional governments have a very limited access to know the central government data and formula of revenue sharing fund. - Secrecy and rent seeking in revenue sharing fund. 	<ul style="list-style-type: none"> - It has been a concern in the MSG since early EITI implementation in Indonesia. - It is officially requested in the MSG in 2018. 	<ul style="list-style-type: none"> - Regional governments ask for a more transparent formulation and allocation mechanism of revenue sharing fund - CSOs identify the rising demand of regional government about transparency of data sources for revenue sharing. - The MSG facilitates the discussion and recommends that the central government and 	<ul style="list-style-type: none"> - There is no non-decision-making strategy - Fully accepted because all parties have the same preference.

		- Who is doing this acceptance and rejection?			the regional government should reconcile the data.	
			<ul style="list-style-type: none"> - The public debates on the urgency of DMO of coal mining. - Companies ask for a review of the current DMO scheme, while the government urges DMO for domestic energy security. CSOs agree on the urgency DMO but also take into account the problem of socio-environmental 	<ul style="list-style-type: none"> - DMO has been introduced since 2009, but it comes on the public debates in 2018 	<ul style="list-style-type: none"> - The MSG facilitates discussions between the companies, government and CSOs, despite the fact that DMO is not part of the EITI requirement. - Accepted with some CSOs' notes related to negative externality. All parties agreed about the importance of securing DMO for national energy security. <ul style="list-style-type: none"> o The government: DMO for electricity 	<ul style="list-style-type: none"> - There is no non-decision-making strategy - Fully accepted because all parties have the same preference.

			<p>impact in coal mining.</p>		<ul style="list-style-type: none"> ○ The companies: DMO prevents the oversupply when global prices go down ○ The CSOs: DMO is a tool for controlling the coal production and, as a result, minimising environmental degradation. CSOs' concern about environmental issues are still in line with other preferences because they are focused on the 	
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					recovery of the mining site rather than against mining. It means all parties have an extractivism perspective	
Denial	Data access and MSG attendance		<ul style="list-style-type: none"> - EITI Indonesia needs to access the data supporting the reports 	<ul style="list-style-type: none"> - During the EITI implementation in Indonesia, - In particular, the request of data for the first EITI Indonesia report from 2010-2012 	<ul style="list-style-type: none"> - The relevant ministries and bodies tend to be reluctant to open sensitive data, such as tax data, oil lifting and so forth. - The CSOs ask for more data to support the EITI report - The champions lobby high-ranking officials or use informal networks 	<ul style="list-style-type: none"> - Postponement of the request to access - Provides raw data - Sending non-decision-makers to the MSG

					<ul style="list-style-type: none"> - The unsolved dispute about data occurs again and again during the EITI implementation 	
	Negative impact of mining		<ul style="list-style-type: none"> - The public are concerned about the negative impact of mining extraction - CSO: brings the issues up more in the EITI report - Company: focuses on the template and denies enriching the contextual report 	<ul style="list-style-type: none"> - During the publication of EITI Indonesia's contextual report 	<ul style="list-style-type: none"> - The CSO proposes to publish current mining issues such as illegal mining, unpaid reclamation funds and deadly abandoned of mining sites - Companies reject the proposal and ask to focus on the required items in the report template - The government does not share their point of view 	<ul style="list-style-type: none"> - Barrier-to-entry by selecting the good result of mining extraction in Indonesia and strictly refers to template

					<ul style="list-style-type: none"> - Unsolved disputes even though the CSO offers to publish the current issues based on their own point of view. 	
	Oil import		<ul style="list-style-type: none"> - Public focuses on the oil import mafia and their corruption - CSOs want to bring the issue into EITI Indonesia's commodity trading report - Relevant bodies tend to be reluctant 	<ul style="list-style-type: none"> - EITI Indonesia publishes their first commodity trading report 2018 	<ul style="list-style-type: none"> - CSOs propose to publish oil import data because they are related to many instances of corruption and rent-seeking in the oil and gas downstream sub-sector - PERTAMINA resists publishing the oil import data - SKK MIGAS underlines that publication commodity trading could break the 	<ul style="list-style-type: none"> - Barrier-to-entry by using the claim that it will break business law and convention and strictly refers to the template

					law and party agreements	
	Cost recovery		<ul style="list-style-type: none"> - Corruption of cost recovery comes to the public's attention - CSO: publication of cost recovery is a window through which to expose corruption in the oil and gas sector - Companies: cost recovery is not part of the public budget - The government needs to assess the cost recovery due to losses in state revenue 	<ul style="list-style-type: none"> - In 2011-2012, when EITI Indonesia prepares to publish its first report. 	<ul style="list-style-type: none"> - CSOs urge the publication of cost recovery in EITI Indonesia's report - SKK MIGAS is reluctant to publish the cost recovery data - Strong resistance of cost recovery publication can also be identified through some efforts to postpone of release of EITI Indonesia's legal base - CSOs prevent themselves to strongly request the transparency of cost recovery as they wish to 	<ul style="list-style-type: none"> - Multiple and combined strategies of mobilisation of bias and individual inaction

					keep mutual trust with MSG.	
	Contract transparency		<ul style="list-style-type: none"> - CSO: request to open the contract fully to know the details of contract - Government: keep the contract closed - Company: confidentiality clause 	As an EITI implementing country, Indonesia should publish the contract between the government and the companies	<ul style="list-style-type: none"> - CSOs reemphasise the urgency of contract transparency as part of EITI implementation - Government is reluctant to publish the details of contract - CSOs prevent themselves to strongly request the contract transparency as they wish to keep mutual trust with MSG. - Dispute still unsolved but CSOs and the government agree that EITI Indonesia publish the sample of the oil 	

					contract with a general description	
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Source: summarised by author

Collective decision making in the EITI Indonesia's MSG provides a 'window of opportunity' for all participants to put issues onto the agenda through the process of identifying, framing and justifying problems (see Kingdon, 2014, p. 166; cf. Zahariadis, 2016, p. 36). Therefore, the MSG is not only just a coordinating or consultative forum for the implementation of EITI Indonesia; rather, but the MSG is also an arena for bargaining and negotiating the agenda and reaching common agreement between the actors who come with different interests and preferences. Here, the actors use various strategies, including the use of an 'a-political' language of communication and technical terms. For instance, CSOs' representatives, often raise some issues that are not always part of the EITI's requirements. I7 (anonymous) (2018) explains that:

Because of trust, so we have a (MSG) discussion ... let's do it because they (the government) are also policymakers. It means that the MSG's function for us does not oversee the preparation of reports. It needs some further actions but not only implementation. We even propose an issue for us to discuss together.

Second, (officials who are in charge in the MSG) are mostly director general, a person who (in charge) to make a policy.

In this arena of the bargaining and negotiation processes, some issues have to be agreed collectively and transformed into the agenda. Others are being prevented by some strategies of mobilisation bias or individual inaction or accommodation.

7.4.1 Collective Recognition on Pursuing the New Agenda

On some issues, parties can easily find common agreement without any reluctance or disputes. Thus, a collective decision can be achieved without strong hesitance because there is no unsolved conflict of interest between the parties or opposing perspectives. There are two cases that show how collective decision can easily be reached: the transparency of natural resource revenue sharing and domestic market obligation in coal mining.

7.4.1.1 Transparency of Natural Resources Revenue Sharing

An intergovernmental natural resource sharing fund is a breakthrough of fiscal decentralisation, but it still has some problems. The Government of Indonesia introduced Dana Bagi Hasil Sumberdaya Alam (DBH SDA) (natural resources revenue sharing) that assumes that the government's revenue should be transferred and shared between the central government and producing regional governments (for further details of DBH SDA, see chapter 5). A problem occurs when information of how the central government formulates and counts the DBH SDA is limited. The regional government may then struggle to access the DBH SDA fairly and, in some cases, it then becomes the arena of rent-seeking (I3 (anonymous), 2018). The regional government may also complain about the uncertainty and opacity of DBH SDA which also affects the calculations of regional public budgets. For instance, EITI Indonesia notes the case of Bojonegoro regency:

In 2015, Bojonegoro projects that it will receive around 900 billion rupiah from DBH. However, in that year, Bojonegoro only received DBH of around 700 billion rupiah. This causes, in 2016, Bojonegoro has a debt of around 100 billion rupiah to partners. The problem grew because the partners also demanded the local government of Bojonegoro to pay the interest on the loan (EITI Indonesia, 2017c).

Hence, the regional government may ask for more transparent revenue sharing of natural resources, includes the issues of data gap and the need for data reconciliation. The oil-rich provincial government and the regencies/cities government may then consolidate their demands and raise the distrust issue with the central government. In 2015, 89 provincial, regencies and cities governments organised themselves in Asosiasi Daerah Penghasil Migas (Regional Association of Oil Producer) in 2015, with the aim to reclaim and renegotiate regional rights and participation in the oil and gas extraction sector as well as rent and benefit sharing. As per one of EITI Indonesia's workshops in 2018, the regional secretary of the Province of Riau directly mentioned a request to the Ministry of Finance and Ministry of Energy and

Mineral Resource which asked an access to find out the deduction component and other levies in the calculation of oil and gas profit sharing funds (Dewi, 2018).

The transparency of DBH SDA has been raised in the MSG meetings from the very beginning. The regional government's representative then allies with CSOs' representatives and support each other to develop revenue transparency and to ensure resource-rich regions get more benefits from the natural resource revenues. I30b (anonymous) (2021) shares their experience of building collaborative work in the first EITI report related to the issue of central-regional government fiscal relations:

How the central-regional (profit sharing and) distribution should be arranged is also a concern (of MSG). What we did in the first report, we (CSOs) had to ally (with regional government). That what already we felt. For example, at that time, (we have allied) with Riau (province). At that time, we even allied with the Dinas (in Riau) so that the Dinas agreed on an important matter which at that time was rejected in the (MSG) forum. We have to ally with the regions.

In other words, the CSOs and the regional government share similar concerns and interest. The regional government asks for a greater revenue share to regions and, at the same time, the CSOs at the local level raise the public awareness about the corruption and the benefit of extraction of the local communities. I4 (anonymous) (2018) states that:

Here is the story. They (regional government) sued the Constitutional Court regarding DBH where they asked for a higher percentage than 15%. In 2007 (or) 2009, there was a decentralized regulation. There is a Government Regulation on profit-sharing funds No. 55/2005. The momentum occurs when they were noisy in 2006-2007. (They ask) how come that (the sharing for regional government) is only 15%, including producing regions...In 2009-2010, the regional government's demand to increase the (percentage of) DBH were still strong. The local government is in turmoil, the CSOs feel there is a lot of corruption and so on.

The MSG collectively agrees that the transparency of mechanism of allocation and distribution of revenue sharing funds is still relevant. The collective agreement can be achieved because regional government and CSOs shares similar interest on the

profit sharing funds and, at the same time, the companies have no direct interest and the central government also did not show any resistances (EITI Indonesia, 2019b). CSOs' representatives initially raised the issue of revenue sharing fund in the MSG even though it is not included in the EITI requirement. After getting input from local CSOs and regional government, the CSOs raised and followed-up the issue in various MSG meetings. I7 (anonymous) (2018) describes that:

We can look at the PWYP's experience last year. We try to use it (the MSG) to propose discussions about the program related the extractive sector (which is) outside of talking about EITI, okay? EITI more talks about follow-up reports. We can even propose on other issues, for example if the provincial government, the Riau province, insists on data transparency regarding DBH this year. So, they suggested a discussion about DBH.

The central government also does not show their resistance to the transparency of the DBH SDA. As one of the Ministry of Finance's officials stated in EITI Indonesia's Focus Group Discussion:

Provinces are now able to obtain data for calculating of DBH because, since last year, the DJPK²³ has opened all data, both computation data and raw data. Although we are still doing it in stages, because the data of DBH will be uploaded from the 2002, to see the data, you can visit the DJA²⁴ website (EITI Indonesia, 2019a).

Furthermore, all parties in the MSG agree that EITI Indonesia should not only mediate between the central government, regional government and the companies in order to build trust between them but that it should also be committed to enhancing more sub-national actors' involvement in EITI Indonesia (EITI Indonesia, 2017a, 2017d, 2017e). For instance, EITI Indonesia have invited sub-national actors to utilise their data on revenue sharing per district to then be published in EITI Indonesia reports since 2015 (EITI Indonesia, 2018b).

²³ DJPK stands for Direktorat Jenderal Perimbangan Keuangan (General Directorate of Fiscal Balance, Ministry of Finance).

²⁴ DJA stands for Direktorat Jenderal Anggaran (General Directorate of Budget, Ministry of Finance).

7.4.1.2 Mediating the Dispute of Domestic Market Obligation in Coal Mining

The Domestic Market Obligation (DMO) in coal mining was introduced in 2009 after the government issued Law No. 4/2009 on Minerals and Coal. In 2018, the government, companies, and CSOs initially held different standpoints when the DMO was raised in the public debates (for an overview of DMO, see chapter 5). On the one hand, the Indonesian Coal Mining Association (ICMA) urged the evaluation and revision of coal mining's DMO. In the case of supply for public electricity needs, the ICMA claimed that the reference coal price (\$70 per ton) was no longer relevant anymore because the trends of the coal price index had decreased and that it was better to refer to the market price because the price was fluctuating. In addition, the ICMA also asked for a review and recalculation of the DMO percentage (25% of total coal production) because some coal companies could not meet the product specification that is required by Perusahaan Listrik Negara, a state-owned electricity company that monopolises the supply of public electricity in Indonesia (Herdiana, 2018).

On the other hand, the government and CSOs see the urgency of the DMO with different reasons. The government still wants to keep the DMO due to domestic energy security by keeping its price and percentage (Harsono, 2020). Publish What You Pay (PWYP) Indonesia also raised the issue of sanction enforcement for companies who cannot fulfil their DMO obligation because the DMO is an effective instrument to control coal production that may affect environmental degradation (Syahni, 2018). In their press release, PWYP Indonesia urges:

the government to continue to be consistent with the coal DMO obligation policy. Apart from being consistent with the mandate of Law Number 4 of 2009 concerning Mineral and Coal Mining (Minerba Law). The DMO's obligation is NOT solely to meet the demand for coal supply for the State Electricity Company (PLN) or to save PLN's finances. However, more prominent than that, the DMO coal obligation policy is an effort to control coal production, which has been exploited indefinitely for decades. Controlling or reducing coal production is needed to achieve the energy mix target while considering the decreasing environmental carrying capacity, increasing

greenhouse gas emissions, and part of the strategy to maintain a balance of resources (PWYP Indonesia, 2018).

This public debate has mirrored the MSG discussions on the DMO. Although the DMO is not directly related to the requirements of the EITI Standard, the MSG takes it into account and facilitates discussions on the topic. I7 (anonymous) (2018), states that the CSOs proposed to put the DMO on the agenda of a discussion:

Recently, for example, PWYP proposed some issues, likes coal DMO, civil society's finding on differences in coal data between exports and imports from importing countries. Then (comparing) Customs' data to ESDM's data. All these things were discussed in (the MSG meeting) in Palembang last Thursday. Although those issues are not EITI' issues but the (MSG) forum can be used to (discuss about it).

In the discussion, all parties had different points of view; however, agreement was finally found on the coal mining's DMO. The government showed a strong interest to increase its coal's DMO from 32% to 60% in 2019 and put the coal in the broad strategy of energy security, especially for electricity supply rather than just an export commodity. The CSOs are in line with the government's argument on the primacy of domestic energy security. However, the CSOs also underlined the possible negative externality of environmental degradation if the government and companies accelerated coal production as one CSO representative stated:

coal special price for electricity is actually a subsidy that should not be given to any companies, including a state-owned company, PLN. Externalities - environmental and social burdens- that caused by accelerated damage due to increased production without being matched by adequate recovery should be taken into account in the policy of controlling coal production and exports (EITI Indonesia, 2018a).

On the contrary, the companies argued that they cannot deal with the reference price of DMO because it would lead to significant losses in company revenue. In this discussion, all parties eventually found a common agreement that the DMO was still needed. The companies also acknowledged that they need a greater domestic

market to prevent coal oversupply and to stabilise the price on the global market (EITI Indonesia, 2018a).²⁵

The case of the DMO shows that the MSG not only discusses current issues, but also collective agreement can be achieved when all parties see the urgency of problem solving and there is intersection between opposing interests. Even though they had different points of view, all parties still agreed on the use of coal for domestic energy supply. Furthermore, I7 (anonymous) (2018) also claims the DMO case indicates the mutual trust between the parties in the MSG:

Because there is trust, so let's have a discussion, let's go and they are policy makers. That means that the MSG's function is not just to supervise the preparation of reports, we need follow-up actions, not just implementation, we can even propose an issue for us to discuss together.

7.4.2 Preventing the Key Issues and Unsolved Disputes

The MSG processes have highlighted not only collective agreements between parties but also unsolved disputes between them and key issue prevention. Some parties show their reluctance and try various strategies of both mobilisation of bias and individual inaction, personalities, accommodation to prevent the issues to be transformed into the agenda, or to avoid certain concerns to be highlighted in further decision-making. In other words, while parties show their interest to support Indonesia EITI and the MSG, their support fluctuates because their interest is also very dynamic, in terms of the issues and timing. This section show these tendencies through highlighting the following issues: data access and MSG attendance, negative impact of mining, cost recovery, contract transparency and oil import.

²⁵ It is worth noting that in early 2021, the government exempted the amount of coal that must sold to the government due to DMO and waived the sanction for companies that cannot fulfil the DMO. This relaxation policy actually indicates that the companies successfully lobbied the government for getting a greater export quota because the global price is increasing (Mulyana, 2021).

7.4.2.1 Postponing Data Access and Devaluing the MSG Process

Even though the Government of Indonesia is keen to comply with the EITI due to aspects concerning global recognition and attractiveness (for more details, see chapter 5 and the previous section), the relevant ministries in the central government do not always support the institutional processes of EITI implementation in Indonesia. The disputes are unavoidable, and some remain unsolved in EITI implementation in Indonesia. Some officials in the relevant ministries may try and prevent or postpone the access to required and relevant data by arguing that it is not necessary to open all data to the public. Sometimes, they may be simply buying time by providing raw data material. Furthermore, when the government loses enthusiasm in the EITI implementation, they may devalue the role of the MSG by sending non-high-rank officers to the meetings.

In 2011, as an EITI candidate, EITI Indonesia conducted a scoping study as part of the publication of the Indonesian EITI Report 2009. There were six essential aspects included in this scoping study, namely (EITI Indonesia, 2012b):

- a. The extractive sectors, companies, and production units that will report.
- b. The types of revenue streams that will be reported and the government entities collecting these revenue streams that will fill out templates.
- c. Amounts (both in physical amounts and in dollars or rupiah surrendered to the government) above which revenue streams will be reported on.
- d. Whether amounts reported by industry vs. government will be crosschecked with an effort to see whether figures can be brought into alignment (reconciled) with a possible limited audit of figures that do not agree or whether a full audit will take place for figures that do not match.
- e. The degree of disaggregation (at the level of individual production units, at the level of companies, or only at the level of total revenue streams collected by the government) at which information will be presented in the final EITI Report.
- f. The time period that will be covered in the first reporting period.

During the scoping study, CSOs and relevant ministries in the government could not find consensus about what data should be included and published in the report. The government tended to be reluctant to open up access to technical but sensitive data such as those regarding lifting in oil and gas, tax-related data, and materiality aspect of data. I19 (anonymous) (2019) describes details of the dispute between CSO representative and the government's representative in the MSG:

The dispute has exactly occurred from the very beginning. So, dispute can happen on any issues and (there are) a lot of disputes about little things. (It can be a dispute) against government. The government tend to be resistance on the data we [CSOs] present. We got the most advanced NRGIs (data). We are always given input by NRGIs, and there we can request the most advanced demands. We always have dispute on everything from the (phase) initial scoping process. The first initial scoping, I remember there were a lot of disputes. It's a bit technical, such as whether it should be included as revenue or not, over or under lifting and so forth. (Discussion) is argumentative because we (CSOs) want to insert it to (report but the government does not want). Dispute about taxes also took for a long time. I forgot what the dispute was. It's like opening and retrieving tax data. It is a very long dispute, and it has been delayed for a long time.

So, from the beginning, there is a dispute between CSOs and the government.

The government representative argued that general and macro data should be made accessible rather than more detailed data. Moreover, due to national sovereignty and security, the Government of Indonesia need not share data to foreign institutions. I12 (anonymous) (2018) shares her experience when asking for data from relevant ministries for the first scoping study:

What is transparency? That question is always there when we meet with stakeholders from the government. It most often comes when we meet with ESDM (Ministry of energy and Mineral Resources). To what extent should it be transparent? We have been transparent, we have this report, this report, we just have to see. Do we want to be naked? Always the question: transparent in what way? Want to open data to foreigners? Because it was David Brown who brought it.

I19 (anonymous) (2018), one of the government's representatives from the Ministry of Finance, underlined the point about transparency with certain terms and conditions. I19 (anonymous) (2018) explains that:

Usually (this scheme) encourages very broad transparency, doesn't it? Maybe it is, in our terms, very naked, isn't? Maybe most NGOs want that. It's usually like that. Let's continue to explain. For example, when I was involved in a meeting, I gave an input (suggestion) that it doesn't mean we are against it or say this. But we need to see which item we can open.

It doesn't mean that we're against transparency we just need an explanation. (For instance) we can open access with the terms and conditions.

I10 (anonymous) (2018), another government's representative from the Ministry of Energy and Mineral Resources also urged defending the national sovereignty against foreign-induced transparency in that "we can say that we have sovereignty. Our sovereignty can be seen from our natural resources. and even that should not be shared with foreigners. We see that EITI is foreign (intervention)".

The leading figures in Indonesia EITI then try to solve the dispute over data access by lobbying the relevant high profile public officials to access the data in their ministries. The EITI Indonesia then relied on the personal role of their champions or informal network to lobby and negotiate with the high-ranking officers in the government to access the required data (I12 (anonymous), 2018; I22 (anonymous), 2019). I12 (anonymous) (2018) illustrates how difficult it can be to access the data without the endorsement of EITI Indonesia's leading figures:

Mr. Eri Riyana asked (me) who you would like to meet. If this is about oil and gas, the finance department at BP oil and gas is in charge of financial reports. Then later, Mr. Eri will find the person and get a call right away. At that time, Mr. Faisal Basri also helped to contact BP Migas (Mr. Faisal's college friend) ...If I came (by myself), it would not be considered at all.

However, along with the process of EITI implementation in Indonesia, unsolved disputes in the MSG cannot be easily solved (I22 (anonymous), 2019, I4 (anonymous), 2018). When CSOs' representatives request more transparent data in the extractive sectors, the government's representatives argue it is too transparent. For instance, the CSOs asked for an open coordination of SHP (shapefile) data in

mining because the Corruption Eradication Commission found an overlap between a mining area and conservation forest and protected forest in 2014 (I7 (anonymous), 2018) (for further details about this case, see chapter 8).

Again, the government's representatives objected to the request. In a MSG meeting, I19 (anonymous) (2018) states that they agreed to open it as long as the request was in line with the government's interests. However, she objected to open the data globally as they should be limited to relevant entities that have a direct interest. In addition, the government also collected its non-tax revenue from selling the data, hence, the EITI cannot request free access. I10 (anonymous) (2018) also underlines the threat of state sovereignty if the EITI opened detailed data for everyone, such as SHP data.

The relevant ministries do not always directly show their objection by ignoring requests to access data. Rather, they tend to send raw data material that can take a long time to be classified and analysed further. I22 (anonymous) (2018) tells the story of how technical officials in one of the relevant ministries sent unorganised raw excel data after EITI Indonesia sent a request to their head of unit.

Furthermore, the government also is also beginning to devalue the MSG process by sending more non-decisionmakers as the government's representative at the MSG meetings. As a result, the MSG does not put enough pressure on the relevant ministries in the government regarding the access of data, EITI implementation in Indonesia and EITI impact on policy reform in governance of the extractive industries. As stated by one of the attendees in the MSG meeting (30 November 2012) (EITI Indonesia, 2012a):

Members of the implementing team is equivalent to Echelon 1, but due to their daily busy work, mostly members of the Implementation Team always delegated to their representatives, which is always changing. And in previous meetings, we asked for an official assignment letter so that the Implementing Team meeting can be recognized. And we always deliver all the results and the progress. The problem is that the representatives always changing, so it must be explained again from the beginning.

The problem of the absence of the high-ranking officers has never been solved during the implementation of EITI Indonesia. The representatives of government in the MSG are not decision-makers in their ministries, hence, they cannot follow up further any EITI Indonesia recommendation (I18 (anonymous), 2018; I14C (anonymous), 2018).

7.4.2.2 Barrier-to-Entry to the Negative Impact of Mining and Oil Import

There are some rising issues related to the negative impact of extraction. Illegal mining is still operating in many areas in Indonesia and negatively affecting the environment (Siddharta, 2019; Saputra, 2021). Many CSOs and local communities living near mining sites are concerned and complain about environmental degradation. after the mining company no longer operated in that site. Furthermore, there are many cases of the deadly abandoned coal mining that has led to the deaths of 168 people, mostly children, from 2014-2020 (Apriando, 2017; Jong and Yovanda, 2020; Jong, 2021).

Unsolved disputes occur between the companies' representatives and CSOs' representatives on the issue of illegal mining, deadly coal sites and unpaid reclamation guarantee funds. The CSO representatives initially brought up the issue of illegal mining, unpaid post-mining reclamation guarantee funds and post-mining recovery and abandoned mining site at the MSG meetings. They proposed enriching the EITI Indonesia's Contextual Report with these current issues of socio-environmental impacts. In other words, it hoped to go beyond the template of EITI reporting that merely focuses on the publication of corporate social responsibilities funds and post-mining recovery funds as I7 (anonymous) (2018) explains that:

Yes, it (socio-environmental issue in the EITI report) is still limited, for example, only in terms of funds. It merely refers to CSR funds. However, EITI did not reach out or conduct an audit whether it is real the field. It hasn't. I said that MSG's job is not to check the field. That's the job of each ministry.

The CSO representative also provide some evidence to support the proposal. I14C (anonymous) (2018) describes that:

For example, there has been quite a heated debate between me and several companies about contextual report...When we met with the reconciliator, we

give several inputs regarding the number of mining pits is this, people killed (at abandoned site) is this, the number of unpaid reclamation guarantee funds is this. That's a fact.

It's not an opinion, it's a fact. It's a fact.

There is news (about it). Then, we give the news' links because everything must be verified. I already gave. Including illegal mining. We provide the data.

On the contrary, the companies' representatives from mining associations disagree with the proposal. They argue that the reporting must focus on items that are required in the reporting template. The companies' representatives argue that inserting the negative impact of mining in the Indonesia EITI's Contextual Report will affect Indonesia's international reputation. Therefore, the EITI Indonesia's report should publish the progress, positive achievements and examples of improvement in governance of the extractive industries.

Oil import is another example of barrier-to-entry strategy. Oil import has received public attention in Indonesia since it relates to corruption and rent-seeking. The Indonesian President, Joko Widodo, Indonesian CSOs and Corruption Eradication Commission all pay serious attention to fixing the problem of expensive oil import played by the oil import mafia that affects the state budget significantly (Suryowati, 2014; Idhom, 2019) (for details of the oil import case, see chapter 8).

Along with the introduction of EITI Standard 2013, the EITI also focuses on the issue of commodity trading, both oil and gas and mining, and Indonesia as an implementing country in terms of showing its commitment to publishing a report on commodity trading. Commodity trading usually involves a "brokerage" mechanism rather than direct buying/selling. The EITI also identifies that commodity trading influences the state budget in oil-rich countries. Therefore, transparency of commodity trading is essential for ensuring the maximum benefit for the country (Poretti, 2019). Indonesia published its first commodity trading in 2018 which shows SKK MIGAS have recorded 1,909 crude oil and condensate selling with the total values is \$74.4 million.

Since corruption in commodity trading in Indonesia occurs in oil import rather than oil export, the CSO representatives in the MSG propose to insert the issue of oil

import corruption into the country report but there is resistance. As Indonesia has no longer been an oil exporter since 2004, CSOs argue that the problem of opacity is more in oil and gas downstream activities, especially with regard import. The focus on transparency of oil imports is also in line with broad governance reform in Indonesia's extractive sector. However, PERTAMINA, a state-owned company in charge of oil import, has refused the proposal (17 (anonymous), 2018; 19 (anonymous), 2018; I14C (anonymous), 2018). I7 (anonymous) (2018) argues that:

At the global level, Indonesia is the pilot (of commodity trading report). So, from there, it can actually be seen that the downstream problems are the most common. This (commodity trading report) discusses the incoming ships, where the ships carry exports, where to import from. Although the results in Indonesia are not too good. But there are findings in the report, for example, there are 44 unconfirmed transactions and how many million dollars (export transactions).

And when we (CSOs) ask for imports too. But PERTAMINA doesn't want to. Because our exports are not comparable to our imports. And if we talk about oil and gas governance reform, it's about imports. So, imagine that we import 800 thousand or 1 million barrels per day in Indonesia. Who is the trader? Even though there is an ISC, ISC also buys it, right?

The rejection of oil import reporting in EITI Indonesia has applied a single barrier-to-entry strategy. It is impossible to publish about oil import because not only should the commodity trading report strictly refer to the template, but it should also break business law and convention, such as the competitiveness of offering prices (19 (anonymous), 2018). Furthermore, I21 (anonymous) (2018), an MSG representative from SKK MIGAS, argues that even the publication about oil export could be problematic because it breaks the law and government rules and regulations. For instance, SKK MIGAS is not seller, but simply appoints a company to be the seller. Therefore, since SKK MIGAS is not a party that signs trading agreements, it cannot break the law by publishing the agreement. Furthermore, any agreement disclosure should be agreed first by both parties.

7.4.2.3 Multiple Mobilisation Biases and Individual Inaction in Cost Recovery and Contract Transparency

The process of collective decision making in the MSG also shows parties use multiple strategies of mobilisation bias and individual inaction in the MSG decision-making process to prevent crucial and sensitive issue related to corruption and rent seeking to be followed up in the collective decision making. The multiple strategies include the postponement of a request, the creation of any barriers that make such issues impossible to be collectively decided upon and implemented, and strong suggestion or 'self-censorship' to not discuss such issues deeply in order to keep mutual trust between stakeholders. The two following cases, the cost-recovery and contract transparency are good illustrations of using multiple strategies of agenda setting.

One of the biggest issues related to oil-related corruption in Indonesia is the corruption of cost recovery - the cost of exploration and capital that the government should pay to a company when they decide to continue producing. The Corruption Eradication Commission declares that the mark-up of cost recovery, particularly investment credit and interest recovery is one of 13 patterns of corruption in Indonesian oil and gas upstream activities (*KPK "Incar" Kasus Cost Recovery*, 2008) (for further details of corruption in cost recovery, see chapter 8).

The government and CSOs both feel that the EITI could be an entry point to enhance cost recovery transparency. The Ministry of Finance also has strong concerns of the cost recovery issue, regarding the maximizing of state revenue as I15 (anonymous) (2018) explains that:

It's really interesting. I remember when Sri Mulyani was the Minister of Finance, how people were pushing and pulling her. Why? I think, around 2006/2007, cost recovery increased, especially as the price of oil went up. Between 2006 and 2008, cost recovery was going up, but we didn't see much further investment at the time. There was a high spike in oil prices, and that meant the State could enjoy greater revenue. So, the government also had an

interest in ensuring its win, ensuring the money went to the government. As such, it needed an instrument for monitoring. EITI was one such instrument.

Because there were efforts to promote transparency in regard to cost recovery, at least from the Ministry of Finance, they were interested in making data and information more transparency. But this couldn't be fully matched with the members of parliament. Things are different. The Ministry of Finance might focus more on increasing revenues and covering deficits, while Parliament has more political concerns.

Some CSOs also confess that one of their strongest interests to enhance EITI implementation in Indonesia is to uncover big corruption in cost recovery that affects the state's revenue from the oil and gas sector (Dara, 2013). CSOs feel that cost recovery is a strategic issue that can open the 'Pandora's box' of oil corruption in Indonesia. I4 (anonymous) (2018) explains that:

In the early days we became members of PWYP, we learned about cost recovery, learned PSC, learned how to gross split and so on. And we saw that, no matter what people say, we see that this is a window. We open a cost recovery that always under the protection of the confidentiality and sanctity of the contract...We even do our research, we download examples of the PSC of Cepu (block) and so on, I and ICEL, at that time, review all cost recovery and Abandonment and Site Restitution of environmental Funds. ICW always questions cost recovery and we feel it might be difficult for us to explain it to others... Actually, our mission is to be able to open Cost Recovery, and so on.

However, CSO representatives in the MSG failed to succeed in making the issue of cost recovery transparency in the agenda of EITI Indonesia due to strong resistance from companies and SKK MIGAS. From an early phase in the MSG, the companies and government were against the request of CSOs and regional governments on the publication of cost recovery details due to the sensitive nature of the data.

The SKK MIGAS as the most authoritative body of oil and gas management in Indonesia were in attendance with a full team and dominated the MSG discussions on the transparency of cost recovery. Furthermore, the authorities postponed the request to open the cost recovery data so that the request to do so eventually became irrelevant. I4 (anonymous) (2018) describes the details of the authorities' strategies:

We think there is a resistance from the company and SKK oil and gas. Especially when we discuss cost recovery, they are immediately very solid. For example, since the first report in 2009 we have consistently asked for the cost recovery data to be opened and that is very sensitive for them. So, every time we discuss cost recovery, I often meet these people until now, they come full (team), not only the directors. Echelon 1 of SKK MIGAS immediately came, the head of the financial control division, DPK, all of them came to surround us. The only CSOs and regional governments requested to open it and until now it have never been opened.

Even the establishment of EITI Indonesia was met with strong resistance due to the potential that CSOs' could raise cost recovery as a key issue. I4 (anonymous) (2018) describes how making the legal base of EITI Indonesia became a complex process due to some resistance:

They (the officials) are very resistant because they know this (EITI) will open cost recovery and before that they have seen a lot (news) (about efforts to fight against corruption of cost recovery). Before the Presidential Decree was signed, there was a struggle. We (the EITI drafters) have met (the authorities) many times. (We met) ESDM as the technical ministry, coordinating ministry, and so on. (We arrange) coordination meeting. As soon as the coordination meeting was finished, the draft was forwarded to the State Secretariat, once it was forwarded to the State Secretariat and wanted to be signed, SKK MIGAS didn't want to sign it, kept returning it to the bottom, each one was asked for a response, this has been done twice, and then back to the legal department of the coordinating minister... (The officials claim that they need) to adjust the budget year and so on, until we discuss it with Mr. Husein, Mr. Eri, it goes through article by article, for example, when should this come out, what month, what audit should be, where does the budget come from and so on, we have already completed the institutional articles.

Contract transparency is another example of actors in the MSG using multiple strategies to prevent antagonism. Contract transparency is the most important issue in transparency advocacy (*Delving into the world of oil, mining and gas contracts with open contracting*, no date) and The EITI made it an essential issue because:

Contract transparency allows citizens to understand the agreed terms for extractive projects in their countries, to check that every party is following them and to determine who is accountable for non-compliance. Contract disclosure also allows for comparison of different contracts. This can create a more level playing field and enable governments to negotiate better deals (*Contract transparency*, no date).

Furthermore, EITI International also requires all implementing countries to publish any contracts, licenses and agreements from 1 January 2021.

However, the MSG could not reach a collective agreement for asking for full contract transparency because the companies and the government's ministries tend to refuse. The companies quibble by referring to confidentiality clauses and market competitiveness that do not let them publish the contract. The government's representatives also use the same argument as the companies. I10 (anonymous) (2018) argues that:

When civil society asked to open an oil and gas contract, the government objected. Why? Because this contract is actually B to B. The government is represented by SKK MIGAS and contractors, both signed. This means, if we open it, for example, the other party will not necessarily agree. This means that if this is opened, we can face an arbitration.

The government's representatives underline that if EITI Indonesia publishes a contract, it should be the general aspects of the contract, such as the contract regimes, and not details of content as E19 (anonymous) (2018) argues:

Then (they) ask for each contract to be uploaded so that everyone can access it. It can't be like that. In my opinion, the contract is uploaded with general terms and conditions. Not every contract can be seen by everyone. It's impossible, that's the nature of the contract.

In addition, the government's representatives claimed that the sovereignty of the state is a key issue related to contract transparency because, when the government obey to publish the contract because of an EITI request, this, they suggest, indicates the government is no longer autonomous (I10 (anonymous), 2018).

Hence, even though the Indonesian Supreme Court has already decided that the contract between the government and a business is a public document, the Ministry of Energy and Mineral Resources keeps it closed. Neither EITI Indonesia nor Indonesian parliamentary members, as political oversight, can even access it (I16 (anonymous), 2018).

In contract transparency, all parties in the MSG also achieved partial agreement through individual inaction and accommodation. The government and the CSOs finally agreed to open the contract by sampling and focusing on the general aspects of the contract. I10 (anonymous) (2018) states that:

We said okay if we really wanted to open a contract, but we didn't display very sensitive figures. So, like this, for example we hide the percentage. So, this is a contract, in general, only very sensitive issues we hide. That's a win-win solution.

Something very detailed, sensitive, it's not allowed. So, we can only say that (you) really want a contract, we give you a contract, but we close it which is very sensitive. And it was accepted by them. We are looking for a win-win solution.

The CSOs also choose to postpone the further unsolved discussion in the MSG because it could break the mutual trust in the MSG. I7 (anonymous) (2018) states that:

In the past, there was a lot of discussion about cost recovery, contracts.

Then, for example, until 3-4 times it was delivered, there was a deadlock, finally it was decided, we finally gave in.

So, it's not directly about all the contracts. In the end, only one sample of the contract was taken for the report: what is the content of this, just sampling, what are the forms of the contract. Then it is written there that the contract is an open document but to access it, it must go through openness of public information mechanism.

7.5 Conclusion

This chapter has argued that collective decision making in the MSG has been made through the complex process of preventing some key issues as well as pursuing

other new issues. Some actors deny the key issues of transparency by using various strategies of mobilisation bias and/or combining individual inaction/accommodation instance of accessing crucial data, the MSG attendance, negative impact of mining, oil trading, cost recovery and contract transparency. Nevertheless, the actors within the MSG have accepted the existence of pluralism to some extent through the transparency of intergovernmental revenue sharing funds and DMO.

The chapter has also identified the notion that despite the mutual trust between the parties CSOs have new leverages in collective decision making but cannot maximize it. As explained before, the CSOs themselves sometime did individual accommodation for the sake of keeping the mutual trust by preventing themselves for advancing their demand. Hence, the MSG process may provide an opportunity for politicisation that does not necessarily come true.

In sum, we see the denial of pluralism in terms of political interest and demand through multiple strategies of non-decision-making (agenda setting). The deeper argument is that there is limited acceptance in some contexts, but it requires significant concession from CSOs; denial was often manifested not only through the outright rejection of an issue but also the acceptance of very narrow interest/issues. It could also be said that the government and the companies sought denial by diverting the issue onto the policy agenda by basically telling the CSOs that the issue is a matter, or this not a matter, for Indonesia EITI.

CHAPTER EIGHT

PARTICIPATION IN RESOURCE GOVERNANCE REFORM IN INDONESIA

8.1 Introduction

Assessing the practice of depoliticisation in EITI Indonesia through the lens of participation is challenging because it requires more strategies when there is no wide public participation related to EITI implementation in Indonesia. To solve the puzzle, this chapter focuses on the societal ‘face’ of depoliticisation - the process of depoliticisation is the societal context that the institutional mechanism seeks to shape (Wood and Flinders, 2014, p. 161). This is because EITI Indonesia is part of the broader process of depoliticisation in the policy areas of extraction. In other words, this chapter examines the degree of public disengagement by assessing the engaging actors - not only the number but also the types - and the decline of political issues in public discussion (Wood and Flinders, 2014, p. 161; Fawcett and Marsh, 2015, p. 173).

The analysis in this chapter moves from a micro analysis (institutional setting, set of rules and forum interaction) to macro analysis (public engagement, contestation and deliberation). It broadens the thesis’s analysis from exploring the process of EITI implementation in Indonesia, particularly the rules and MSG forum, to exploring public engagement in efforts of governance reform of the extractive industries. This chapter assumes that EITI Indonesia becomes part of the broader process of technocratisation and the shaping of societal discussion.

The chapter creates a broader shift in the way that the key issues of oil and gas and mining, as modes of resource extraction, are considered within society as a whole. The chapter then portrays processes of engagement of various actors - from politicians, officials, civil society organisations (CSO) to local communities - and media coverage in three key issues of governance reform of the extractive industries that have gained wide public attention in Indonesia: the cost-recovery in Indonesia’s Production Sharing Contract (PSC) at upstream, oil import at downstream and Clear and Clean (CnC) in mining permits. For each issue, this chapter identifies the key

point of reform, the key actors who lead the agenda, their strategies of engagement and other dominant issues.

This chapter argues that societal depoliticisation is achieved through the participation of intermediaries and technical solutions. First, due to the nature of the extractive sector that requires high levels of expertise and technical knowledge, these three key governance reforms express participation by intermediary agencies rather than wider popular participation. In other words, politicisation is not widespread through society. These issues are too technical even though they can have a significant impact on any given community as the issues are too technocratic for the general public to understand.

However, the interlinkage between actors is different. On the one hand, in the oil and gas sector, limited but fluid epistemic communities -consisting of CSOs, media, academics, think tanks, public auditors, politicians and anti-corruption commissions that connect one another to share similar ideas - discuss and contest ideas in public. Epistemic communities here refer to “as groups of knowledge-driven agents linked together by a common goal, a common cognitive framework and a shared understanding of their work” (Cohendet *et al.*, 2014). Some of them take part in non-political-appointed government task forces for oil and gas reform. On the other hand, in the mining sector, more solid advocacy networks that build some connections and coalitions with state-auxiliary agencies lead the governance reform.

Second, the primacy of technical solutions in public deliberation will be touched upon. The problem of poor governance is very political, such as rent seeking, the nexus of business and political cartels, and high-cost democratic practices, but when it comes to the solutions and reform strategies, they are merely technical and limited to aspects of financial auditing, accounting and administration. There is little room for alternatives and the solution also remains keeping logics of extractivism. In addition, the old political institutions, politicians and political parties are seen as part of the problem.

Furthermore, this chapter also concludes that the link between these three key issues to EITI Indonesia is more conceptual and individual than formal and institutional.

Even though some issues are reflected in the MSG discussions (see chapter 7) and that EITI Indonesia amplifies reform arguments in some respects, societal depoliticisation in governance of the extractive industries in Indonesia from 2010-2018 is an independent process without direct links to EITI implementation in Indonesia.

8.2 Oil and Gas Governance Reform

Indonesia has vast experience in managing its oil and gas sector, however it still requires further governance reform. The country has not only been recognised as a pioneer in the PSC model of the fiscal system, but has also succeeded in handling the economic impact of the end of the oil boom at the end of 1970s by minimising oil-dependent economic development and boosting economic diversification (B. Smith, 2007; see Lewis, 2007; Wihardja, 2016). Furthermore, Indonesian oil and gas governance is well-controlled, operated and supervised by the central government. In contrast, the mining sector is more decentralised since both central and regional governments share similar roles in licensing and tax and royalty collection to varying degrees (I21 (anonymous), 2018).

Nevertheless, Indonesia still finds some challenges to overcome the problem of oil-related corruption, rent-seeking and patronage in the Production Sharing Contract (PSC)'s cost recovery and oil import (Malik, 2018; see Buehler, 2020; Ibrahim and Robey, 2020). As with many oil-rich countries in the world, oil corruption frequently occurs in the context of business and politics. Gillies in her *Crude Intentions: How Oil Corruption Contaminates the World*, shows strong evidence that across the oil-producing world, problems of corruption have recently erupted. Furthermore, Gillies (2020a, p. 8) explains that corporation in colluding with the political actors use varying strategies to get access to excessive profit of oil. Their strategies of corruptions are also accelerated.

Political actors have the authority to award licenses, allocate and regulate oil extraction and often make use of their powers to engage in rent-seeking, corruption and patronage (see Ross, 2012, p. 209) or seek funding from oil and gas related sources for running expensive democratic elections (Gillies, 2020b).

By exploring two key issues of governance reform in the oil and gas sector, this Chapter argues that epistemic communities - consisting of the CSOs, think tank experts, academics, government audit agencies, anti-corruption commissions and parliament members - engage in public discussion. As a result, they have identified the significant role of the oil and gas cartel, referred to as oil and gas mafia, behind the practices of rent-seeking and corruption in which business actors collude with politician and relevant and authoritative officials in the government. They also identify some technicalities aspects, such as when the government and companies share mechanisms in oil production, the gap between the government's payment and oil lifting and so forth.

However, public discussions then “drown” into debates on technical aspects of the solution and reform strategies. The discussion then more focuses more on keeping cost recovery as part of the PSC system, placing the cost recovery on the state budget and efficiency of oil import chain than on uncovering and overcoming corrupt existing power structures and relationships that perpetuate the oil and gas cartel.

8.2.1 Rent Seeking, Cost Recovery and PSC system

The PSC system assumes that the government should pay back the cost of capital and production during the exploration phase to the oil and gas company (the contractor). Once the company decides to exploit the oil field, the government compensates such costs by deducting the lifted oil (gross production) for cost recovery and leaving the rest for profit sharing, which is then split into the government's share and the company's share. Although each oil-producing country has varying PSC systems due to their different political, economic and legal contexts, the basic assumption of the fiscal design - that allows the company as the contractor to recover costs in the case of discovery and production - is consistent across all diverse models of PSC systems (see Lingard *et al.*, 2020, p. 442) (for more details of Indonesia's PSC model, including items which may be covered, see chapter 5).

Cost recovery emerges as a public concern and gains media coverage when an Indonesian CSO identifies the potential loss of state revenue or when the practice

of rent seeking is raised because of overspending. In 2013, the Indonesia Corruption Watch (ICW), a leading anti-corruption CSO in Indonesia, brought to the public attention for the first time the audit details of Indonesian cost recovery in the period 2009-2012. They found 28 items of potential fraud by oil companies as contractors and the Special Task Force for Upstream Oil and Gas Business Activities (SKK MIGAS) with a total loss of nearly US\$140 million. In this case, the biggest potential loss of state revenue came from the marking up of the cost recovery (Dara, 2013; Deil, 2013).

This publication supported the initial finding of Badan Pemeriksa Keuangan (BPK) (the Audit Board of Republic of Indonesia) in 2008. The BPK and Badan Pengawasan Keuangan dan Pembangunan (BPKP)²⁶ initially audited the cost recovery and indicated potential misappropriation. Komisi Pemberantasan Korupsi (KPK) (Commission of Corruption Eradication) also agreed with the findings and promised to further investigate, particular on the finding concerning the government's double cost in taxes and increasing credit investment (from 40% to 100%) and lifting the supervision process (*KPK "Incar" Kasus Cost Recovery*, 2008).

Furthermore, based on data of the shares between SKK MIGAS and the oil and gas companies, the BPK examined the oil and gas related state revenues again and found a loss of state revenue of US\$1.17 billion in 2015. In this examination, the BPK found that loss of state revenue because of unnecessary costs in cost recovery is about US\$ 956million (Amalia, 2017).

In line with these findings, the public has focused more of its attention and questions on the cost recovery because of a paradox of oil production in Indonesia: on the one hand, the oil cost recovery is becoming increasing significantly and, on the other hand, oil production has been declining over the years (for an overview of Indonesian oil production, see chapter 5). The aggregate data show that Indonesian oil production decreases 6% every year and that it will be only around 300,000 barrels of oil equivalent per day (BOEPD) by 2050 (cf. PwC, 2019b, p. 17).

²⁶ BPKP is Indonesia's national government internal auditor.

On the contrary, the government's payment for cost recovery has increased significantly. The amount of money that the government has had to pay for cost recovery increased three times (357%) from US\$ 4.46 billion in 2002 to US\$ 15.91 billion in 2014. Ironically, the government has had to pay more for cost recovery (US\$13.90 billion) than the revenue they received from oil and gas production (US\$12.86 billion) in 2015 (Syeirazi, 2017, pp. 90–91). For instance, in 2016, the government paid US\$10.4 billion (IDR 138 trillion) for cost recovery whereas state revenue from the oil and gas sector was only IDR 110.4 trillion. After conducting an audit at that time, the BPK found irregularities in the cost recovery at Chevron Pacific Indonesia, Pertamina EP, CNOOC SES Ltd and Premier Oil Natuna Sea B.V where IDR 4 trillion were costs that should not have been included in the cost recovery (Citradi, 2020; Huzaini, 2020).

The government also has to pay more for cost recovery to the state-owned oil company, PERTAMINA EP, than to international oil companies (IOCs) operating in Indonesia even though IOCs produce more oil. For instance, the government paid US\$1.785 billion to PERTAMINA EP which produces 146,000 BOEPD and US\$1.337 billion to Chevron Pacific Indonesia which produces 425,000 BOEPD in 2007 (Syeirazi, 2009, pp. 230–231).

Thus, the ICW and its CSO network argue that the case of cost recovery is a strong indication of persistent rent seeking and corruption in Indonesia's oil and gas sector. Rent seeking has resulted in huge losses of state revenue and, hence, has presented the maximisation of the use of oil for financing social welfare (*Minyak Disubsidi, Minyak Dikorupsi*, 2008) (I4 (anonymous), 2018). The ICW highlights that policymakers' discretion and poor and secretive oil and gas governance in Indonesia has opened the opportunity for undercover dealings between the authorities and rent seekers, often referred to as the oil and gas mafia (*Korupsi Migas, Kartel Misteri yang Harus Ditembus*, 2013).

Indonesian academics and think tank experts concerned with oil and gas governance in Indonesia also argue that cost recovery is a burden on the government's budget and a site of corruption in Indonesia. Fahmi Radhi, an economist from the Universitas Gadjah Mada and a member of the team for oil and gas governance

reform, states that cost recovery is another persistent problem of corruption and rent seeking (Duta, 2015c; KAR, 2015; *Tim Faisal Basri Mau Hapus Cost Recovery, Karena Diduga Jadi Mainan Mafia Migas*, 2015). Batubara (2013), an expert in Indonesian resources, also identifies the modus operandi of some fraudsters by marking up and inserting irrelevant items that are not in line with Government Regulation No. 79/2010 which sanctions the details of cost recovery. Moreover, Ferdinand Hutahaean, Energy Watch Indonesia, urges the KPK to pay attention to the corruption practices of cost recovery (*Hampir Rp 4 T Uang Negara Raib, BPK Sudah Bekerja, Saatnya KPK Usut Temuan BPK Mengenai Cost Recovery Sektor Migas*, 2016).

Other academics also underline that cost recovery could even present problems for companies. For instance, Faisal Basri, an economist from Universitas Indonesia, a former CSO representative in the EITI Indonesia's MSG and a member of the team of oil and gas governance reform, agrees that cost recovery is problematic and suggests that it should be kept away from Indonesia law on oil and gas. Furthermore, he also argues that cost recovery also would be a dilemma for the companies. Companies are eager to receive government compensation for their capital and production costs but, in the PSC system, high cost recovery also reduces the portion of profit shared between the government and the company (Auliani, 2016).

However, SKK MIGAS, as the single authoritative body for implementing oil and gas management in Indonesia, dissents from those arguments and claims that the public is misunderstood about the real owner of oil and gas with regard the different between the amount of cost recovery and oil production. Hanif Rusdi, Head of SKK MIGAS in the northern part of Sumatera, argues that the public make the wrong assumption that oil reserves belong to companies. Under the PSC system, the government is the actual owner of the reserves, and the company is only a contractor that explores the reserves and produces the crude oil on behalf of the government. At the same time, the company also covers the cost of exploration and production in advance in that the government will pay it back if the company decides to produce after the exploration. This means that the government has nothing to lose and can avoid the huge risks attached to the exploration processes (Ini Penjelasan

SKK Migas Terkait Pengertian “Cost Recovery”, 2014; Banyak Pihak Keliru Pahami Cost Recovery, Ini Penjelasan SKK Migas, 2014).

Second, the upstream oil and gas companies' operating costs are not proportional to production. The upstream oil and gas industry has a long business cycle, which consists of one 30-year contract period. Because the reimbursed costs include costs incurred for activities carried out prior to oil and gas production and sales activities, this year's cost recovery will not be followed by an increase in production in the same year in the upstream oil and gas business. In addition, current production facilities require ongoing maintenance to retain their performance, whilst production in old oil and gas wells would inevitably fall (Ini Penjelasan SKK Migas Terkait Pengertian “Cost Recovery”, 2014; Banyak Pihak Keliru Pahami Cost Recovery, Ini Penjelasan SKK Migas, 2014). Therefore, Rinto Pudyantoro, a senior manager of SKK MIGAS, emphasises that the rise of cost recovery payment does not equal to the rise of oil production because the cycle of oil production is unique in term of time interval of the process of exploration, production and lifting (Pratama, 2015).

Furthermore, I21 (anonymous), an SKK MIGAS official, notes inefficiency as the main problem rather than rent seeking and, for him, the government's guidance - the Government Regulation No. 79/2010 - is very clear on the matter, as he states (I21 (anonymous), 2018):

First, cost recovery is like a mechanism, it is a machine. Mechanically, when it is inserted into the machine as an input, the output will definitely have been given. The way to do this (fix the problem of cost recovery) is ensuring process of procurement when the initial processing of the expenses is incurred. At that time, the contractor will make an offer and then it followed by evaluation process carried out by the SKK MIGAS. (SKK MIGAS will assesses) why did you issue this? Why, for example, have to buy it? Why must you drill here? (At area of) drill 10? That's a technical question of that expenses. If the contractor proposes but SKK MIGAS did not approve it, the contractor will bear the cost on his own. That's the first. Second, regarding cost recovery, we have regulations, there is PP 79/2010, which can be used as a guide on how to arrange cost recovery itself.

Although there are some collusions between corrupt officials and companies, I20 (anonymous) (2018), one of SKK MIGAS's former high-ranking officials, argues that the main problem of cost recovery is inefficiency. He explains that, in general, cost recovery is based on an agreement between the government and the company on the details of expenses that will be recovered. Sometimes, the company may spend its expenditure on items that are not included in the agreement, and then may try to renegotiate it with the government. The government can then agree to recover it as long as the expenses are still reasonable and on the whole support the production. However, some cases also show companies that collude with SKK MIGAS dishonest officials, trying to mark up expenses (I20 (anonymous), 2018).

When public discussions on cost recovery turn to the solution, the debate narrows down to technical aspects instead of looking at politically-related rent seeking and corruption. The discussion focuses on, first, whether the recovery should be kept, or replaced by another mechanism in the PSC system and, second, whether the cost recovery should be inserted into the Anggaran Pendapatan dan Belanja Negara (APBN) (State Revenue and Expenditure Budget) or not.

For some economists and think tank experts, cost recovery remains advantageous in some instances for the government. First, cost recovery is still an attractive incentive for foreign investment in Indonesia. I13 (anonymous) (2018) does not fully agree with replacing cost recovery with a gross split system, since oil in Indonesia is increasingly difficult to obtain, and thus requires greater investment. Cost recovery is attractive for foreign investment because there is a guarantee that the cost will be recovered. If a gross split system is implemented, the company will get a higher profit share, but it may be too risky for them, in term of cash flow, because oil exploitation in Indonesia is becoming more difficult.

Pri Agung Rakhmanto, from the Institute for Mining and Energy Economics, makes a similar argument, and claims that the government will have a good bargaining position by offering companies the cost recovery in oil and gas investment. This shows that Indonesia is not a premier destination for oil and gas foreign investment compared to Venezuela and Saudi Arabia (CR-!4, 2013).

Second, cost recovery is the best mechanism to ensure the government control. Pri Agung Rakhmanto states that the government can fully control all the contractor's expenditure during the exploration phase through pre-audit, during-audit and post-audit mechanisms in the cost recovery. The benefit of cost recovery is the government does not have to invest, however it still fully supervises and monitors the investment issued by the company; alternatively, the government can take part and become involved in its management (CR-14, 2013).

In line with these statements, Komaidi Notonegoro, Executive Director of the Reforminer Institute, also noted that the PSC system modification can, in fact, cut APBN spending for cost recovery. It is not, however, a certainty that the oil and gas non-tax state revenue would grow. The government may lose its ability to audit each and every contractor if cost recovery is not implemented. As a result, the precise quantity of oil and gas production per KKKS may be distorted and biased, resulting in a fall in oil and gas non-tax state revenue (Gumelar, 2016).

Third, the real risk taker is the company, not the government. I15 (anonymous) (2018), from the Centre for Energy Policy, states that the advantage of cost recovery is the government does not need cover all the costs during the exploration phase because the company takes it over first, including the risk. He explains that (I15 (anonymous), 2018):

Cost recovery is actually an instrument that is inherent in the type of contract adopted in Indonesia, namely production sharing. Because the state does not spend money, the costs incurred by the contractor in the context of exploration will later be replaced in cost recovery, so that is the key. So, the state does not have a state budget, or does not need to budget money for exploration or upstream oil and gas activities, so that contractors then bail out.

Furthermore, I15 (anonymous) (2018) claims that if some fraud occurs it is the result of the fundamental institutional problem of oil and gas governance than the cost recovery mechanism.

The idea of maintaining cost recovery in the Indonesian PSC system has received some support from members of the Indonesian parliament. For instance, Kardaya Warnika, an Indonesian MP in period 2014-2019, states that the problem of cost

recovery cannot be generalized. It is better to change the criteria for cost recovery by limiting the application to difficult areas only rather than eliminating it altogether because Indonesia will lose its revenue significantly if cost recovery continues to be used for areas where oil reserves have already been found and are producing (Duta, 2015a). The Indonesian parliament has raised concerns about the realisation of oil and gas lifting, which is inversely proportionate to the positive trend in cost recovery when it made an agreement with the government on the 2015 cost recovery amount of US\$ 16.5 billion, which is higher than the initial proposal from SKK Migas of US\$ 14 billion (Duta, 2015b).

However, the team backing oil and gas governance reform urges the cost recovery mechanism to be reviewed and identifies an alternative option to replace it because it has brought no benefit to the government. The team offers tax/royalty incentives and service contracts for new oil fields in Indonesia by considering the difficulties and work risks in each field (Duta, 2015c, 2015a; KAR, 2015; *Tim Faisal Basri Mau Hapus Cost Recovery, Karena Diduga Jadi Mainan Mafia Migas*, 2015).

The Indonesian government also shows its intention to eliminate cost recovery and to replace it with gross split. The Ministry of Energy and Mineral Resources of the Republic of Indonesia issued Minister Regulation No. 8/2017 that states the Government of Indonesia will adopt the gross split mechanism whereby the share between the government and the company will be split without the deduction of the cost of capital and production anymore (Syeirazi, 2017, pp. 263–266; see Roach and Dunstan, 2018). In other words, the company will take over all costs and risks. Arcandra Tahar, Vice Minister of Energy and Mineral Resources, claims this new mechanism provides the certainty (the incentive will be clear and measurable) and simplicity (simple, efficient and accountable business process) for the company (*Arcandra Tahar Jelaskan Keuntungan Skema Gross Split*, 2017).

In addition, the state-owned oil company, PERTAMINA EP, also supports the government's intention to eliminate cost recovery. Ahmad Bambang, the Vice Director of PERTAMINA EP, shows support but warns that the government cannot fully control and supervise oil extraction activities anymore (Agustinus, 2016b; Fajriah, 2016).

Whether cost recovery should be an item in the state's budget of revenue and expenditure or not is also part of public discussion. On the one hand, PWYP Indonesia insisted that cost recovery must still be included in the APBN. Thus, the government can predict the amount of state revenue and variable expenses as a component of revenue deduction. PWYP Indonesia underlines that companies need not be afraid of being criminalized if cost recovery is part of the APBN as long as they do not commit fraud or criminal acts (Abdullah, 2014a).

On the other hand, Agus Cahyono Adi, the Ministry of Energy and Mineral Resources, states that cost recovery does not come from the APBN, but from the production of oil and gas itself. After being calculated, the net results are included in the APBN. Subsequently, the APBN has never had any debt to pay for cost recovery (*Pemahaman Tentang Dana Cost Recovery Migas*, 2016). Fahmi Radhi, an economist, also agrees that cost recovery is not part of APBN. For instance, in case of Blok Masela, he notes that (Radhi, no date):

cost recovery will be paid (to the contractor) if only the ability to produce has been proven. The cost recovery payment uses the production share of gas which is part of the government. (So far) the government's share is about 59 percent. So, the government does not use cashflow from the state budget but from the government's share of gas production.

8.2.2 Unsolved Oil Import Dependency, the Oil “Mafia” and Reform Team

Since the early 1980s, Indonesia has succeeded in preventing oil-dependent economic development through economic diversification after the oil booms but it is still struggling to minimize its domestic fossil fuel consumption because of political obstacles to reduce fossil fuel subsidies and the gap between domestic oil production and consumption. First, after the economic crisis in 1997-1998, the Government of Indonesia tried several times to cut the public's high dependence on fuel by reducing fossil fuel subsidies which cost about a fifth of the total APBN (US\$27.5 billion) in 2014 but invariably resulted in public riots. In other words, in Indonesia, few actions are more politically delicate than hiking the price of fuel. For instance, price increases have historically sparked violent demonstrations

(Vaswani, 2013; *Fuel in Indonesia: What you need to know about subsidies and price hikes*, 2014; see Chelminski, 2018, p. 193).

Second, the Government of Indonesia has had to fill the gap between domestic oil consumption and production by importing crude and refined oil. Indonesia Energy Outlook 2019 shows that crude oil production has fallen from 346 million barrels (949 thousand BPOD) in 2009 to 283 million barrels (778 thousand BPOD) in 2018. Therefore, in order to meet domestic demand for refined oil, the government imported crude oil mostly from Middle East countries. From 2009 to 2018, the import dependency ratio (import divided by domestic supply [production+import-export]) is between 32% and 35% (Secretariat General of National Energy Council, 2019, p. 2)

The problem is that Indonesia's dependency on oil import has never been solved. To reduce oil import dependency, the government has tried to intensify the discovery of new oil proven reserves as a long-term plan (Pahara, 2018; Zuraya, 2018) (I20 (anonymous), 2018). In the short term, the domestic refined oil production was boosted by introducing the Refinery Development Master Plan, which aims to upgrade the capabilities and capacities of five (Cilacap, Central Java; Balongan, West Java; Dumai, Riau; Balikpapan, East Kalimantan; and Plaju, South Sumatra) out of the country's six oil refineries and to invite foreign private investments but this has seen little progress for the last two decades (see Hari, 2019).

In public discussions, experts and related parties in oil and gas governance debate about the roots of the problem, and whether it is a technical or political issue. Rachmad Hardadi, Processing Directorate of Pertamina EP (2011-2012), mentioned that land acquisition is the main problem (*Ini Penyebab Kegagalan RI Bangun Kilang Minyak*, 2015). However, Fahmi Radhi and Tumiran, a member of the Indonesian National Energy Council, believes that invisible intervention from business actors are the main source of the problem (Radhi, 2019; Umah, 2019). In addition, office politics within state-owned company, PERTAMINA EP, has muddied refinery development plans (Evans, 2020).

The public was involved in serious debates on rent seeking in oil import after the government raised fuel price and established a special team for reform in 2014. In

November 2014, the then new president of Indonesia, Joko Widodo decided to cut the fuel subsidy by raising gasoline and diesel pump prices (US16.5¢). He also ordered the Minister of Energy and Mineral Resources, Sudirman Said, to establish a team of oil and gas governance reform (Jokowi Takes on the Oil Mafia, 2014). Faisal Basri, the team leader, notes that the team was to focus on four main responsibilities (Basri, 2014a) that are review of policies and rules related to oil and gas at both upstream and downstream to minimise the gap for rent-seeking and corruption, institution reorganisation, acceleration of revision of Oil and Gas law and promotion of good investment climate that is free from rent-seeking and corruption.

Since then, the public discussion has focused on how to fix the problem of rent seeking activities in oil import that relates to subsidised fuels by eradicating the rent seeker network that is publicly regarded as the oil mafia. The oil mafia is a secretive cabal of oil cartels in Indonesia that comprise multinational corporations, state-owned subsidiary firms that act as oil trading brokers, government officials, and politicians. Global and national journalists indicate that this oil mafia has tight relationships with the country's most influential political figures, and some mafia members are part of powerful families and leading political parties, such as the GOLKAR Party, Democratic Party and Indonesian Democratic Party of Struggle (Suryowati, 2014; Jokowi Takes on the Oil Mafia, 2014; Raditya, 2019).

The oil mafia serves as a fundraising tool for major political parties and wealth accumulation for Indonesian elites. For instance, I13 explains that his findings show that this rent seeking boss asked for a double fee before the 2014 election. I13 explains that (interview with I13 (anonymous), team member, November 19, 2018):

What we suspected and have proved it that it (the money) flowed to politics. So ahead of the 2014 election, the fee that Reza asked for rose 100 percent from usual, for the 2012-2014 procurement. Therefore, we recommend a forensic audit of the 2012-2014 funding. Thank God, PERTAMINA's response was good at that time.

At the same time, it is also a path to accumulate huge wealth for the political and business elite (Suryowati, 2014; Jokowi Takes on the Oil Mafia, 2014; Raditya, 2019).

The oil mafia makes excessive profits. Fahmi Radhi mentioned that his team found that the oil mafia monopolized oil trading by importing an average of 800,000 barrels of oil every day where they made a profit of US\$ 2-3 per barrel per day. In other words, they earned an average of US\$ 2.4 million per day. Furthermore, Fahmi Radhi said that his team revealed that this cartel network controlled oil buying and selling contracts worth US\$ 18 billion in 2012-2014 (Laucereno, 2019).

The oil and gas governance reform team states that the mafia operates by taking advantage of loopholes in governance and decision-making processes. IO1 (anonymous) (2018) explains that:

We review and discuss the definition of the oil and gas mafia. It's actually very academic, yes, but I said that we must first clarify what the definition of (oil and gas mafia) really is. If we are going to use it for operational definition, it must be there, then we discussed it earlier. So then discussed earlier, there are two important points. The mafia is rent seeking in oil and gas by exploiting two weaknesses. The first is a governance weakness. Then, secondly, he took advantage of the weakness of decision making, the decision maker. So, with those two things, they are free to do (rent-seeking).

Faisal Basri, the team leader, notes that the oil mafia exploits a number of lax rules and regulations. They can also function because many processes are opaque, including the purchase, sale, and procurement of oil and gas commodities (KAR, 2014).

The oil and gas governance reform team also discloses that the oil mafia usually works through processes of bidding and marking up in blending. First, in the bidding process, the oil mafia usually emphasizes that the process is very transparent and online so anyone can apply and succeed. But the facts show that qualifications and prices are often leaked. Furthermore, this bidding process requires that the National Oil Company (NOC) participate. However, those who win the bids were always the same NOCs. Surprisingly, the NOCs that win the bidding come from countries that do not have oil, for example, Italy, Vietnam, Thailand and the Maldives. Meanwhile, British Petroleum (BP), although participating, have never won a bidding contract. This shows that NOCs from countries that do not have oil are only used as intermediaries. The NOCs actually

buy oil from BP as the main seller and sell it again. In other words, if the government of Indonesia buy the oil directly from BP oil, it supposed to be more cheaper (Sanusi, 2014) (I01 (anonymous, 2018).

Second, the oil mafia marks up through blending. I01 (anonymous) (2018) explains that the international market no longer sells premium gasoline (RON 88) so the price becomes more expensive, including in Singapore. Therefore, the oil mafia buys RON 92 and then downgrades it to RON 88 in Malaysia or Singapore. The downgrade process is not transparent, but, at the same time, there is no longer a premium price benchmark. As a result, they can charge a high price when selling premium gasoline to PERTAMINA. Because it is impossible for the public to buy an expensive gasoline with premium quality, the government then provides a significant fuel subsidy. Moreover, due to price disparity, the oil mafia smuggles Indonesia's subsidised gasoline to neighbouring countries, such Vietnam, Cambodia and East Timor. In short, the government in fact provides fuels subsidies from the state budget to the oil mafia, and not to its citizens.

Despite the fact that the team initially suggested broad recommendations of oil and gas governance reform in Indonesia, public discussion narrowly led to the disbandment of PERTAMINA Energy Trading Limited (PETRAL) and PERTAMINA Energy Services (PES). The team suggested 12 recommendations related to issues of oil and gas transparency and accountability, state oil and gas revenues, institutional design of upstream oil and gas, fiscal system of upstream oil and gas, oil and gas contract extension, licensing and investment, infrastructure, rights of regional government, national industry priority, trade and procurement of crude oil and fuel, benchmark of domestic fuel prices, and other relevant oil and gas issues (Suryowati, 2015b). However, public attention focuses more on PETRAL and PES which are believed to be the "vehicles" of the oil mafia. The KPK mentioned the significant role of PETRAL, a Hong Kong-based subsidiary of PERTAMINA and PES, a Singapore-based subsidiary of PERTAMINA in manipulating the oil import procedures (Dewi, 2019a; *Menguak Permainan Impor Minyak Petral di Kasus Bambang Irianto*, 2019). Furthermore, the commission explains that PETRAL acts as a "paper company" because it does not engage in

active sales or procurement. As such, PES is in charge of the oil procurement and sales to PERTAMINA (Bernie, 2019).

The oil and gas governance reform team also recognised PETRAL's significant position in oil imports and that it is potentially exploitable. Hence, the team proposed that PETRAL's role should be changed from fuel supplier for domestic demand to an international trading company (Basri, 2014b; Djumena, 2015). I13 (anonymous) (2018) explains that:

then a company was created. The (details of) evolution (of company), I don't remember. PETRAL based in a city of Hong Kong. It started through the collaboration between PERTAMINA and the former CIA agencies who worked in Indonesia to sell oil to America. Gradually (this) process became rent (seeking) activities of exports. (The players are) Bob Hasan, Tomi Suharto. Finally, their shares were sold to PERTAMINA before Pak Harto stepped down. Then, gradually production fell, consumption rose, the rent (seeking) shifted to imports.

The government surprisingly chose to impose the disbandment of PERTAMINA's subsidiary companies for the sake of efficiency. Rather focusing on the 12 broad strategies of governance reform, the government forced PERTAMINA to dissolve PETRAL and PERTAMINA then followed up by disbanding three subsidiary companies, namely PETRAL and its two subsidiary companies (PES and Zambesi Investments Limited) (Suryowati, 2015a). Sudirman Said, Minister of Energy and Mineral Resources (2014-2016), states that the disbandment of PETRAL has not only increased efficiency but also broke the chain of mafia in oil import (Akhir, 2015; Lestari, 2015). In line with that statement, PERTAMINA claims they can improve efficiency significantly by replacing the role of dissolved subsidiary companies with an integrated supply chain (ISC) (Idris, 2016).

PERTAMINA then revitalised the ISC that enhances transparent, fair and competitive tenders and imports directly from the world's main oil producers. As a result, PERTAMINA bought the crude oil at a cheaper price (Kusuma, 2015; Agustinus, 2016a).

However, prior to disbandment, PERTAMINA showed its objection to the 'oil mafia' label. PERTAMINA emphasised that there is no strong evidence of oil

import corruption and clarified that all its oil export and import data, including transactions with PETRAL had been reported to the Indonesia Central Bank on a regular basis (Asmarini and Jensen, 2014). Sugiharto, President Commissioner of PERTAMINA (2010-2015) in January 2015 stated the label is merely a stigma because no one had been arrested or imprisoned related to oil import corruption (Ramadhan, 2015).²⁷

Another proponent of PETRAL disbandment is the Indonesian parliament. The members of parliament agreed to dissolve PETRAL prudently as long as it boosted domestic oil refinery industries and improved the performance of the state's budget (Fajriah, 2014; *Pembubaran Petral Jangan Hanya Ganti Baju*, 2015). Furthermore, in line with the ministers' and PERTAMINA's arguments, the members of parliament identified that oil and gas governance would be more efficient if PERTAMINA bought the oil directly from oil producers (FAT, 2015).

Meanwhile, think tank experts and team members questioned the motivation behind the disbandment. Fahmi Radhi, states that, instead of disbandment, the team recommends the transformation of PETRAL's vital role in global oil trading. Furthermore, Fahmi Radhi and Marwan Batubara have a similar argument claiming that a new politico-business cycle that is very close to the president is willing to replace the role of PETRAL in the oil import and, as a result, the problem of the oil mafia will not be solved (Djumena, 2015; *IRESS: Surya Paloh Dibalik Isu Pembubaran Petral*, 2015). Yusri Usman, energy expert, also argues that PETRAL's disbandment without making serious arrests of those suspected of being part of the oil mafia shows that the government wants to improve its public image only (Deny, 2015).

²⁷ In 2019, the KPK arrested Bambang Irianto, Managing Director of PES (2009-2013) and President Director of PETRAL (2014-2015) on suspicion of bribery from Kernel Oil after a 5-year investigation (Idhom, 2019).

8.3 Mining Governance Reform

As one of the most highly mineralised countries in the world, Indonesia is still facing some problems and challenges related to the authorities and control over mining extraction and its impacts. As described in chapter 5, Indonesia has a plethora of diverse mining commodities with various sorts of production chains and actors involved. And as a result, administering these mining extractions is more difficult, requiring different agencies to monitor and supervise.

Therefore, Indonesia has introduced decentralised mining governance as part of the country's massive political devolution in early 2000 (Boulan-Smit, 2014) but it is not effective in problem solving. A problem occurs when rent seeking activities come along with decentralised licensing authorities. Local authorities tend to abuse their licensing powers for private interests when financing their candidacies in direct local elections and securing clientelistic political loyalties and social legitimation (Erman, 2007; McCarthy, 2011, p. 102; see Anugrah, 2019). Hence, a mining permit, in fact, is a tool of political transaction rather than one to ensure the right company extracts the mining field in the right manner.

This section, by focusing to Clean and Clear (CnC) in mining permits, argues mining governance reform shows more dynamic public engagement. Advocacy networks engage in order to enhance the reform. The state auxiliary institution actively leads the reform effort by not only consolidating a formal policy coordination between government units at different levels but by also inviting more societal actors to engage actively. Despite the fact that CSOs try to politicise issues of mining permits further, the rent seeking issues in mining permits have been narrowed down into a simple question of achievement of CnC status and maximising state revenue from extraction.

8.3.1 Rent Seeking, Clean and Clear and Mining Permit

The ways local authorities in Indonesia treat their mineral resources have changed since the early 2000s. Political devolution empowered the *bupati* (regent), *walikota* (mayor) and the *gubernur* (governor) to grant a wide range of business permits in

mining. For instance, the *bupati* had the authority to issue mining licences before 2014. Furthermore, the *gubernur* has more power to license when the Government of Indonesia withdraws the mining permit authority from the regencies/cities government and moves it into provincial government after issuing Law No. 23/2014 on the Regional Government. Hence, local governments believed they had the ability to award mining licences to private parties or manage mineral resources through local-government-owned companies (Erman, 2007, p. 181; Warburton, 2014; Robinson and Erb, 2017).

Furthermore, the local governments also identify their mineral resources as a pivotal source of their revenue. For instance, in the case of coal mining, Ordonez, Jacob and Steckel, et.al (2021, p. 49) note that coal mining is still main source of regional income that generate from non-tax revenue, such royalty (see chapter 5 for intergovernmental revenue sharing fund).

However, the fact also demonstrates that mining licencing by local authorities is motivated by rent seeking behaviours in the context of democracy. For the first time, Indonesia introduced direct elections for regent (at regency), mayor (at city) and governor (at province) in 2005. The nomination and campaign processes in these direct local elections entail huge financial support (Sulistiyanto and Erb, 2009; Hanif and Pratikno, 2012, p. 190; Perkasa, 2016).

This huge amount of money goes to local political parties which have the power to endorse the nominee, socialisation and meetings, operational cost (logistics, transportation, consumption and campaign attributes), witness costs and campaign funds (Hadiz, 2010, p. 121; Dalilah *et al.*, 2019, p. 186).

Many incumbents when they run for a second term then seek funds for their candidacy and campaign from legal donors with strong conflicts of interest or illicit money. Research conducted by KPK found potential conflicts of interest when an individual or company donor supported a particular candidate. The backers anticipate that if the elected candidate takes office, they may grant them a business licence, making it easier for them to participate in government project tenders, and protecting them while they conduct business (Dalilah *et al.*, 2019, p. 186). Furthermore, some incumbents collect illicit money through bribery in the issuance

of mining licences and land concessions, such as case of Nur Alam (Governor of Southeast Sulawesi) and Supian Hadi (Regent of East Kotawaringin) (Butler, 2011; *Korupsi Politik Terus Mengancam*, 2012; Widoyoko, 2014; Sasongko, 2016a; Chandra, 2017; Syahni, 2017; Dewi, 2019b). Mining permits henceforth are not granted exclusively to eligible companies operating using the right mechanisms and procedures of extraction.

The KPK has tried to attract more public attention on the practices of corruption and rent seeking in mining governance by initiating a policy coordination. The commission leads this policy coordination by enhancing one of its main roles, namely coordination and supervision among law enforcement and ministries at different levels of government. The commission introduced Nota Kesepakatan Bersama (NKB) (memorandum of agreement) between 12 relevant ministries in the central government to overcome the problem of corruption, deforestation and logging licensing in 2013 (*Selaraskan Langkah Selamatkan Hutan*, no date).

Due to the complexity of the problems and challenges of natural resources, the commission developed follow-up strategies in 2014. The commission split the issues into several sectors: Koordinasi dan Supervisi (Korsup) Mineral dan Batubara (Minerba) (mining), Korsup Kehutanan (forest), and Korsup Perkebunan (plantation). Korsup Minerba particularly focuses on the rearrangement of mining permits, financial obligations of mining business actors, the supervision of mining production, obligations for processing/purification of mining products and the supervision of sales and transportation/shipping of mining products in 12 (in 2014) and 19 (in 2015) provinces in Indonesia (KPK, 2014, 2015; Abdullah *et al.*, 2017, p. 13). Following strong pressure from Indonesian CSOs, the KPK also launched Korsup Energi (energy), which focused on oil and gas, minerals and coals, electricity, and renewable energy in 2016 (PWYP Indonesia, 2016c). As I6 (anonymous) (2022) explains:

Initially, Korsup was due to follow up on the Memorandum of Understanding (NKB) for the acceleration of forest areas which was a follow-up to previous studies by the KPK (2009-2014). Well, since the beginning of the preparation of these studies, CSOs were involved, but individuals such as Grahat and Timer were involved. So, at the initiation stage there were actually many from

the KPK, because they were supported by very supportive leaders, Mr. Abraham Samad and Mr. BW. Well, in its journey, the NKB was divided into several sectoral, Korsup of forest, plantation and mining sectors. In 2016, Korsup expanded to become Korsup of energy, because of pressure from CSOs such as PWYP.

Furthermore, the KPK magnified the issues and strategies by inviting more non-state actors into the policy advocacy network, called Gerakan Nasional Penyelamatan Sumberdaya Alam (GN PSDA) (National Movement on Rescuing Natural Resources) in 2015 (see *GN SDA: Sektor Pertambangan*, no date). Since then, the KPK's action plan has adopted a multi-stakeholder approach and has called upon Indonesian CSOs and local communities around the mining sites to engage more actively. Through this strategy, the CSOs and local communities not only provide the data and information or act as facilitators or consultants but also take part as a monitoring and implementation team, including reporting violations of the laws related to action plan and companies' obligations to law enforcement officials (KPK, 2015; Abdullah *et al.*, 2017, p. 13; Kartika, Nugraha M and Budiono, 2019, pp. 99–101). I11 (anonymous) (2018), a CSO activist, states that the CSOs have seized upon the GN PSDA's multi-stakeholder approach to gain more social legitimacy in policy advocacy and work closely with the state auxiliary institutions in order to enhance the reform in mining sector.

Despite the fact that the GNP SDA has a wide range of objectives, public debates have centred on the issue of mining permits' Clean and Clear (CnC) status. CnC status was first introduced to the public when the Ministry of Energy and Mineral Resources arranged the reconciliation of mining permit data in 2011. By coordinating and synchronising all mining permits in all provinces, regencies and cities, the reconciliation aims to develop a good database of mining permits, increase the government's revenue from mining, and the data integration of mining

permits between the central government and regional governments (*Rekonsiliasi Nasional Data Izin Usaha Pertambangan (IUP)*, 2012).²⁸

When the KPK's Korsup Minerba discovered that nearly half of the existing mining licences were still problematic, the CnC status was brought to the public's attention even more. For instance, 4,877 out of 10,918 (44.6%) mining permits in Indonesia were without CnC status in 2014 (Abdullah *et al.*, 2017, p. 48). Moreover, the Tax Directorate, Ministry of Finance data also show that 1,850 IUP (out of a total of 7,834) were licenced to mining companies that do not have a Nomor Pokok Wajib Pajak (NPWP) in 2010-2012.²⁹ Thus, only 2,304 out of a total of 5,984 (29%) IUP holders with NPWP paid their taxes (KPK, 2014; Abdullah *et al.*, 2017, p. 80).

CnC status generally focuses on the spatial and administrative aspects of the license. The reconciliation of mining permits through CnC status aims to ensure that every permit should not violate the law and overlap with another permit, either in the mining sector or between the mining sector and other sectors such as forestry, plantation and marine affairs and fisheries (Hartriani, 2017a). A mining licence, on the other hand, has a non-CnC status if it violates spatial planning aspects such as the mine area's coordinates changing or being perpendicular, overlapping with similar or different commodities, occupying more or less than 50% of the forest area, or crossing the border of another regency. Furthermore, non-CnC status is associated with administrative violations, such as mining licences for production being issued without the required prior licence for exploration, and mining licence issuance not being in accordance with Law No. 4/2009 on Mineral and Coal Mining (Abdullah *et al.*, 2017, p. 49).

The rearrangement of mining licences to ensure CnC status has received significant public attention because it has been agreed upon by not only government bodies but also by a wide range of societal actors. Relevant ministries in the central

²⁸ Ijin Usaha Pertambangan (IUP) is a permit to conduct mining business. Based on article 36 Law No. 4/2009 on Mineral and Coals, the IUP is divided into two types, namely IUP for exploration and IUP for production/operation.

²⁹ NPWP is a tax identification number issued by the tax office to potential taxpayers.

government developed a consensus on the enforcement of CnC status because it potentially contributes to an increase in the state's revenue from the extractive sector. The KPK has particularly strong support from the Ministry of Energy and Mineral Resources, Ministry of Home Affairs and Ministry of Environment and Forestry (ANT, 2016; Hidayat, 2016). In 2016, the Minister of Energy and Mineral Resources, Sudirman Said, stated that the government would collect Rp23 trillion after the endorsement of CnC status (Anindita, 2016; Duta, 2016).

Along with that, CSOs, local communities and the mass media also are very concerned about CnC status issues. For instance, Maryati Abdullah, national coordinator of PWYP Indonesia, noted the urgency of transparency of mining governance, particularly in issues of mining licensing, spatial and land use and state revenue (Abdullah, 2014b; PWYP Indonesia, 2014). In 2015, PWYP Indonesia requested that the new director general of minerals and coal do some "homework" on mining governance, such as the reorganisation of troubled mining licences and the potential loss of land rent and royalties from mining operations. PWYP Indonesia calculated that, in 2009-2013, the loss was Rp919.18 billion (PWYP Indonesia, 2015a). Regional government, in addition to central government, has the potential to lose revenue too. For instance, Aris Munandar, from the Swandiri Institute Pontianak, showed that West Kalimantan lost Rp72 billion (in 2012) and Rp88 billion (in 2013) of their revenue from Dana Bagi Hasil (DBH) (Shared Profit Fund). In 2014, the loss of DBH could be Rp44 billion (*West Kalimantan May Lose Rp44bn Shared Profits from Mining*, 2015).

In 2016, PWYP Indonesia identified corruption and rent seeking occurring at every stage of mining licencing, beginning with land conversion and continuing through the issuance of mining business area permits, exploration permits and production permits (PWYP Indonesia, 2016b). Hence, in terms of technical-operational, administrative, social, and environmental standards, 3,982 IUPs were still given to ineligible businesses (non CnC status) as of April 2016. Many IUPs have also been placed in restricted forest areas: open pit mining has been permitted on 1.37 million hectares of conservation forest area and 4.93 million hectares of protected forest area (Friastuti, 2016; Sasongko, 2016b; Abdullah *et al.*, 2017).

In early 2017, PWYP Indonesia called once more for withdrawing mining permits with non CnC status. PWYP Indonesia urged all governors to take firm action with regard mining permits with non-CnC status because IUPs with non-Clean and Clear (Non-CnC) status should be revoked or terminated after 2nd of January 2017, according to Ministerial Regulation 43/2015 on Procedures for Evaluation of the Issuance of Minerals and Coal Mining Permit. Furthermore, the Minister of Energy and Mineral Resources should take action if the governors do nothing. PWYP Indonesia also highlighted that revoked IUP holders must continue to pay unpaid taxes, land rents, royalties, post-mining reclamation, among other financial and environmental duties. In addition, POKJA 30 East Kalimantan, a local CSO in East Kalimantan, asked the government to revoke mining permits in transparent ways (PWYP Indonesia, 2017; Supriyatna, 2017; *IUP Non-CnC Harus Segera Dicabut*, 2017).

A broader advocacy network, Koalisi Anti-Mafia Tambang (Anti Mining Mafia Coalition), shared similar concerns about the mining licence issue. Following Korsup Minerba's findings on the mining licence problem in 2014, the coalition - consisting of 50 Indonesian CSOs and community-based organisations focused on natural resource-related corruption, state revenue, and the environment such as PWYP Indonesia, Article 33, JATAM, YLBHI, ICW, Muhammadiyah, Auriga and so forth - urged the following actions: to take firm action against mining licences with non-CnC status, to revoke mining licences operating in conservation areas, to ensure mining companies use an underground mining system when operating in protected forest areas, and to compel mining companies to pay unpaid reclamation and post-mining funds (Yovanda, 2014; Bifel, 2015). The coalition also requests the country's president Joko Widodo to form an anti-mafia task force to overcome the problem of mining sector (*KPK Akan Mengkaji Ulang Kontrak Karya di Daerah*, 2014).

The coalition underlines that if the government does not address the issue of non-CnC status, it results in further significant loss of state revenue. In the period of 2010-2013, the government had potentially lost Rp931 billion (land rent) and Rp3.1 trillion (royalties) from mining operations in 13 provinces based on

calculating the difference between potential revenue and realisation (Purwata and Alamsyah, 2014).

The coalition focused on monitoring and assessing the Korsup Minerba's index of performance. According to the coalition, 721 IUPs covering 2 million hectares had been revoked, with coal mining licences accounting for half of them in 2015 (lintasparlemen, 2016). By the end of February 2017, 1,500 IUPs in 31 provinces and 9 Kontrak Karya (Contract of Work) had been revoked, resulting in Rp1 trillion in *Penerimaan Negara Bukan Pajak* (Non-Tax State Revenue) (DAN, 2017; Segudang Masalah di Industri Tambang, 2017). The government prohibited 2,509 troubled IUP holders in December 2017 because they were still in arrears on their obligations to the government, preventing them from receiving public services from the central government or regional governments (Andes, 2017; Nugraha, 2017). In other words, two years after its inception, the GN PSDA/Korsup Minerba had proven to be effective enough to enhance the collaborative works in the eradication of mining corruption, rearranging the mining permits and saving huge losses from state revenues (Muhajir, 2017).

However, while the coalition supported the establishment of GN PSDA/Korsup Minerba and appreciated its accomplishments, they also had some reservations. The coalition urged follow-up actions after identifying and mapping the CnC status of mining permits in Indonesia. They also criticised the GN PSDA/Korsup Minerba for focusing solely on administrative aspects of mining licences while ignoring law enforcement against corporate crimes. Such ignorance could lead to the legalisation of mining corporate crimes. According to the facts, many mining companies with CnC status are still not operating properly and correctly. In East Kalimantan, for example, 26 persons drowned in rain-filled mining pits belonging to 17 IUPs with CnC status, while in West Kalimantan, 95 percent of IUPs with CnC status operating in the forest area without *Ijin Pinjam Kawasan Hutan* (Borrow-to-Use Forest Areas Permit) (Toumbourou, 2016; DAN, 2017; Mendrofa, 2017; Segudang Masalah di Industri Tambang, 2017).

Furthermore, the coalition claims that the works of GN PSDA/Korsup Minerba did not adequately address the more fundamental and widespread issue of mining

governance in Indonesia. The coalition states that “the policy of blocking trouble IUPs must be followed by the moratorium on new mining permit to minimise environmental damage and conflict at the community level” (Andes, 2017). As I6 (anonymous) (2018) also confirm that:

because their focus is on improving permit, but nothing at all after the blatantly illegal non-CnC permits were revoked, they still returned to the extractivism regime...In the end, the revoked permit's areas were returned to state reserves which the ministry can re-auction for permit.

Eyes on the Forest, a local CSO in Sumatera and Kalimantan concerned about the environment, also provided some local evidence that the improvement of CnC status cannot solve the main problem of mining governance in Indonesia. They published an investigation report, *Berlindung di Balik Selimut CnC (Hide Behind the CnC Blanket)*, revealing that, in case of West Kalimantan, the mining concession had been extended from 5,074,338 hectares (in 2012) to 5,462,289 hectares (in 2015) despite the fact that some IUPs had been revoked or reduced. The report also showed that four IUPs with CnC status had overlapping mining areas with a protected forest, palm plantation, production forest, industrial plantation forest. CnC status are held by 201 out of the 387 IUPs that operate in overlapping areas (Eyes on the Forest, 2016, p. 23).

Mining business actors have not expressed strong opposition to CnC status programme in mining concessions. Some of the revoked IUP holders rather complain about the unclear bureaucratic and administrative processes of CnC verification to the Ombudsman Republik Indonesia, and state that the change of mining license authority from regency government to provincial government after the implementation of Law 23/2014O makes the licensing process slower and more complicated (Hidayat, 2018). Other revoked IUP holders appeal to the court to get a final decision (Guitarra, 2017). In short, for private actors, the CnC status in mining licensing is more about administrative and bureaucratic procedures that will not threaten their interests (Pratama, 2017).

8.4 Indonesia EITI and Three Key Issues of Governance Reform in Indonesia

This section identifies further the link between Indonesia EITI and those key issues of governance reform of the extractive industry in Indonesia. Furthermore, it also explores whether EITI implementation in Indonesia has a direct impact on broad extractive industry governance reform, or vice versa.

This section argues that while EITI implementation in Indonesia has no direct link to three key reform issues, it does amplify reform arguments in some respects. Indonesia EITI-trained CSO activists who have gained technical knowledge and new leverage are also involved in and support the advocacy network of broader reform. Indonesia EITI and the reform intersect on the significance of transparency and the use of data reconciliation. The CSO representatives in the MSG, on the other hand, try to enrich and deepen the EITI report by using the issues and data findings of the advocacy networks in broader reform, despite some barriers and limitations.

Along with the reform efforts focused on governance of the extractive industry and eradicating the problem of corruption and rent seeking in terms of cost recovery, and oil and trading and mining permits, the Government of Indonesia adopts and implements the EITI that inspires the institutional model and approaches of reform. Indonesia EITI has not only highlighted the importance of a multi-stakeholder approach in policy processes. By implementing EITI in Indonesia, the multi-stakeholder approach has also been formally institutionalised by the government for the first time. Since then, multi-stakeholder approaches have become a standard mechanism in any subsequent breakthroughs and initiatives in Indonesia, from Indonesian Open Government Partnership, Indonesian Sustainable Palm Oil (ISPO), Sustainable Development Goals in Indonesia to Korsup Minerba in eradicating mining corruption. Furthermore, as a role model, the EITI's multi-stakeholder approach also works good enough with some limitations as I4 (anonymous) (2018) claims:

We are aware that it (EITI) has some limitations, but we take it because we see this (initiative) as a door. Previously, there has never been a discussion with the private sector, government, and NGOs at one “table” (forum). It may even be the first collective action model in Indonesia that is formally institutionalized...Sure there are other initiatives requiring (multi-stakeholders). For instance, RSPO that has been in turmoil and then ISPO tried to replace it. EITI is the only sustainable one. Even now, the SDGs have never succeeded in making a steering committee. Even the CSOs, when there was an SDGs strategic plan, they were not asked for signatures and approval, (this is) crazy.

When the government officially recognises the multi-stakeholder approach, it provides CSOs with an opportunity to engage in policy processes effectively. They can then advance their reform agenda and collaborate with numerous government agencies and state auxiliary institutions that are involved in corruption eradication. In other words, EITI Indonesia becomes an initial gateway to enhance reform in these three crucial issues of oil and gas and mining. I11 (anonymous), an international CSO activist in Indonesia, admits that:

(My) friends utilise transparency and accountability in the extractive sector. So EITI is source of CSOs’ legitimacy in which civil society has the right to talk about good governance in extractive industries. (Because of EITI) we have the pass (to talk). After that, we will talk about corruption. The movement of anti-mining mafia and movement of quasi-state actors, like the KPK, that drive it (the reform) actually know...the civil society in Indonesia knows that EITI is (only) a "batman trap", but let's look for the benefits.

Furthermore, the CSOs have not only been actively involved in the Indonesia EITI but have also used the KPK and Korsup Minerba to advance reform in the governance of the extractive industries. I4 (anonymous) (2008) admits that:

In the last three years, (we) made many policy corrections and we not only make used EITI but we immediately ... used KPK. At first, the KPK was going to be an observer at EITI (but) it seemed like it would scare them. That's it, we finally joined the Korsup.

In particular, Indonesia EITI magnifies transparency as a crucial aspect of reform that should be strongly considered in the reform of cost recovery, oil import and

mining permits. For instance, the transparency of decision making of CnC status in mining permits, such as the beneficial owners of the company, the company's impact on the social and environment aspects surrounding the mining sites and so forth, will help to uncover potential tax avoidance and the extent of the violation of local community rights (Supriyatna, 2017). As I1 (anonymous) (2018) admits Faisal Basri's experience as the CSO representative in EITI Indonesia contributed significantly to the endorsement of transparency as a crucial aspect for oil and gas governance reform:

Yes, it really contributes. Very simple, Faisal said about good governance. He described it very simply. If it is in an aquarium, there are a lot of fish and so on, it will be closed if it is dirty, now transparency is cleaning the dirt that was there, then (transparency) fence off so that the dirt doesn't get in again. So that's transparency. From the very beginning, what we wanted to achieve was transparency. At the ISC, we formulate governance for fuel procurement, it should be like this and this. (This) is for transparency. So, the original concept was transparency.

On the other hand, the broad efforts of reform in cost recovery, oil import and mining permits also enrich the transparency adoption in Indonesia. CSOs as the leading proponent of transparency combine the EITI data with advocacy networks' data and other transparency initiatives to improve governance of the extractive industry. In other words, EITI implementation is necessary but not sufficient for providing evidence and supporting the advocacy for governance improvement in the extractive sector. For instance, Korsup Minerba's data cover both big and small companies and focus on more comprehensive aspects of administrative process in the mining sector. A4 (anonymous) (2018) explains in detail how the advocacy networks utilise the data from various transparency initiatives:

We have found some data in Korsup. Korsup uses reconciliation (mechanism). This is similar to what EITI uses. So, (Korsup) reconciles even every 3 months, 2 months, between the central and regional governments. The point is that coal and minerals are data. (However) because the local government doesn't have data, ESDM doesn't have data, so they (Korsup) reconcile the data. So, we scale up the reconciliation in EITI with the Korsup model.

And Korsup is powerful. EITI collects (data of) big companies (only). Meanwhile (the number of) IUPs (small companies) are few (because they are limited by) materiality. Because if (EITI collect IUPs data) there are thousands (of IUPs), it's impossible. In Korsup, it's usually (about) small companies. Most are IUPs. IUPs are recorded by the regional government.. overlapping ones are revoked.. non CnC ones are revoked and so on.

In this Korsup, there are many milestones like PNBP improvements, SIMPONI etc. We combine the findings of large (companies) on EITI with findings of middle and lower companies (IUP), improvement of production mechanisms, production and export control, state revenue mechanisms, one map. So the problems [are] there, the tools are here. The tools are Korsup, EITI, OGP (as) instruments of openness. The outcome is system improvement. The system improvement starts with improving trade production control, illegal exports and so on. In illegal exports, we talk about how export evidence becomes a controlling instrument. So, export is withheld if the company does not pay royalties, does not have a NPWP. In fact, it was found that a company was formed without an NPWP. Actually, the company is not feasible because the company requires a NPWP. We encourage the basic things (administrative in nature) to become [an] integrated system. So the revenue, permit system, import-export production system, trade and even ships cannot work (respectively), all of that must be integrated with each other. If the permit (status) is non-CnC, the company cannot actually produce, not export, and so on.

Unfortunately, some efforts to deepen EITI implementation in Indonesia by utilising non-required EITI data faces barriers. As described in chapter 7, in the case of cost recovery and contract transparency, some disputes between CSO representatives against companies and government representatives are unavoidable in the MSG when the CSO asks for details of cost recovery data. Transparency of contracts between the company and the government also still cannot be accessed easily even though they are classified as public documents according to Law No.4/2008 on Openness of Public (I4 (anonymous), 2018; I7 (anonymous), 2018; I16 (anonymous), 2018).

Despite the fact that EITI Indonesia and reform initiatives of cost recovery, oil imports, and mining permits benefit from one another, they never meet or coordinate in a formal relationship. As a result, the points of intersection and interconnection between them are more personal than institutional. I7 (anonymous) (2018) confesses that it is “not yet (become) initiative (formal) and then become active. It hasn't. This should be encouraged by friends. (The process is) not yet, for example, wow, there is data, we'll take it. Not that far yet”. In some cases, some formal coordination and intersection sometimes happen because, as I7 (anonymous) (2018) explains:

like it or not, you have to find it. For example, in the context of BO (beneficial ownership). The government, such as BAPPENAS or ESDM like it or not (must meet) because of this initiative. The one here asks for (data), the one there asks for (data). Everyone speaks BO. Like it or not, they have to come together as one. There are those who demand that it must be like that because if it is not put together, it will be chaotic in its implementation, right...For example, we are talking about (the same). EITI talks about mining and oil and gas, Korsup also talks about mineral and coal, so the consequences will surely be met, when the issues intersect.

8.5 Conclusion

The three key cases of reform efforts in governance of the extractive industry in Indonesia show that societal depoliticisation occurs but is not common. Even while these problems may have a large impact on communities, the issues themselves are too cumbersome and technocratic for the general public to fully comprehend. Hence, intermediary entities engage in reform rather than popular participation.

In the oil and gas sector, few communities are involved in managing and discussing reform because the oil and gas authorities are centralised and fully controlled by central government and independent regulatory body. At the same time, the topics concerning oil and gas require expertise on very complex knowledge. In other words, the oil and gas governance reform represent a strong societal depoliticisation process.

In mining, advocacy networks engage in reform with a wider variety of actors: from national to local actors; to state auxiliary and societal actors. Hence, despite the fact that the reform still narrowly focuses on revenue and administration aspects, it is more open for local cases. Along with the diversity of actors involved, the debates on mining reform are more dynamic.

Most public debates are solely focused on issues of accounting, financial audit and administration. Despite the fact the problems are very political, and many politically influential actors are involved, the solutions come with more technical strategies. Furthermore, the social and environmental consequences of mining extraction are frequently overlooked. Discussions about post-mining or the issue of social and environmental effects have been limited to the reclamation guarantee fund only (see Greenpeace, Jatam, ICW, 2018).

Extractivism remains a prominent way of thinking among the actors that assume that extraction is a main fuel for economic development, state revenue and social welfare (cf. Burchardt and Dietz, 2014). All reforms are predominantly dedicated to ensuring that the government maximize its revenue collection from oil and gas and mining and, at the same time, any alternative ideas that go beyond extractivism, such as the importance of environmental sustainability and social impact of extraction have limited room.

Ultimately, blaming politicians can be seen as the most significant problem. Democratic spaces in post-authoritarian Indonesia allow more actors to become involved in the policy process of governance of the extractive industry, but there is still a “barrier-to-entry”. Non-political actors such as state auxiliary institutions, civil society advocacy networks, task forces for reform, and executive branches are dominating the processes, whereas the old political institutions such as political parties and politicians in parliament have been seen as part of the problem rather than committed agents to reform.

Table 8.1 Mapping of Issues, Problems, Key Actors, Strategies and Types of Relationship in Reform

Issue	Problem	Key points of reform	Key actors		Strategies				Type of Relationship between the actors
			Whose agenda	On behalf	Engagement		Disengagement		
					Who	Actions	Who	actions	
Cost-recovery in PSC system	<ul style="list-style-type: none"> • The loss of state revenue because of overspending of oil cost. • Rent seeking and mark- 	<ul style="list-style-type: none"> • Transparency of cost recovery • Follow-up the public audit's finding about some deviances 	<ul style="list-style-type: none"> • CSO • academics • think tanks 	Public in general	CSO	<ul style="list-style-type: none"> • Publish and disseminate the forensic audit • Using the EITI for asking the cost recovery transparency 	SKK MIGAS	<ul style="list-style-type: none"> • Resist to the claim of cost recovery corruption • Technocratic reform for efficiency 	Fluid epistemic community

	up in oil cost				Mass media	Cover the news and investigation	x	x	
					BPK & BPKP	Official audit	x	x	
					Academic and think tank	Involving in public debates	x	x	
					Politician in parliament	Involving in public debates and final decision of cost recovery	x	x	
Oil import	• Rent seeking and mark-	• Overcoming the oil import	• CSO	Public in general	The team for oil and gas	Investigates the corruption and develop recommendat	PERTAMI NA	• Denial of oil mafia existence	• Task force in reform

	up in oil import	corruption called oil mafia	<ul style="list-style-type: none"> The government 		governance reform	ion to the president		Replace PETRAL and PES with ISC	<ul style="list-style-type: none"> Fluid epistemic community
					CSO	<ul style="list-style-type: none"> Publish and disseminate the report Influence the public discussion 	x	x	
					Mass media	Cover the news and investigation	x	x	
					Academic and think tank	<ul style="list-style-type: none"> Involving in public debates Member of the team 	x	x	

CnC in Mining Permits	<ul style="list-style-type: none"> • Rent seeking and corruption in mining permits 	<ul style="list-style-type: none"> • Ensure the mining permits being issued to eligible company 	<ul style="list-style-type: none"> • CSO • Local communities • State auxiliary institution 	Public in general and local communities in particular	CSO (national and local)	<ul style="list-style-type: none"> • Publish and disseminate the report • Influence the public discussion • Interlink the data of reform effort and EITI • Support the national movement 	Government ministries	Merely focuses on CnC status (administrative and tax issue)	<ul style="list-style-type: none"> • Advocacy network • Coordinate and supervise
					Mass media				

					State auxiliary institution	<ul style="list-style-type: none"> • Lead the national movement • Coordinate and supervise relevant ministries 	x	x	
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Source: Constructed by author

CHAPTER NINE CONCLUSION

9.1 Introduction

This chapter provides some academic reflection that links the empirical findings and the theoretical terrain of the thesis. Therefore, this chapter not only summarises the main findings but also shows how the thesis contributes to the academic debates on politics in the Global South, particularly with regard to depoliticisation studies and resource governance studies. This chapter also describes the limitations of the analytical framework and research methods deployed in this study.

This study sets out to examine the dynamics and practices of depoliticisation as a localised global norm in an emerging democracy in the Global South. Moreover, it focuses on oil and gas and mining governance by considering the Janus-faced extractive sector: on the one hand, the sector entails high expertise in technical knowledge or technocratic skills, and on the other hand, the extractive sector is not only very political and contentious, but also the effects thereof affect local communities extensively. Therefore, this thesis focuses on the Extractive Industries Transparency Initiative (EITI) implementation in Indonesia between 2010 and 2018.

In order to develop a comprehensive explanation, this study deploys depoliticisation as the overarching framework in analysing the governance of the extractive industries. After conducting a critical review of the existing studies on depoliticisation in general and depoliticisation and development in the Global South in both the modernisation and neoliberalism period, this study develops a stipulative definition of depoliticisation as “governing strategies and attempts at governing deployed by key actors aimed at creating contextual ignorance of power relations and structures, denial of political pluralism and antagonism and impediment of public engagement”.

This analytical framework is then confirmed empirically through a single case study. This research method combines strategies of data collection, from in-depth interviews with relevant key informants that actively engage with the EITI Indonesia implementation and reform effort in governance of the extractive industries, and document analysis, to observation. The data are analysed through stages of thematic analysis: identification of theme, themes-based data classification, interpretation of data focusing on the similarities and differences and the relationship between the themes and links between the themes and theoretical concepts.

9.2 Main Finding of Empirical Analysis

Referring to the stipulative definition, this study explores the practices of depoliticisation in EITI implementation in Indonesia by attempting to answer the main research question: “How do the attempts at, and strategies of, depoliticisation work in the institutionalisation of transparency of extractive industries governance in Indonesia's emerging democracy through processes of contextual ignorance, denial of pluralism and antagonism and impediment of public engagement?”

For further empirical analysis, this study then splits the main research question into sub questions. These draw together the global and domestic setting and the three key variables of identification of depoliticisation practices: contextual ignorance, denial of pluralism, and antagonism and impediment of public engagement. The sub-questions are as follows:

- What are the global and domestic context that influenced and facilitated the dynamic process of institutionalisation of transparency of governance of the extractive industries in Indonesia? (SQ1)
- To what extent have various actors involved in EITI Indonesia ignored the local context in institutionalisation of transparency of governance of the extractive industries in Indonesia? (SQ2)
- To what extent have the various actors involved in EITI Indonesia denied political pluralism and antagonism in the institutionalisation of transparency of governance of the extractive industries in Indonesia? (SQ3)

- To what extent have the attempts and strategies of depoliticisation delimited political capacity from specific groups or individuals to demand and transform their interests and preferences in institutionalisation of transparency of governance of the extractive industries in Indonesia? (SQ4)

By pinpointing a particular depoliticisation event or process in detail, potentially across time during EITI implementation in Indonesia between 2008-2010, the empirical analysis has found some key themes and findings. The findings shows that: the changing global and domestic political landscape drives institutionalisation of governance-by-disclosure through the EITI, both at the global and domestic level; meanwhile, EITI partially recognises countries' uniqueness in terms of fiscal and legal aspects and diverse achievements, there are some efforts to seize the space for politicisation; the complex processes of preventing and pursuing the issues into an agenda occur in the multi-stakeholder approach and collective decision and; broad governance reform involves participation by intermediaries and the primacy of technical solutions.

9.2.1 Global and Domestic Context and Institutionalisation of Governance-by-Disclosure

Referring to SQ1, this study has found that the shifting of global and domestic political settings provides an opportunity structure to politicise the demand for transparency in governance of the extractive industries. These changes also have not only instilled actors' influential power, leverages, patterns of relationships but also the collectively agreed scheme of governance-by-disclosure. Moreover, in the domestic context of Indonesia, political change comes along with the government's strong interest in international reputation and the global token of membership as a new emerging democracy with a good climate for investment.

As shown in chapter 4, global governance of the extractive industries changed, in terms of the actor involved and the issues, when the world became multipolar in the 1990s. Western governments no longer have privileges in working and dealing with autocracies in many resource-rich countries in the Global South for the sake of securing a domestic energy supply. At the same time, the more consolidated global civil society has become a more politically influential global actor and has

politicised the global extractive sector by advocating against multi-national companies' involvement in human right abuses and corruption related to extractive industries and asking for greater transparency. Moreover, the issue of global governance of extractive industries has shifted from a narrow focus on the technical, fiscal and legal aspects of extraction to problems such as resource curse, social conflicts, poverty, and so forth.

At this point, transparency emerges as the foremost global norm for overcoming the problem of plenty and its manifestation, and governance-by-disclosure has been introduced through various mechanisms. Transparency has been widely accepted by various actors since it is a-political and does not threaten the existing power structures and the intersection of diverse interests between many actors. The EITI is a flagship of governance-by-disclosure and has been introduced in the extractive sector, both at global and country level. Mirroring the global political landscapes, the EITI has not only put an emphasis on rules adoption but also bring a multi-stakeholder approach in the way the EITI manages the organisation and makes decisions.

However, this study also identifies further questions about the effectiveness of the governance-by-disclosure practice and its social impact on the ground. Governance-by-disclosure has a proceduralisation tendency in that it sets a series of procedures and the publication of more information and ignores the outcomes and impacts. Governance-by-disclosure also has a missing link when it comes to the basic assumption that “to publish” equals to “to empower”. This shows that the publication of plenty of public information does not always lead to greater citizen engagement and a more accountable government. Finally, the multi-stakeholder approach and collective decision making are often contentious since the interest of actors involved can be different and opposing.

In chapter 5, the study found that political reform in post-authoritarian Indonesia, the political setting and the nature of extractive commodities were significant factors influencing the dynamic process of EITI implementation in Indonesia. The reform has not only changed the pattern of interaction between the state and non-state actors but also provides an opportunity structure to introduce the many

schemes of governance-by-disclosure in the public domain, such as Open Government Partnership, One Map and the EITI.

In the context of the strong nexus between business and politics in the extractive sector, different actors have different interests to governance reform of the extractive industries in Indonesia. National or local politico-business elites show less interest whereas CSOs and local communities are strong proponents of reform. In addition, the central government and regional government support the reform through different interests. The central government appears focused on global reputation and international attractiveness, while regional governments demand fairer natural resource profit sharing.

Extractive commodities are diverse and, hence, governance of the extractive industries in Indonesia is not under a single authority and the problems related to extraction manifest in different ways. The central government takes full control over the licensing and managing of the oil and gas sector in which SKK MIGAS became a taskforce to organise and monitor oil and gas production through the Production Contract System in the upstream sub-sector while BPH MIGAS supervises the supply and distribution of oil and gas in the downstream sub-sector. Meanwhile, in mining, the government shares the licensing, monitoring and supervision authorities with regional governments. Furthermore, the range of extractive-related problems is widely spread from central-regional government tension on profit sharing, corruption of cost recovery and rent seeking in oil import, illegal mining, abuse of child labourers and indigenous communities' rights in the extraction sector, social inequality, to deadly abandoned mining sites.

In short, this study found that all these global and domestic contexts contribute to the process of depoliticisation and politicisation in EITI implementation in Indonesia.

9.2.2 Partial Recognition of Local Uniqueness and Seized Spaces for Politicisation

Referring to SQ2, this study, by focusing on EITI's rules and procedures and adoption in Indonesia, has highlighted three main findings. First, the findings confirmed that the EITI at the global level ignores the political structure and

relationships which are determinant factors for governance reform. The EITI claims to keep a balance between globally applicable and locally sensitive standards. On the contrary, this study found that the EITI recognises partially and narrowly the diversity of the locality of fiscal and legal aspects of the extractive sector, different countries' workplans and actions of EITI implementation and different achievements in fulfilling EITI's requirements. Second, even though the EITI claimed the flexibility of local implementation, EITI Indonesia's country report has really mirrored EITI's global template without any adjustments. Third, despite the fact there are strong depoliticised tendencies in EITI's rules, CSOs still try to seize and politicise EITI implementation in Indonesia in order to open a Pandora's box in the oil extractive sector and to achieve more extensive transparency in the sector.

In chapter 6, this study demonstrates that the EITI, as a global rule, has transformed from simple procedures referring to EITI's Principles and Criteria and merely focusing on the publication of reconciliation between the government's revenue and companies' payment to complex mechanisms referring to EITI's Rules 2011/EITI Standard 2013/EITI Standard 2016 and extensively demanding some requirements. In this transformation, the EITI also tries to, on the one hand, find relevance in any different resource-rich countries, and, on the other hand, accommodate the unique context of different countries.

This study found that although, at an early phase, the EITI was bottom-up and inductive, it then became a set of directive global rules that should be applied in any implementing country with little for flexibility, including the case of EITI Indonesia. After the declaration in 2003, the EITI allowed the eight pilot countries - Azerbaijan, the Republic of Congo, Ghana, the Kyrgyz Republic, Nigeria, São Tomé e Príncipe, Timor Leste and Trinidad and Tobago - to translate transparency as a global norm into the country specific-based implementation and facilitated these processes with some recommendations and suggestions as guidance. Taken from the experiences of the eight pilot countries, the EITI then urged the development of a globally applicable set of rules to guide a country and with which they can be assessed in terms of achievements and comparative benchmarks. The EITI simultaneously recognises flexibility and local adjustments as long as it is related to local initiatives of workplans and action plans and materiality. When introducing EITI Standard

2013, the EITI explicitly recognised the local context and required contextual information to be included in the country report, but it narrowly focused on descriptive information of the country's legal base of the extractive sector and fiscal regime. EITI implementation in Indonesia strictly follows EITI's formal and informal rules. In 2016, along with the introduction of EITI Standard 2016, the EITI also recognised the achievements of different countries in fulfilling the EITI Standard requirements and status labels namely no progress, inadequate progress, meaningful progress or satisfactory progress rather than just candidate or compliant country.

In the midst of this partial recognition, Indonesian CSOs have politicised EITI Indonesia and have requested more extensive information on the oil and gas and mining sectors are published. By engaging with EITI Indonesia, CSOs not only get access to plenty of information that was previously inaccessible, but it also increases their technical knowledge and skills on the extractive industries. Furthermore, they also have the opportunity to become more involved in decision-making processes and sit together with the government and business actors. In short, this EITI's depoliticisation tendencies were never fully achieved and have become stagnant.

9.2.3 Complex Processes of Preventing and Pursuing Issues into the Agenda

Referring to SQ3, this study, by focusing on the collective decision making in the MSG, has found that the denial/recognition of pluralism and antagonism are complex processes. The process of rejection and acceptance of pursuing certain issues into the agenda in EITI Indonesia's MSG is dynamic because it is related to the degree of conflicting interests between parties than building mutual trust. Unsolved disputes can lead to the rejection of strategies utilising either a single strategy of mobilisation of bias or multiple strategies of mobilisation of bias combined with individual inaction, personalities or accommodation.

As demonstrated in chapter 7, this study highlights the interests of government, CSOs and the businesses involved in the MSG. For instance, the central government's main interest is to ensure EITI Indonesia fulfils all EITI requirements and, as a result, achieves an EITI good status. Meanwhile, the regional governments

are interested in getting more information in order to influence the decision making related to the revenue sharing fund and regional government authority in the extractive sector. In addition, CSOs are keen to politicise the MSG for advancing greater transparency in the extractive sector. Finally, business actors have varying degrees of interests. For example, the oil and gas business association initially showed an interest to become more involved but then withdrew from the MSG by claiming that their accountability has been supervised by SKK MIGAS. On the contrary, the mining business association showed their interest in becoming more involved in the MSG decision-making processes by sending their high-ranking officials to ensure EITI Indonesia provides the mining companies operating in Indonesia with a good reputation.

Due to the different and opposing interests between the parties, trust issues presented barriers to open and honest communication in the MSG during the early phase of EITI implementation in Indonesia. The government and business actors underestimated the technical knowledge and skills of the CSOs when discussing the extractive sector and were suspicious of their underlying motivations. Therefore, CSOs have equipped themselves with a series of capacity building and trainings on the technicalities of extractive industries.

Moreover, this study has found the fact that the MSG interactions have expressed unfinished and complex processes of preventing or pursuing the issue onto the Indonesia EITI's agenda. All parties in the MSG easily accept a proposed issue if there are no strong contrasting interests, such as issues of transparency of intergovernmental revenue sharing funds and the Domestic Market Obligation of coal mining.

Nevertheless, the non-negotiable interests generate unsolved disputes and rejections that deploy various non-decision-making strategies. In the case of EITI data access and proposal of publication of negative mining impacts, the rejection is expressed through a single strategy of mobilisation of bias, such as the request postponement, making the request irrelevant, or devaluation of the process or barrier to entry. In the case of cost recovery, contract transparency, and oil import, more sophisticated strategies -that deploy multiple strategies of mobilisation of bias

and/or combine with individual inaction, personality and accommodation- are mobilised.

9.2.4 Participation by Intermediaries and the Primacy of a Technical Solution

Referring to SQ4, by shifting the analysis from governmental depoliticisation within EITI Indonesia (micro) to societal depoliticisation (macro) in three key issues of governance reform of the extractive industries - corruption of cost recovery, rent seeking in oil import and Clean and Clear (CnC) in mining permit - this study has underlined that societal depoliticisation works through the participation of intermediaries and technical solutions. The study has also found that, since the chains of extractive industries are complex and, hence, require expertise in understanding technical aspect, these governance reforms represent the participation of two different types of intermediaries rather than wider popular engagement. In oil and gas governance reform, CSOs, media, academics, think tanks, public auditors, politicians and anti-corruption commissions have been interlinked through a limited but fluid group of ideas (epistemic communities), all engaging in various public discussions. Whereas, in mining governance reform, the state-auxiliary agency leads solid advocacy networks by not only coordinating and supervising the relevant ministries and bodies in the government but also inviting and engaging broader CSOs and community-based organisations on the ground.

Furthermore, these three key issues of governance reform of the extractive industries also work through the primacy of technical solution and the logic of extractivism. The reforms emphasise the importance of financial auditing, accounting and administration reform even though they recognise that the source of poor governance is very political. Furthermore, reforms also remain working through the logic of extractivism assuming the exploitation of extractive commodities is the main contributor of economic development and social welfare.

9.3 Contribution

This study aims to contribute to, and enrich the theoretical and empirical debates on contemporary depoliticisation and democratic governance of extractive

industries in the Global South by bringing depoliticisation as the overarching framework and locating its focus of analysis at practices of depoliticisation and its counter dynamics in a particular venue (the Global South and governance of the extractive industries) and in a certain political regime (a resource-rich country and an emerging democracy). Therefore, this study has some original contribution claims, both conceptual contribution and empirical contribution.

This study has two conceptual contributions. First, the stipulative definition of depoliticisation. This study defines politicisation as an attempt to bring the issue into public concern and transforming it as matter of the government (cf. Palonen, 2003, p. 171; Kuzemko, 2014, p. 262; Palonen *et al.*, 2019, p. 256). This definition implies two aspects, namely the *recognition* of the issue as matter of government and *participation* as attempt to make it public concern and then to transform the issue into public agenda.

Therefore, this study develops a stipulative definition of depoliticisation that is derived from its definition of politicisation. By reconciling narrow and expansive definition of depoliticisation (Hay, 2007b, 2014; Wood and Flinders, 2014), this study offers the stipulative definition of depoliticisation as act of governing or attempt to ignore the context and deny the pluralism and antagonism (recognition) and to impede or to delimit public engagement (participation).

Second, depoliticisation is never fully fixed and achieved. This study restates the agreement within literatures of depoliticisation studies that confirmed the contingency of depoliticisation (Hay, 2007b; Buller *et al.*, 2019; Numerato, Honová and Sedláčková, 2021). Every moment -that tries to regulate the dispersion by excluding, limiting or simplifying the choice and alternatives- is never fully stabilised. There is always a moment where depoliticised event turns more political. Although, this study also agrees that, in some cases, such political event may be a temporary moment or a bridge to next phase of depoliticisation (see Hay, 2020, p. 201). Hence, depoliticisation and its counter dynamics are not simply one-way processes.

Furthermore, this study has two empirical contributions. First, transparency as depoliticised norm creates its own contestation. The installation of transparency

through depoliticised governance-by-disclosure (cf. Andrews and Okpanachi, 2020) -that focusing of proceduralisation, production of plenty information and adoption of the multi-stakeholder approach- generates its own counter dynamics. The case of Indonesia EITI has shown, transparency creates a terrain for unfinished demand of extensive data and information. The CSOs make use of this depoliticised tool to “test the boundaries” of information disclosure continuously rather than consolidate a radical resistance. At the same time, the multi-stakeholder approach becomes the arena to scale up their leverage in decision-making processes. This empirical contribution is in line with Gupta’s finding on Genetically Modified Organisms (GMOs) and Asgill’s investigation on Nigeria EITI concluding that transparency creates a contested political landscape (cf. Gupta, 2010a, p. 35; Asgill, 2012). As a result, EITI has transformed over years: it shifted from just merely about reconciliation of revenue into transparency of contract, beneficial ownership and commodity trading. For some extents, the Indonesia EITI’ MSG also has succeeded to push some new local issues that are not typical or classic EITI’s issues. In short, depoliticised strategies are not only contested and contingent but *create their own contestation*.

However, this study also underlines that the process of depoliticisation’s counter dynamics also has some limitations. MSG collective decision making epitomises the complex pursuit and prevention of new issues to transform into public agenda. Some issues are easily agreed, others left unfinished disputes. The denial strategies are expressed through various non-decision-making strategies, either mobilisation of bias or individual inaction, personality and accommodation that prevent the transformation of new issues due to unsolved conflicts of interest between the parties.

Second, this study emphasises that local context does matter. Empirically, this thesis does not investigate depoliticisation in general but in more concrete terms. It focuses on micro cases of particular policy in a specific context because it is necessary to look at the process of localisation of the global norm in the national context (cf. Bourgouin and Haarstad, 2013; Gonzales-Espinosa and Klein, 2013). As a result, this study demonstrates that the local context stimulates the politicising of EITI as a-political tool, while, at the same time, limiting the extent of such

process. The local context here refers to the tendencies and rationality of actors that involve in the depoliticisation/politicisation processes and the effect of nature of commodities to the dynamics of depoliticisation/politicisation.

During the depoliticisation/politicisation process, the state is not the only actor to depoliticise and the CSOs is not the only actor that intends to politicise. For instance, CSOs prevent themselves from requesting more information of sensitive data in order to keep mutual trust and collaboration. Business actors also actively engage and politicise the MSG in order to keep companies' reputation in the public domain or to keep away the political aspect that prevents them from achieving their purposes.

In line with the previous argument, this study underlines that depoliticisation is an act of governing that is deployed by actors with bounded rationality. CSOs have to speak in a certain language and act in certain ways that sometime generates depoliticisation effect instead of politicisation. Furthermore, three groups of MSG representatives also work under the same logical framework of extractivism that limits their choices and actions.

This study also reconfirmed the argument underlining the blurred boundaries between governmental and societal depoliticisation (see Wood and Flinders, 2014). The study's empirical findings have re-emphasised the argument that both faces of depoliticisation are not mutually exclusive (Wood and Flinders, 2014). Furthermore, it also showed that a quasi-state institution acts as a politicising actor rather than just takes part of the shifting of blames and responsibilities. For instance, the case of Corruption Eradication Commission that takes a lead to mobilise various actors in enhancing the mining reform.

This study also underlines that, in the extractive sector, the local context also refers to the nature of commodities that influence the way of depoliticisation. On the one hand, depoliticisation has almost fully been achieved in the oil and gas sector since oil and gas involves complex governance that involves a few people with high expertise. In addition, a centralised and single authority takes responsibility for managing and monitoring the oil and gas business activities. On the other hand, in mining, depoliticisation strategies are being contested and politicisation or

repoliticisation more often occur with more people involved (cf. Diprose *et al.*, 2020).

This study offers a new way of understanding societal depoliticisation. In the case of the extractive sector, societal depoliticisation is not prevalent in society. Extraction activities may have impacted entire communities, but extractive-related issues are too technical that only experts can follow and assess them accordingly. The thesis has shown the participation by intermediaries in the case of societal depoliticisation in governance reform in Indonesia. Therefore, the relationship between depoliticisation and democratic political processes is more complex. The extent of popular control varies because it is not only influenced by political strategies (to depoliticise or politicise) but also the nature and scale of the extractive sector in the public domain. In other words, this study disagrees to a simplified thesis arguing that depoliticisation fuels bad democracy or anti-politics (see Törnquist, 2005).

9.4 Limitations and Future Research

This thesis also has some limitations in term of the analytical framework and methodology. Based on a reflection of the thesis's limitations, some analytical strategies that can be developed in future research are proposed.

The thesis's analytical framework of depoliticisation only identifies the dynamic of engagement/disengagement in the context of actors' involvement in EITI implementation in Indonesia and participation in three key issues of governance reform in Indonesia. It has demonstrated that there is strong engagement within the EITI and public participation in governance reform and also the counter dynamics of depoliticisation. CSOs can use technical data to make demands and claims during EITI implementation in Indonesia but they are not transformative. This thesis's analytical framework cannot answer the broader question about the transformation and prospect of more radical transformation. This question is related to a reflective question in chapter four about the missing link between "to inform" and "to empower". In other words, data are not automatically empowering but the transformative strategy is.

Transparency is necessary for political transformation, as it may require the transformation of discourse. The transformation of discourse is a different question that has not been analysed in this thesis, while the thesis has shown that the discourse is technocratic, focused on evidence, fiscal data, accounting and within the framework of extractivism. Therefore, to find an answer to the puzzle, future research in depoliticisation/politicisation should seek to uncover the transformative aspect, including discursive depoliticisation/politicisation.

This study deployed a single case study method that, on the one hand, provides rich, in-depth and detailed information about the case under view. On the other hand, making any generalisations from the findings should be done with substantial care. In order to get a more comprehensive understanding on depoliticisation in the extractive sector, a comparative case study is needed.

This study has also interviewed various actors as insiders who are directly involved in EITI Indonesia and governance reform of the extractive industries in Indonesia, and found the important role played by business actors who aim to depoliticise the extractive sector for reputational reasons. However, the study on the role of business actors and depoliticisation is insufficiently researched. Therefore, depoliticisation studies in the future should pay greater attention on the role of business actors.

Appendix

LIST OF KEY INFORMANTS

No	Code	Place of Interview	Date of Interview	Length of Interview	Consent	Notification
1	I1	Yogyakarta	10/2/18	1:15:24	written consent	
2	I2	Jakarta	10/18/18	1:25:37	written consent	
3	I3	Jakarta	10/19/18	1:03:38	written consent	
4	I4	Jakarta	10/22/18	1:16:04	written consent	
5	I5	Jakarta	10/23/18	1:22:36	written consent	
6	I6	Jakarta	10/24/18	1:26:34	written consent	
7	I7	Jakarta	10/26/18	1:01:08	written consent	

8	I8	Yogyakarta	10/30/18	1:43:10	written consent	
9	I9	Jakarta	11/1/18	1:13:08	written consent	
10	I10	Jakarta	11/5/18	1:14:43	written consent	
11	I11	Jakarta	11/6/18	1:20:03	written consent	
12	I12	Jakarta	11/9/18	1:31:54	written consent	
13	I13	Jakarta	11/19/18	1:28:50	written consent	
14	I14a	Jakarta	11/19/18	1:01:16	written consent	
	I14b	Jakarta	11/23/18	0:20:33	written consent	
	I14c	Jakarta (Skype)	7/24/18	0:52:57	Oral consent	
15	I15	Jakarta	11/21/18	1:03:16	written consent	

16	I16	Jakarta	11/26/18	1:54:44	written consent	
17	I17	Jakarta	11/26/18	1:40:53	written consent	
18	I18	Jakarta	12/11/18	1:07:21	written consent	
19	I19	Jakarta	12/11/18	0:43:57	written consent	
20	I20	Jakarta	12/12/18	1:38:09	written consent	
21	I21	Jakarta	12/14/18	0:55:58	written consent	
22	I22	Jakarta	1/8/19	0:53:11	written consent	
23	I23	Jakarta	1/9/19	0:59:01	written consent	
24	I24	Jakarta	1/11/19	0:51:04	written consent	
25	I25	Jakarta	1/14/19	2:20:00	written consent	
26	I26	Jakarta	1/14/19	1:02:23	Oral consent	
27	I27	Bojonegoro	1/28/19	1:46:14	Oral consent	

28	I28	Bojonegoro	1/28/19	1:03:05	Oral consent	
29	I29	Bojonegoro	1/28/19	1:16:18	Oral consent	
30	I30a	Yogyakarta	9/28/18	0:54:00	Oral consent	off the record, not being recorded
	I30b	Yogyakarta (via Zoom)	4/11/21		Oral consent	
31	I31	Oslo (zoom meeting)	5/22/20	1:18:00	Sending Form but prefer Oral consent	
32	I32	Yogyakarta	10/13/18	0:35:00	Oral consent	off the record, not being recorded
		Jakarta	1/22/19	1:10:00		

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