

## ***The failure of the Local Regulation Draft on “Dana Abadi Migas” in Bojonegoro Regency***

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*Received: 2 November 2023; Revised: 10 December 2023; Approved: 24 December 2023*

### **ABSTRACT**

*This research discusses the failure of efforts to form a regional regulation draft on the Oil and Gas Petroleum Fund carried out by the Bojonegoro Regency Government. This is interesting because it is the first time this has been done at the regency level. Moreover, in the context of Indonesia, this effort is something completely new. So behind the failure of these efforts, of course, many interesting things can be studied more deeply. This research seeks to look at the legislative process behind the failure of the local regulation draft on Oil and Gas Petroleum Endowment Fund in Bojonegoro. But then it came to the final phase which led to failure. Based on the analysis of the data that has been collected during the field process, this research found that the failure of the Oil and Gas Petroleum Fund draft regulation was caused by several things. This shows the strong technocratic aspect that resulted in this draft bill failing to become a local regulation. The strong technocratic aspect also explains the failure of the oil and gas endowment and the failure as well as the failure of the political aspect in overseeing efforts to establish an endowment fund in Bojonegoro Regency.*

Keywords: Oil and Gas Petroleum Endowment Fund, Local Regulation Draft, Policy Innovation, Bojonegoro.

### **INTRODUCTION**

This study explores the failed process of the Local Regulation Draft on Oil and Gas Endowment Fund initiated by the government of Bojonegoro Regency, which was rejected by the East Java Provincial Government. Democratic and decentralized governance has been adopted by many countries over the last quarter century. In the early 1990s, all countries except twelve out of seventy-five with populations over 5 million had decentralized (Dillinger, 1994). By the late 1990s, about 95% of countries with democratic

political systems had subnational units consisting of administrations or governments. By the early 2000s, there were more democratic countries in the world than non-democratic ones. Freedom House rated 89 out of 192 surveyed countries as "free" and 54 as "partly free" (4 billion people, or 63% of the world's population, live in these countries). At least 119 of these countries were considered formal electoral democracies (Freedom House, 2005).

The implementation of regional autonomy and decentralization in Indonesia is crucial to be viewed as a pattern of relationships and ongoing processes in finding an effective governance management format concerning central and regional relations. Decentralization in Indonesia should provide unique benefits for regions rich in natural resources, as mandated by Laws No. 32 and 33 of 2004 on Regional Government and Financial Balance between the Central and Regional Governments, allowing regional governments to regulate, allocate, and use national resources, as well as fiscal relationships between the central and regional governments. However, these laws created confusion over the authority for distribution between provincial and regional governments (Seymour & Turner, 2002). A lack of capacity in regional government institutions led to the rise of 'little kings' or local elites dominating local politics (Barr, Crawley, & Wilson, 2006), conflicts between parliaments/legislatures (DPRD) and regional heads in local governments, which are some of the issues related to the implementation of decentralization in Indonesia (Erb & Anggal, 2009; Mietzner, 2009; Schiller, 2009).

The abundance of natural resources in each region in Indonesia has also led to various conflicts. Conflicts in resource-rich regions are based on several reasons; first, feelings of injustice felt by people living in resource-rich provinces such as Aceh, Papua, Riau, and East Kalimantan. The issue of how the income from these regions has been used by the central government is considered a major driver of contemporary separatist sentiments that emerged in Indonesia in the late 1990s. The problem is closely related to how natural resource rents are distributed across the region (Tadjoeddin, Suharyo,

& Mishra, 2001). Second, ethnic-communal conflicts often associated with the extraction of certain types of natural resources (Klinken, 2006; Wilson, 2005; Peluso & Harwell, 2001). Third, more routine forms of conflict and violence, especially fights between villages/groups, conflicts between companies and communities, even state vs. community conflicts, are often associated with disputes over natural resources or related regulations (Tadjoeddin, 2007).

Indonesia is one of the countries endowed with abundant natural resources, hence many studies have discussed the hypothesis of the natural resource curse in Indonesia (Rosser, 2004). Rosser argues that Indonesia is an example of a country that has successfully avoided the natural resource curse, as evidenced by Indonesia's good economic performance over the three decades before the 1997/1998 economic crisis. A country's dependence on the oil and gas industry has been a long-standing theoretical debate. This debate narrows down to three terms regarding management: Natural Resource Curse (Auty, 1993; Sachs & Warner, 1997; Ross, 2004), Paradox of Plenty (Gleb, 1988), and Dutch Disease (Corden & Neary, 1982), all discussing the laws of natural wealth and its impact on a country. Natural resources in a country do not necessarily weaken the country's economic growth. However, when a country has a dependence on natural resources, disaster comes (Sachs, 1997). Further, Ross in "Does Oil Hinder Democracy?" states that natural resources are the source of all conflicts. Countries with wealth in natural resources, especially oil and gas, do not have a positive correlation with the quality of democracy and tend to have unstable economies. In African countries, for example, the presence of oil and gas has triggered civil wars (Ross, 2001).

Empirical investigations into the resource curse at the regional level in Indonesia have been conducted by (Komarulzaman, 2006). This research employed the revenue sharing of natural resources as an indicator of resource abundance and discovered that, when considered collectively across all types of natural resources, the resource curse did not manifest in the context of Indonesia. These findings are in alignment with the conclusions drawn by

(Rosser, 2004). To substantiate the resource curse hypothesis, the researchers utilized cross-sectional regression techniques. The study examined the hypothesis by categorizing regions into resource-rich and resource-poor groups and then comparing the performance of economic indicators within these groups. The outcomes of this study contrasted with earlier findings, and (Feryawan, 2011) provided evidence supporting the existence of the resource curse in Indonesia. This area of research is particularly pertinent during the era of regional autonomy, as the implications of the resource curse become more significant. This era affords greater autonomy to regions in managing their natural resources, thus amplifying the relevance and urgency of studying the resource curse hypothesis in this context.

The management of natural resources in Indonesia during the decentralization era has caused many problems. The results of natural resource exploration are enjoyed not only by the central government but also by the regional governments through the arrangement of natural resource revenue sharing. Redistribution of revenue sharing in the management of natural resources among different levels of government becomes complicated due to political elements, macroeconomic stabilization issues, and efficiency (Ahmad & Mottu, 2002). This is marked by declining investment and low economic growth in resource-rich regions. The central government is considered a predatory state that exploits regions massively, especially resource-rich regions such as Nangroe Aceh Darussalam, East Java, Papua, Riau, and East Kalimantan, although they are said to be rich regions, the development of economic infrastructure in these regions lags behind other regions (Dadan, 2005). The JPIP team noted in the case of oil and gas revenue sharing, 48 oil and gas producing regions threatened to blockade oil and gas production in their region in mid-2002 (Dadan, 2005). At that time, the issuance of Minister of Finance Decree No 24/KM.66/2002 regarding oil and gas revenue sharing was considered non-transparent, because it only provided 1-2% of the actual figure of oil and gas extraction in each region.

Provinces rich in natural resources tend to have also high income levels, so the low growth in provinces rich in natural resources may be caused by low initial income rather than dependence on natural resources. Nevertheless, the study by (Sebastian , 2013) showed that countries with high degrees of fiscal decentralization (part of regional autonomy) are relatively more vulnerable to the phenomenon of the resource curse compared to countries whose fiscal policies are centralized. Regional autonomy and fiscal decentralization increase the rent (revenue sharing) of natural resources received by the resource-owning regions. According to (Leita and Weidmann, 1999), the large revenue from natural resource rent increases the likelihood of rent-seeking behavior and corruption that hinders economic development. Brazil is an example of a country with fiscal decentralization policies that shows that regions enjoying large natural resource rents tend to be more corrupt, as evidenced by poor public service performance (Caselli and Michaels).

These results are consistent with the condition in Indonesia. According to Transparency International, decentralization in the policy of regional autonomy in Indonesia still faces many challenges, especially the spread of corruption at various levels of government. This is indicated, among other things, by the Corruption Perception Index (CPI) of most cities in Indonesia, which is still below the average of 4.42. According to this report, the weak quality of institutions, and the low transparency and accountability at the local government level, faced with the granting of greater natural resource powers to regional governments in the era of regional autonomy, are suspected to be the source of the increase and spread of corruption at the local government level.

Regional autonomy not only weakens economic growth through the channel of utilizing natural resource rents by government institutions but also through sectoral economic activities. Regional autonomy opens up opportunities for increasing activities in the natural resource sector. Regions receive incentives to boost the natural resource sector with the existence of a

revenue-sharing system (central-region) in the era of regional autonomy. The greater the exploitation of the natural resource sector, the greater the portion of rent income received by the regional government. If the increase in activities in the natural resource sector does not provide a large linkage to other sectors or causes dependence on the natural resource sector, then dependence on the natural resource sector, according to (Sachs, 1997) and (Gylfason et al, 1999), can weaken two factors that play a large role in increasing economic growth, namely investment growth and education levels.

The common thread that can be drawn from the above explanation is that countries with abundant income from oil and gas tend to have lower economic growth, undeveloped democracy, greater social unrest, and poorer quality of their institutions. Literature related to the resource curse describes the economic and political outcomes resulting from the abundance of resources, but little literature offers policy advice. One of the policies produced by politicians and bureaucrats in oil-producing countries tries to find policy solutions and institutional designs to overcome the adverse consequences of oil revenue. One of the dominant institutional designs in oil-producing countries is establishing an oil fund (Petroleum Fund) (Torvik, 2016).

## **RESEARCH METHOD**

In this research, a qualitative descriptive method was utilized. In this qualitative approach, the researcher serves as the primary instrument, conducting ongoing analysis from the commencement of the study through to the data analysis phase. Direct observations of the study subjects were conducted in line with the research scope, supported by relevant theoretical frameworks. The identification of objects within the research site includes the legislative process of the draft regulation on the oil and gas endowment fund in Bojonegoro Regency. Upon the collection of field data and relevant literature aligned with the research focus, the analysis was performed to derive a comprehensive understanding of the failure of the draft regulation on the oil and gas endowment fund in Bojonegoro Regency. Primary data was obtained

directly from the field through both structured and unstructured interviews with the community and government officials in Bojonegoro Regency, aiming to capture a holistic view of the legislative process concerning the draft regulation on the oil and gas endowment fund. Secondary data was gathered through a review of the literature, including books to identify relevant theoretical underpinnings and scholarly journals to explore academic works related to the legislative process of the draft regulation on the oil and gas endowment fund in Bojonegoro Regency. Additional secondary data sources supporting this research comprised magazines and internet sources, such as online journals and news articles pertinent to the legislative process of the draft regulation on the oil and gas endowment fund in Bojonegoro Regency.

## **RESULT AND DISCUSSION**

The development of petroleum funds and transparency in the extractive industry has emerged as a widely accepted global norm, believed to be a solution for resource-dependent countries. In Indonesia, Law No. 22 of 2001 concerning Oil and Gas serves as the national energy policy guideline. However, its implementation tends to be sectoral and revenue-oriented rather than focused on national energy security. Issues related to oil, gas, and energy are often considered the exclusive concern of the Ministry of Energy and Mineral Resources or the Ministry of Finance. Consequently, Indonesia experiences the paradox of plenty, facing an energy crisis despite abundant oil and gas resources. Furthermore, the discourse on establishing a petroleum fund remains far from realization, despite its importance in developing biofuel energy sources, given that oil and gas are non-renewable energy resources.

The politics surrounding the governance of natural resources, including the mineral, oil and gas, forestry, and land sectors, has become a central debate in modern economic studies that rely on resource extraction. Unlike many other industries, the natural resource sector has a deep historical connection with national ownership practices and the concept of sovereignty. States are the primary actors controlling access to natural resources and often uphold



the principle of sovereignty in the governance process and outcomes. However, global regulatory norms also significantly shape contemporary natural resource governance in developing countries. Efforts to institutionalize global governance norms at the national and sub-national levels frequently encounter significant challenges when these global norms conflict with existing local normative frameworks. The regimes governing natural resources are formed at various scales and are characterized by crucial dynamics of contestation between global norms and national and sub-national policies and practices. Such dynamics often result in the adoption, adaptation, or rejection of global norms in different ways across countries, sectors, and over time.

### **Perkembangan isu Petroleum Fund di Indonesia**

As one of the world's oil-producing countries, Indonesia has the potential to establish a natural resource fund derived from the oil and gas sector (petroleum fund). Currently, there is a government institution called the Government Investment Center (PIP) tasked with managing government investment assets. Normatively, the establishment of a Natural Resource Fund (NRF) from the oil and gas sector in Indonesia is highly strategic. This fund can serve as a "safety belt" in facing the uncertainties of the country's ability to finance development due to falling oil prices (Munandar, 2015).

However, the initiative to establish a natural resource fund in Indonesia has emerged at the local level. In 2014, the Bojonegoro government formulated an academic draft for an Oil and Gas Endowment Fund and consulted with the Ministry of Home Affairs, the National Development Planning Agency, and the Ministry of Finance. By 2016, the draft regulation for the Oil and Gas Endowment Fund was included in the legislative program of the Bojonegoro Regency Regional Legislative Council (DPRD). The target fund size was set at 20-25 billion rupiah per year, to be accumulated over a period of 30 years, plus an additional 20 years (Bojonegoro Institute, 2016). The management of the NRF is intertwined with political processes and



negotiations, particularly in the initial stages of formulating objectives and establishing the NRF, as well as the legal process of drafting specific laws governing its management mechanisms. Political leadership is required to uphold public commitment and ensure the protection of citizens' rights as the ultimate owners of all assets. This is expected because the governance structure of the NRF, from parliament and the executive body to management, naturally constitutes a contested arena influenced by political interests. State actors and agencies negotiate to influence decision-making, from the formulation of objectives, institutionalization, investment allocation, to the utilization of investment returns for public spending.

Literature reviews indicate that a petroleum fund is one mechanism that countries can adopt to distribute the benefits of the oil and gas industry equitably among current and future generations, while also mitigating the risks of economic volatility in the oil sector affecting the non-oil sectors. Besides management aspects, the establishment and management of this mechanism must adhere to several governance principles. Transparency and accountability are fundamental principles to build legitimacy and ensure that political interest negotiations do not compromise the interests of citizens as the ultimate asset owners. However, there are issues and challenges that must be addressed in managing the petroleum fund.

Does Indonesia have a similar scheme, or is it possible to develop one in the future if it does not yet exist? Considering various management models, Indonesia has the potential to establish a petroleum fund derived from oil and gas sector revenues or a mining fund from general mining revenues. Indonesia can implement a management model by appointing a third party to manage the assets. Currently, there is already a government institution called the Government Investment Center (PIP), which is tasked with managing government investment assets. Theoretically, the government needs to draft a legal framework to enable the transparent and accountable management of the petroleum fund by PIP. The revenue mechanisms from all petroleum fund

investment instruments can be integrated into the state treasury in the current fiscal year. Meanwhile, the addition of capital to the petroleum fund can be arranged from the allocation of a portion of the revenues from the oil, gas, and mineral sectors (Munandar, 2015).

Normatively, the establishment of a petroleum fund from the oil and gas sector in Indonesia is highly strategic. The state's revenue realization from oil and gas income tax (PPh) was quite significant during the 2010-2014 period, averaging IDR 78 trillion per year, contributing approximately 17% to Indonesia's total income tax revenue. However, in the past two years, oil and gas income tax revenue has declined to IDR 49 trillion per year, contributing less than 7% per year. The drop in oil prices has led to reduced state revenue from income taxes. The establishment of this petroleum fund could serve as a "safety belt" in facing the uncertainties of the country's ability to finance development due to declining oil prices (Munandar, 2015). Indonesia has a significant opportunity in this regard, considering that Sovereign Wealth Funds (SWFs) are typically found in oil-exporting countries or countries rich in natural resources, where revenues from the sale of natural resources or income taxes owed by private companies to the state are managed.

Norway's sovereign wealth fund is closely tied to the exploitation of the country's oil reserves. Oil production began in 1971, and by 1990 substantial revenues from this resource had accumulated. In response, the Norwegian Parliament passed the Government Petroleum Fund Law, establishing the Petroleum Fund as a fiscal policy tool to support the long-term management of oil revenues. This fund is not invested in a separate legal entity but is managed as a department within the government apparatus by the Central Bank of Norway. The first transfer to the fund occurred in 1996, and the fund's investments were initially held as central bank currency reserves. Equity investments were introduced with an allocation benchmark of 40% in 1998.

The framework for the Global Fund was established through the Government Pension Fund Act, which remains the legal basis for the fund.

Under the Pension Fund Act, the Minister of Finance is the legal owner of the fund. However, all significant changes to the fund's investment strategy are presented to Parliament for approval before implementation, ensuring broad political support for major strategic decisions. The administration of the fund is divided into three parts. The first part, related to overall policy, remains under the Minister of Finance. The second part, concerning management oversight, is entrusted to the Central Bank of Norway. The third part, addressing ethical issues related to investment strategies implemented by the Central Bank, is overseen by an autonomous supervisory board (Backer, 2009: 453).

The establishment of an Oil and Gas Endowment Fund in Indonesia is also aimed at avoiding the resource curse. Regions rich in natural resources, including oil and gas, often experience lower levels of welfare and human development compared to resource-poor regions. High levels of social conflict, severe environmental degradation, Dutch disease, overspending, and rampant corruption are common issues. Oil and gas-producing regions are highly vulnerable to revenue volatility due to fluctuations in global oil prices. This revenue uncertainty makes it challenging for local governments to set realistic budgets and plans. When oil revenue plummets, these regions risk defaulting on their financial obligations, and planned development programs may need to be rescheduled or canceled. An Oil and Gas Endowment Fund could help stabilize fiscal conditions during periods of extreme revenue decline.

Oil and Gas Endowment Funds have long been practiced in several oil-producing countries. Kuwait established its fund in 1953, Abu Dhabi (UAE) in 1974, and Alaska (USA) in 1976. In Southeast Asia, Malaysia initiated its fund in 1988, followed by Timor-Leste in 2005. Over time, these funds have been known by various names, including Petroleum Fund, Trust Fund, Sovereign Wealth Fund, and Endowment Fund. Such funds are policy tools for setting aside a portion of national or regional revenues from the oil and gas sector to ensure long-term sustainable development. The establishment of these funds

aims to save for future generations, stabilize fiscal conditions, smooth regional expenditures, and avoid the resource curse.

Philosophically, the management and exploitation of oil and gas resources are strategic activities crucial for the national economy and national defense and security interests. The management and exploitation processes, known as exploration and exploitation in the oil industry, must be controlled by the state due to their high value and potential to support national energy security and independence. This state control concept aligns with the spirit of Article 33, paragraphs 2 and 3 of the 1945 Constitution of the Republic of Indonesia. These paragraphs stipulate that sectors of production important to the state and that affect the lives of the people, as well as the earth, water, and natural resources within them, are controlled by the state to the greatest benefit of the people. These provisions emphasize "state control" and "use for the greatest benefit of the people" concerning natural resources and essential production sectors.

State control over natural resources aims to create national energy security in Indonesia, primarily ensuring the provision and distribution of energy domestically. The government is obligated to provide and distribute energy across the entire country. National energy security requires the government's ability to manage energy resources, considering principles of equity, independence, sustainability, and environmental awareness. Although the state has absolute power to control oil and gas management as stipulated in Article 33 of the 1945 Constitution, practical implementation necessitates the delegation of authority to designated entities. These entities, acting on behalf of the state, must operate within the legal framework. State control is exercised by the government, including local governments, which manage oil and gas resources for the greatest public benefit.

Sociologically, the realities of Indonesian society, including its legal aspirations and needs, customs, and evolving values (societal justice), must be considered. Laws that are rejected by society after being enacted reflect weak

social foundations. Therefore, legislation should not be pragmatically or reactively drafted, but instead, be based on thorough theoretical and sociological research. Laws formed without in-depth theoretical and sociological studies tend to represent the interests of specific groups. Sociological studies can help ensure new regulations are accepted and implemented without resistance. Reflecting on societal conditions, any policy decisions by the Indonesian government or regional authorities should secure local political support and involve civil society, academia, and professionals as stakeholders. This involvement ensures that the values embedded in the Oil and Gas Endowment Fund align with societal sentiments.

Legally, the legal basis for creating regulations is critical. The legal foundation consists of formal and material legal grounds. Formal legal grounds derive from other regulations that grant authority to an institution to create specific laws, while material legal grounds address the issues to be regulated. Having a legal foundation is essential to provide regulatory direction and prevent legal conflicts or inconsistencies with higher regulations. It also aims to avoid overlapping regulations and ensure harmony and consistency among related laws, enhancing their effectiveness and ease of implementation.

### **Efforts to Establish an Oil and Gas Endowment Fund in Bojonegoro**

To ensure legal consistency, if the Bojonegoro Regency Government intends to save for future generations and finance additional educational activities (e.g., scholarships), it is recommended to do so through a regional government investment scheme in accordance with PP 1/2008 and Permendagri 52/2012. To ensure independence, a credible institution can be appointed to manage investments through a trust scheme, in accordance with applicable Bank Indonesia/OJK regulations. The urgent issue regarding the selection of the institutional structure for the Fund revolves around two options: a state-owned enterprise or "BUMD" with transferable (Persero) or non-transferable (Perusda) shares, and a public service unit or "BLU" functioning as a budgetary body for managing general public service activities.

While a BUMD has a degree of flexibility in management, it operates outside the budget and is a separate legal entity, posing significant risks of conflict of interest, including deviation from the Fund's original objectives and the potential transfer of the Fund to a private entity.

On the other hand, establishing the Fund as a BLU has precedents at the national level, such as the government investment unit PIP and the educational fund LPDP, both managed by the Ministry of Finance. However, BLU governance remains within the public administration domain, subject to oversight by political institutions, bureaucracy, and civil society. In addition to the institutional structure options described above, it is also proposed that the Regent, key officials, and Indonesian or international experts form a management committee that meets 2-4 times a year to discuss the Fund's performance and determine investment guidelines. They should also draft conflict of interest guidelines and enforce these regulations. Furthermore, an independent external institution should be authorized to oversee the Endowment Fund and monitor its compliance with regulations.

The role of various civil society elements has been significant since the inception of the idea to establish the draft regulation for the endowment fund. Their presence not only raises awareness about the threat of the resource curse but also effectively facilitates the establishment of the endowment fund. This is largely due to the extensive networks civil society elements possess, comprising individuals from diverse disciplines. These networks provide substantial support in the effort to establish the draft regulation for the endowment fund. Therefore, it is essential to first understand the formation of these strong civil society networks. To achieve this, the scope of discussion must be expanded to connect with global conditions. This is necessary because the issue of natural resource management has long been a concern of the international civil society. Developments in the management of oil resources in Bojonegoro have also attracted their attention. With their prior experience, they can contribute to ensuring that oil management in Bojonegoro is

conducted effectively, particularly to avoid the resource curse.

For several decades, global initiatives by civil society movements have aimed to address the resource curse in the extractive industry sector. These global initiatives involve diverse actors from various disciplines, including international funding, accounting, law, and the 'classic elements' of civil society: social movements. These actors have engaged in various governance reforms or innovative policy initiatives to address the resource curse, and they appear to be striving to shape initiatives such as the Extractive Industries Transparency Initiative (EITI), natural resource endowment funds, local content policies, multi-stakeholder groups, etc., which in varying degrees build on the idea of the latent or persistent resource curse and the need for good governance reforms (cf. Bourgoignie and Haarstad, 2013:87).

The resource curse has become a key issue that fosters shared awareness at the global level. Similarly, in Bojonegoro, following the exploration of oil in the Banyu Urip oil field, the regency has become rich in natural resources. Simultaneously, this condition also brings the threat of a resource curse. This potential threat has led to increased awareness in Bojonegoro. However, given Bojonegoro's position as a regency within a unitary democratic state, a proper approach is needed in building this awareness. This ensures that initiatives to avoid the resource curse in Bojonegoro can be effectively implemented. In this context, relevant policy advocacy experience plays a crucial role in addressing Bojonegoro's specific conditions.

### **Failure to Establish the Draft Regional Regulation on the Oil and Gas Endowment Fund in Bojonegoro**

The draft regional regulation (Raperda) on the Oil and Gas Endowment Fund was completed at the Bojonegoro Regency level. However, according to the Indonesian Minister of Home Affairs Regulation No. 1 of 2014 on the Formation of Regional Legal Products, a regional regulation must receive



approval from both the Governor and the Minister of Home Affairs. Consequently, the draft regulation was sent to the East Java Provincial Government, but it was rejected for various reasons. As a result, the Bojonegoro Regency Government decided to halt further discussions on the draft regulation based on the decision of the Governor of East Java, Soekarwo, who rejected its implementation. There were three crucial reasons for the rejection: First, the formation and management of the oil and gas endowment fund spanned more than 50 years, which did not align with the Regional Long-Term Development Plan (RPJMD). Second, the draft regulation was binding and unchangeable, while each serving Regent may have different policies. Third, the oil and gas endowment fund lacked a strong legal foundation, as no existing laws or regulations governed it (Radar Bojonegoro, 2018).

During its drafting, the discussion of the draft regulation faced various obstacles at each phase. Differences in understanding of the endowment fund concept and differing interests in managing oil revenue were some factors that created these obstacles. Opposing parties used their respective powers to influence the outcome of the draft regulation discussions. From the initial draft preparation, obstacles began to emerge. To facilitate the explanation of these obstacles, they will be discussed based on the aspects that triggered the debates rather than using a chronological approach. This method avoids repetitive and circular discussions. According to Ramdhan Hardiyanto's research on the Failure of Oil Revenue Management Innovation in Bojonegoro, six key aspects clearly illustrate these obstacles (Hardiyanto, 2020).

First, there was an absence of national regulations as a basis for the draft regulation. This lack of national-level regulations to support the formation of a regional oil and gas endowment fund is a common issue in a unitary state with decentralized power through regional autonomy. Decentralization often requires extensive reforms in intergovernmental relations, which can cause friction with entrenched practices, personal interests, existing institutional structures, and a reluctance to change. Local

governments frequently feel that decentralization is hindered by central government actions that undermine local authority.

Second, there was a lack of an investment model in the region. This issue also arises due to the absence of national regulations governing permanent investment schemes in regions. Existing investment options have varying benefits and risks. Most regional investments have been in the form of equity participation. The concept of an endowment fund requiring a fixed principal investment over a long period complicates the formulation of an appropriate investment scheme.

Third, there was an absence of a management mechanism for the endowment fund. The spirit behind forming an endowment fund is to maintain the surplus revenue from oil, requiring a dedicated management body to preserve its value over time. This body should also maximize returns on investments.

Fourth, there was difficulty integrating the endowment fund with the Bojonegoro Regional Budget (APBD). Budget-related issues have been a point of contention between the local government and the Bojonegoro Regional Legislative Council (DPRD). One of the common debates in autonomous local governments is the ability to generate and manage revenue effectively. Properly understanding and meticulously planning regional revenue generation and expenditure patterns are crucial for ensuring accountability and transparency.

Fifth, there was a proposal for changing the endowment fund structure through public consultation. To maintain the endowment fund's initial purpose as an instrument for ensuring sustainable future development, a public consultation mechanism was included in the draft regulation for any future changes or adjustments to the fund. This new mechanism, never before implemented in Bojonegoro, was seen as potentially burdensome if adopted.

Sixth, there were complex and rigid financial management issues. This final obstacle involves financial management, often highlighted by those

opposing the endowment fund scheme. This issue stems from the established financial management practices in Indonesia (Hardiyanto, 2020).

The role of various civil society elements has been significant since the inception of the idea to establish the draft regulation for the endowment fund. Their presence has not only raised awareness about the threat of the resource curse but has also effectively facilitated the establishment of the endowment fund. This success is largely due to the extensive networks civil society elements possess, comprising individuals from diverse disciplines. These networks provide substantial support in the effort to establish the draft regulation for the endowment fund. Therefore, it is essential to first understand the formation of these strong civil society networks. To achieve this, the scope of discussion must be expanded to connect with global conditions. This is necessary because the issue of natural resource management has long been a concern of the international civil society. Developments in the management of oil resources in Bojonegoro have also attracted their attention. With their prior experience, they can contribute to ensuring that oil management in Bojonegoro is conducted effectively, particularly to avoid the resource curse.

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## **CONCLUSION**

Based on the research, it can be concluded that there was a tendency for a decline in the strength of supporting factors for the establishment of the draft regional regulation (Raperda) on the Oil and Gas Endowment Fund. Initially, during the early phase, the three supporting factors were very strong, with a significant dominance of civil society elements. This is closely related to the specific conditions mentioned earlier. However, as the process entered the middle phase, a shift began to occur, with the role of civil society diminishing. Political leadership then took over the dominant role as the supporting factor for the efforts to establish the draft regulation. This shift was accompanied by the emergence of a local political configuration that allowed for greater opportunities for innovation.

These findings provide a basis for developing initial hypotheses about the potential relevance to other local contexts where democratic populist politics are influential. In such contexts, this article's analysis suggests that the resilience of certain global norms alongside local norms, discourses, and paradigms continues to be a crucial determinant of the prospects for localizing these norms. Populist political leaders rely on popular support to maintain political power.

In the final phase, significant changes occurred in the aspects of

political leadership and local politics in Bojonegoro. These changes were closely linked to the end of Regent Suyoto's term as the 2018 regional elections approached. This momentum significantly altered the strength of the supporting factors, which had already been marked by the fading role of civil society. By this final phase, the decline in the strength of supporting factors had reached its lowest point. This condition contributed to the ultimate failure of the efforts to establish the draft regulation on the oil and gas endowment fund.

In conclusion, the initial strong support from civil society during the early phase gradually weakened as the process progressed. Political leadership took over in the middle phase, supported by a conducive local political environment for innovation. However, the nearing end of the Regent's term and the upcoming elections led to a significant shift, drastically reducing the strength of the supporting factors and contributing to the failure of the draft regulation. This analysis highlights the importance of sustained support from both civil society and political leadership for the successful establishment of such regulatory frameworks.

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