

Good governance and fiscal capacity in regional expansion: A holistic analysis of qualitative perspective

Syarifuddin¹, Ratna Ayu Damayanti²

^{1, 2} University of Hasanuddin, Perintis Kemerdekaan Street Km. 10, Makassar, 90245, South Sulawesi, Indonesia

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ABSTRACT

This study aims to analyze the problem in a holistic manner of good governance and fiscal capacities in territorial splits. This study is qualitative in which the researchers made a description of the phenomenon, as well as researching the words, a detailed report of the views of informants, and conducting analysis based on the natural setting. The study found that the territorial splits undertaken in the Province of West Sulawesi provides the government an opportunity to integrate the three pillars of good governance. These three pillars work together in planning and implementation of regional policy. The study concludes that the territorial splits in the Province of West Sulawesi are a policy that is responsible and important from the aspect of good governance. On the other hand, the study shows that the territorial splits have led to weak local fiscal capacity. This is due to the territorial splits in the area of West Sulawesi province that has not been able to encourage the growth of local fiscal capacity, which in fact it is expected to encourage the degree of fiscal autonomy of the regions.

ABSTRAK

Penelitian ini bertujuan untuk menganalisis masalah secara holistik terhadap pemerintahan yang baik dan kapasitas fiskal dalam pembagian wilayah. Penelitian ini bersifat kualitatif karena mendeskripsikan fenomena tersebut, serta meneliti kata-kata, membuat laporan rinci dari pandangan informan, dan melakukan analisis berdasarkan kondisi alami. Studi ini menemukan bahwa pembagian wilayah yang dilakukan di Provinsi Sulawesi Barat memberikan kesempatan kepada pemerintah untuk mengintegrasikan tiga pilar tata pemerintahan yang baik (good governance). Ketiga pilar tersebut bekerja sama dalam perencanaan dan pelaksanaan kebijakan daerah. Studi ini menyimpulkan bahwa pembagian wilayah di Provinsi Sulawesi Barat adalah kebijakan yang bertanggung jawab dan penting dari aspek tata pemerintahan yang baik. Di sisi lain, penelitian menunjukkan bahwa pembagian wilayah telah menyebabkan kapasitas fiskal daerah melemah. Hal ini disebabkan oleh pembagian wilayah di Provinsi Sulawesi Barat belum mampu mendorong pertumbuhan kapasitas fiskal daerah, yang sebenarnya diharapkan dapat mendorong tingkat otonomi fiskal daerah.

1. INTRODUCTION

The last few years, Indonesia has experienced a process of increasing the number of local governments and this appears to be significant, especially in the districts or cities. An increasing number of local governments in Indonesia are known as regional expansion, which is a process that occurs because the area is split into two territories. This phenomenon is one of the effects of decentralization and regional autonomy that have occurred since 1998, as an example, after decentralization, the provincial government increased 8 provincial and district or city

increased by 215 areas consisting of 181 counties and 34 cities (see Figure 1). It seems that the increase in local government is taking place rapidly, giving rise to various problems and questions about the process, such as the nature (for example, the causes and motivations of the increase in the number of government), the consequences and impact (World Bank and the Ministry of the Interior 2011).

In the period of 15 years, the process of regional expansion has continued almost every year and up to July 2013. Indonesia has totaled to 542 autonomous regions consisting of 34 provinces, 415

* Corresponding author, email address: ¹ syarif1963@yahoo.com, ² damayantiss@yahoo.co.id.

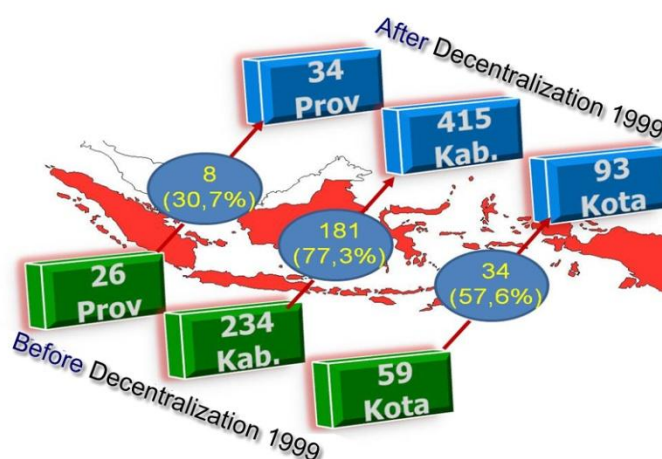


Figure 1
Regional Expansion before and after Decentralization

Description: Outside of 5 Administrative cities and 1 Administrative District in the Province of Jakarta
Source: Ministry of the Domestic Affairs (2014).

districts, and 93 cities (excluding 5 administrative cities and one administrative district in the Province Jakarta). Before the reform of the autonomous regions was only 319, and currently has occurred in the number of autonomous regions with the total number of 223. The rise of regional expansion that has occurred during that period led to burden to the state budget (Budget of the State) to be high and this raises new problems for the government of Indonesia (Ministry of the Domestic Affairs 2014).

Formerly, the spirit of division is an attempt to achieve equitable development, social welfare, the establishment of democracy, and local economic growth. As stated in public choice theory which assumes that regional expansion can lead to competition between regions in providing services, infrastructure facilities, tax and investment to the community. However, according to the theory of economy of scale which supports the integration of regional stating that the greater a local government, the more efficient and effective in delivering services and planning (Swianiewicz 2010). Pros and cons of this can be seen in the phenomenon expansion in Indonesia where there are areas of success, but more are experiencing failures. This is due to the low governance of local government and low fiscal capacity of the area (see the review LANs 2005; Bappenas and UNDP 2008; as well as the World Bank and Ministry of Home Affairs 2011).

In addition to governance, one of the main measures of success is the regional expansion of fiscal capacity, i.e. the amount and type of resource that could be extracted by the autonomous regions. As it is stated by the 16th century philosopher, Jean

Bodin, that "the financial means is the nerve area", and Swianiewicz describes the area as an organization whose geographical boundaries are determined by the strength of tax (Swianiewicz 2006). This suggests that by increasing taxation, the government not only to build an adequate tax administration, but also lead to greater quality of governance. In general, they do so by opening the public the opportunity to participate in the financing of regional development, public policy formulation, establish an efficient bureaucracy, and apply the rule of law for themselves (local government). In other words, the growth of fiscal capacity should be in line with good governance.

As reference to the above phenomenon, this study aims to reveal the issues of good governance and fiscal capacity in the division with attention to the evidence that there is in all districts in West Sulawesi (which is the province to 33). Furthermore, this study offers several options for the government to rationalize and organize in the best way the process of formation of new autonomous regions and structures of local government to consider the issue of good governance and fiscal capacity. This study uses a qualitative approach for the analysis with a in depth interview for exploring the depth issues both from the point of view of the public and local government itself, and combine these with a descriptive analysis of some simple quantitative data which are available in the study area for supporting the statement of the informants.

2. THEORETICAL FRAMEWORK

In general, there are two main reasons behind the phenomenon of regional expansion in Indonesia

which include as follows:

First, the service with the formation of new local government (division) is assumed to be more effective and efficient. The reason of this argument is the breadth of the area they stem area (the area before separated) causes public service to be less efficient. Thus, through the process of regional expansion with a more limited range, allowing public services will be in accordance with local requirements. It creates or leads to the distance and shorter span of control and short between the bureaucracy and society creates a more intensive interaction of both governments and the public so that the public service requirements can be met with better and more efficient (Brinkerhoff 2005).

For example, countries such as Poland show how the fragmentation of the area used as arguments to improve citizens' access to public services (Swianiewicz 2006). When the newly formed region, or split into several new areas, the center of government and public service activities become increasingly close to residences. When the location of the organization of government and public services are becoming increasingly close, then of course people are becoming increasingly easy to access public services, so that public services become more efficient as well.

Second, it is assumed that regional expansion can accelerate regional economic growth through the use of local potential, and can explore local resources to drive revenue (see fiscal capacity). The reason is the development of new areas, smaller government have the opportunity to explore the potential economic and local revenue that has not been excavated. In addition, regional expansion also allows the creation of new businesses that are able to absorb labor from the formal and informal sectors. This is because smaller government control range (span of control) will better understand the characteristics of the territory that is more effective in planning regional economic growth (LAN 2005).

This is in line with the opinion of the followers of public choice theory (see, Griswold & Wright 2004; Fiss & Hirsch 2005) who consider regional expansion, for example through the establishment of new areas, as positive as more and more areas will make the area compete in offering services, tax and investment facilities is becoming increasingly high. This also means that the regional expansion, the number of public service providers will bigger so that the public has a lot of options on the area corresponding to the preference.

In connection with the above condition, it appears that regional autonomy (regional expansion) is expected to bring the service function of government

bureaucracy to the people through good public services in order to accelerate the realization of public welfare. Swianiewicz (2006) revealed that small government is more homogeneous prone to implement policies in accordance with the preferences of the majority of communities. It is based on the observations on the governments in Eastern Europe, where the structure and size of smaller government was able to encourage people to participate in efforts to achieve well-being to encourage the creation of good governance more effective.

Another reason is that the regional expansion of regional growth which is usually a manifestation of the desire of the people in an area to grow and develop economically in a geographic dimension. The level of development of the area can be seen from the ratio of the area of waking up (built-up area) of the total area. Therefore, it can be said that the greater the ratio, the higher the level of development of the region. This condition can be seen from the increasingly dense network of roads, the ever-expanding area of office and trade, and the spread of residential areas with high population density, and high employment opportunities (Campbell & Coulson 2006).

Furthermore, Campbell & Coulson (2006) stated that by increasing economic activities ranging from business centers (Central Business District or CBD) which tend to evolve toward the outside, either diffusely or in leap frog (leaf frog), it will result in the growth of the city satellite-town as the location of the new settlement. Slowly but surely, without incurring financial burden countries, the region will develop in accordance with market mechanisms.

However, the phenomenon of relatively massive regional expansion in the last decade has caused controversy among academics, practitioners, and politicians. Pros and cons of regional expansion have gone through the establishment of new autonomous regions and solving the region into two or more new autonomous region into a new problem in Indonesia. Each side has its own arguments in support of its position on the formation of a new autonomous region. Therefore, it seems to researchers, a more thorough study is needed to clarify the arguments of each party and gather facts to clarify the claims of regional expansion over the years, especially in relation to their implications for people's welfare, improved quality of governance, improved public services, and increasing the competitiveness of the region, as well as fiscal capacity.

Controversy regarding the splitting and merging of regions has long been grown in the study of government and public administration. In a different

concept, developed several views that led to the integration of the region (see Waldinger and Fitzgerald 2004; Christensen & Laegreid 2005; Geert Van de Walle, and Kampen 2005), as contained in the theories of economy of scale, property rights (property rights), new regionalism, new functionalism, and transaction costs. All these theories with the respective arguments can explain the importance of regional integration because it can provide benefits that cannot be obtained as a stand-alone area or region. These theories can also explain why some countries such as Japan, Canada, USA, Australia, Denmark, and South Africa consolidate the regions by encouraging the integration of two or more units of government into a broader unit (Hooghe & Marks 2004). Merging of regions is generally done at district or city level (municipalities).

As argued in the theory of economy of scale that it allows economies of scale to deliver services cheaper (or more effective) in the local government units greater (Swianiewicz 2006). This is due to the marginal cost of service that will be lower if the total amount of services provided broader scope. The simplest proof of this rule has been presented in the context of municipal government spending; look at the research Swianiewicz (2006) with an example in Poland, the Czech Republic, Hungary, and Bulgaria. According to these researchers, the local budgets are small, frequent portions devoted to administrative overhead, to finance local employees and the needs of the provision of office facilities. While on the other hand, economies of scale will be found in many public services in the larger local government, and the cost becomes cheaper.

Meanwhile, the theory of property rights or regional integration theory (Haas 1975), who also has the view counter on regional expansion, explained that the need for the merger of the area necessary for the existence of externalities factors. In this case, this theory argues that when the benefits or disadvantages of the activities beyond the confines of the local jurisdiction the parties who want to develop the market would be more amenable to the incorporation of the area. Thus, this theory was developed to explain the institutional changes in the market. However, the application of this theory can also be used to explain the emergence of the need for the incorporation of the territory. That is, when there is a need for the development of economic activities, development, and public services that often go beyond the administrative boundaries of the region, there tends to have incorporation of the region into one of the options that can be done.

This is in line with the view of the theory of

new regionalism (Rosamond 2000) that describes how the incorporation of the region can strengthen the identity of the region, encouraging them to focus on common problems, and address the various issues that arise because of interdependencies that occur in the region (World Bank and Ministry of Internal Affairs 2011). Although this perspective is widely used to explain the merger between countries, as it happened in the EU, many also use this perspective to explain the importance of the integration of the region within a country. Merger region, according to this theory, can increase economies of scale and make the production of goods and services become cheaper.

As regionalism of the new perspective, a new theory of functionalism (Tranholm 1991) also explains that the dependence between sectors of industrial society will become stronger and sector merger that cannot be done easily when there is creation of the new area. Merging area does not automatically happen, but through a social and political process that involves the interests of the actors and shifting values can also occur in people living in the region (Van de Walle and Bouckaert 2003).

Arguments of the pro and cons on a critical overview on regional expansion are reviewed holistically. For example, Jackson (2005) suggested that the magnitude of a local government (local government) cannot be considered in absolute terms, because often found an opinion opposed to the small size of the local government, but is not actually associated with large or small a government, but the social context of a society. For example, whether it is true that small government is less developed, but it is not because they are small, but because they are isolated as a village.

Good Governance

The term of good governance was first popularized by international funding agencies such as the World Bank, UNDP, and the IMF in order to maintain and ensure the continuity of aid given to the countries targeted aid. Basically, international agencies have argued that any international assistance for the development of countries around the world, especially developing countries, it is difficult to succeed without good governance in the country. Therefore, good governance has become a central issue in relations with multilateral institutions in the target countries (Lister & Andrew 2005).

In addition to the above argument, good governance discourse has also gained relevance in Indonesia at least in three main reasons: first, the economic and political crisis that is still ongoing

and there are no signs of coming to an end; second, there are many different forms of corruption and irregularities in the administration of the country; Third, the policy of regional autonomy which is greatly expected for the process of democratization and at the same concerns about the failure of the program. Another reason is that there is still not optimal service and government bureaucracy and also the private sector is less in meeting the needs and interests of the public.

Although the term of good governance is often referred to on various occasions, the term is still interpreted differently. On the one hand, there is the meaning of good governance as the performance of an organization, such as the performance of the government, corporate or community organizations. This term refers to the original meaning of the word that means the governing direct, or control, or influence public issues in the country (Osbourne & Gaebler 1992).

Yet, the local level that is the governance can be described as a relationship between a local government with the private sector to carry out services, or a long-term cooperation between public and private actors are strategic in determining the agenda for the region as a whole. Governance can be limited collaboration within a public organization, such as a job training program, or an effort that has wide range, such as community empowerment which involves multiple policies. In addition, governance also stretches the geographical boundaries, linking jurisdictions (Aulich 2009), or professionals in functional areas, such as economic development between cities and between the public, private and non-profit (Besley and Persson 2009). These relationships can be relatively informal or institutionalized through mechanisms such as contracts at the level of regional or inter-regional agreements, or regional bodies. All type of arrangement has been characterized as governance in the literature.

The extensive use of the word "governance" has been widely criticized as a result of the popularity or fashion alone (Haus & Sweeting 2006). However, many academics who held the same views have insisted that this term indicates that an important transformation in the relationship between state and society (Pierre and Peters 2005). This is because governance can be defined as "a fundamental change in the purpose and method of administration" (see Cleary 2007; Grindle 2006; Heller, Harilal, and Chaudhuri 2007). Strictly speaking, good governance is the establishment of a democratic government as democracy is practiced in some developed countries in Western Europe and

the USA for example (Cabannes 2004).

The relationship between decentralization, Redistributing, and Good Governance

Decentralization refers to a restructuring or reorganization for the authority in order to create a shared responsibility among government agencies. This shared responsibility is packaged within the framework of good governance at the central, regional, and local in accordance with the principle of mutual support. In this condition, their cooperation is expected to eventually create a quality and overall effectiveness of the system of governance, including an increase in the authority and capability at the local level (UNDP 2000).

It should be noted that decentralization is not merely to move the political and economic system that is far from the central government, but such program should also be accompanied by a cultural change towards being more democratic and civilized. Through decentralization is expected to get an increase in the community for the opportunity to participate in the policy-making process, it also focuses on issues related to social, political, and economic. This is possible because the locus of decision-making to be closer to the community.

Through this process of the above effort, decentralization is expected to improve the rule of law; improve the efficiency and effectiveness of government; and simultaneously increase the responsiveness, transparency and accountability of local governments. It is also seen so far that some empirical experience proves that decentralization is not always directly proportional to the realization of good governance (see McKinlay 2010). However, the regional expansion is the concept that is expected to encourage efficiency and effectiveness of public service governance. Though in that condition, the expansion of the area leads to the growth of good governance due to the expansion area which may not have a clear concept of the democratization of public services.

Fiscal Capacity, Expansion and Local Revenue

Fiscal capacity is used to measure the ability of the region to provide public services in the economic and social conditions. According to Devereux, Lockwood, & Redoano (2008), the size of the fiscal capacity is considered an important factor in determining the allocation of intergovernmental grants for equalizing the amount of resources available among the split regions.

Some studies are concerned with on the relationship between fiscal capacity and regional expansion

sion. It is not only an academic interest but also an interest from a policy perspective. It has been widely understood that the necessary government fiscal capacity should be sufficient to encourage economic development (Acemoglu, Johnson, and Robinson 2001). Empirically, they found that the expansion area has a different effect on the fiscal capacity.

For example, Kasara study (2007) found that in Nigeria, sub-national areas, where the UK had ever invested in fiscal capacity, during the colonial period tend to have better governance and administration of higher quality. However, there are other effects of this allocation in which some of the literature tells that areas receiving large revenues from natural resources tend to be less democratic government and they show lower quality (Ross 2001; Treisman 2007).

Other empirical evidence can also describe that the endogen of causality between the quality of government and fiscal capacity. For example, the government with higher quality can generate more revenue. Acemoglu, Johnson, and Robinson (2001) found that the fiscal capacity to have a positive influence on the quality of governance for the people to demand accountability from their leaders if they have to bear a greater fiscal burden. Furthermore, they also found that the availability of income allows the leader to give citizens the administration more responsive and not corrupt.

More specifically, the concept of fiscal capacity refers to the ability of exploration areas, for example, the amount and type of local resources that can theoretically be extracted if the areas choose to do so, and the extent to which this exploration is efficient. What should be done is to estimate this factor through proxy variables that can be observed, for example, the ratio of the domestic income tax, part of the income tax to total tax revenue, and total local revenues to total revenues area often referred to as the degree of fiscal autonomy of regions (Kasara 2007).

Another reasonable proxy on fiscal capacity is variable effectiveness of tax collection (Mkandawire 2010). Effectiveness of government tax collection is defined as the ratio of tax revenue to the government tax potential, in terms of the basic structure of the regional economy. In further discussion, Mkandawire (2010) uses the ratio of tax to gross domestic product as the main measure of fiscal capacity. The reason why he chose this variable than other tax ratio is that the ratio of tax to GDP is relatively small in Africa.

3. RESEARCH METHOD

The phenomenon related to a regional expansion is a social reality that cannot be understood without

exploring the phenomenon itself. In this case, combining the expression of such researchers in social practice can get better attention from many researchers (e.g. Ahrens & Dent 1998; Baxter and Chua 1998; Covaleski & Dirsmith 1990). In similar results to their views, Syarifuddin (2011) argues that the views of researchers in the social field are not only intended to simply explain or clarify to the readers about the empirical certain circumstances, but it should be more than qualitative research that also want to explain how a theory or newly theory is being constructed conceptually.

This is a qualitative study that investigates the inter-disciplinary fields of science, interdisciplinary, sometimes even opposing disciplines (Salim 2001: 15). A qualitative approach is a process of research and understanding based on a methodology that investigates social phenomena and human problems. In this approach, researchers create a complex concept, researching words, a detailed report of the views of informants, and conduct studies on the natural situation (Creswell 1998: 15). Bogdan and Taylor (in Moleong 2007) suggest that qualitative methodology is a research procedure that produces descriptive data in the form of words written or spoken of people and observed behavior.

A qualitative research is conducted in the state of nature and nature discovery. In qualitative research, the researcher is the key instrument. Data obtained either from the study of literature and/or documentation and field research in the form of observations and interviews. All these are analyzed using a phenomenological method. Step-by-step analysis of the data in the study of phenomenology includes such as the following:

- (a) The researcher to organize all the data or a comprehensive picture of the phenomenon of the experience that has been collected;
- (b) To read the data as a whole and make marginal notes about the data that are considered important then perform data encoding;
- (c) Find and classify the meaning of statements perceived by respondents to do that every statement horizontal initially treated the same value. Furthermore, statements that are not relevant to the topics and questions and statements that are repetitive or overlapping removed, leaving only the horizons (meaning textual and forming element or constituent of a phenomenon that did not experience deviation);
- (d) The statement is then compiled into units of meaning, and written description of how these experiences occur;
- (e) Further research to develop an overall descrip-

tion of the phenomenon so as to find the essence of the phenomenon. Then, it develops a textural description (a phenomenon that occurs in the respondents) and structural description (explaining how the phenomenon occurs);

- (f) The researchers then provide a narrative explanation of the essence of the phenomenon under study and gain experience of the respondents regarding the meaning of the phenomenon;
- (g) Make reports the experience of each informant. After that, a combination of the written description is done. Determination of informants done snowball where researchers started from the highest levels of local government, then flows to the other informants who had links with the research object

4. DATA ANALYSIS AND DISCUSSION

Since the beginning, the concept of governance is not really the new one although it is still complex and even controversial. There is a relatively common understanding of understanding. Governance can simply be understood as the process of decision making and the process by which decisions can be either implemented or not to be implemented. Based on this understanding, governance applies and takes place in all national and regional levels, and even in organizations, non-governmental organizations.

Observing the meaning of governance means looking at actors, both formal and informal, in the process of policy making and implementation of policies that have been made, as well as the structure of formal and informal structures that have been defined and influential in the process of policy-making and implementation (Bowles & Gintis 2002). For example, in the region and the people of a region division, the actors involved can include aristocrats, landowners, farmers' associations, religious leaders and organizations, non-governmental organizations, financial institutions, political parties, military and so on. In addition to these actors, other actors that affect the realization of good governance, among others, the media, donors, multinational companies, and so on (Madden 2010). In Mamuju as the expanded regional hubs, looks interesting picture. Though only a few years expanded, there good governance has been going pretty well, as expressed by informants 1:

Here is the description; *"there is the term BBM (Indonesian: Birokrasi Bersih Melayani or Bureaucracy for Cleanly Serving) that is free nepotism. That is to direct us to implement the clean government. From an ethical perspective, they do not do things that violate the rules. The regent (head of regency) holds public discus-*

sions, or public lectures towards all employees. There is reinforcement, implementation of obligations through SKPDs (village discussion forums) everywhere associated with budgetary discipline."

In this case, it is indicated that the expansion has been to encourage the growth of good governance in Mamuju regency. Currently, the public and private sector participation is the better. For example, the people involved in the planning and supervision related to the implementation of large public projects that reclamation. Local governments, in this case, develop consensus system related to government programs related to public services on a large scale, so as to develop and create a culture of good agreement with the public relating to the reclamation. Previous community refused, but because there is a reasonable explanation from the government that the community should become better understood. In addition, the government is accountable to through various media in delivering development results that make communities more clearly see and they feel they have participated. Therefore, transparency of government, in this case, is open to the public.

In regard of the above, the study found that communities, businesses, and governments work together in harmony in the areas rulemaking. For example, when they deal with the effort of beach reclamation. Reclamation was offered openly. The constructions of hotels, shopping malls (shopping centers), are openly accessible. At the forum came the understanding in making a proposal to conduct outreach to the community. Regulation stage was easy.

Thus, it can be said that the ideal relationship between the three components (government agencies, businesses, and communities) above must be in a balanced position, synergistic, and mutually supervised or created through checks and balances. It is necessary to avoid the occurrence of mastery or exploitation by one particular component to other ones. As in the perspective of political science and government, it is stated that the establishment of new autonomous regions are often based on the argument to create the physical and psychological distance between the people and the government becomes increasingly close (reciprocity).

In other words, the local government regency of Mamuju governance translates as a governance as authorized use of economic, political, and administrative management of the affairs of the region in all aspects that should be balanced. Governance covers all mechanisms, processes and institutions where residents and community groups to

express their interest, using the legal rights, obligations and bridge the differences between them.

Furthermore, the lack of good governance should ensure that corruption is really eradicated. It should at least be minimized as they can as possible. In this regard, the informant 5 suggests that:

"With BBM (Bureaucracy for Cleanly Serving), the regent (head of regency) had reported that some local officials are naughty. He immediately took the initiative to hand over these people to be sent for prosecution. And it is evident, because some of them are now in prison."

On the other hand, it is concerned with being responsive to the needs of today's society and future. The study found that local governments are always responsive to community needs. With the expansion, they control the more narrow range of communication consequently easier to construct and more diverse community needs can be accommodated in the development plan.

Of course, it can be discussed in more detail on practical steps to realize the eight main characters of good governance at the top. However, the issues to be emphasized here is that the character can be realized on the basis of the process and the results of regional expansion, which is a constellation of community participation, businesses and governments in planning and implementing good governance.

More interestingly, in the case of road widening Pasangkayu in regency of North Mamuju (a division area of Mamuju).

Here are the examples of community participation. *That it is very strong. For example, the study found the people to voluntarily give up some of their land for street building. People believe that the government has good intentions and results of road construction that also will eventually be enjoyed by them as well. In this project all the people agreed to surrender their land without compensation. It is also a regent of success in delivering programs to the community.*

From the psychological side, the proximity of the citizens to the government and its officials will make an emotional connection between the government and its citizens. They are becoming increasingly easy to build. When the emotional relationship with the citizens and government officials is better, the stronger the affection of citizens in the government becomes stronger as well. Therefore, it is not surprising that some parties often claim fragmentation region can create increased public confidence in the government (Khemani 2006). Expansion of the area can also create psychological distance between the government and its citizens.

They are becoming increasingly close and citizens are becoming increasingly easy to judge whether the government cares about their interests (communities), reliable, and able to meet their needs.

Furthermore, transparency and participation can only occur if there is a strong commitment from the government administrators. Both transparency and participation require a process of institutionalization. This is as to the point that the practices associated with it can be implemented consistently and continuously. One of these is through the process of institutionalization of a formal framework (rules and regulations) which is supported by the implementation of initiatives related concrete. In this case, the local government district of North Mamuju regency uses both approaches in order to achieve this goal. They are (i) encouraging local governments to implement concrete initiatives in the implementation of governance reforms, so that the government and the people become accustomed to, and (ii) support the publication of the basic rules for implement the initiative.

In order to achieve transparency, participation and accountability in the implementation of development should be undertaken. Implementation of both approaches requires time, processes or stages and serious work tirelessly as an expression Khemani (2006) that the embodiment of transparency, participation and accountability requires a long process.

Furthermore, as it is known, decentralized or regional expansion is not just to move the political and economic system that is far from the central authority to the regions, but such efforts should also be accompanied by a cultural change towards a more democratic and civilized. Therefore, of area at Mamuju into North Mamuju regency that has been able to increase the chances of the community to participate in the policy-making process on issues related to social, political, and economic. This is possible because the locus of decision-making is closer to the community. Through this process anyway, regional division is able to improve the efficiency and effectiveness of government and simultaneously increase the responsiveness, transparency and accountability of local governments.

Therefore, each local government in the implementation of regional expansion requires human resources that local government officials can embody the characteristics of good governance. The study found that the changes in the organizational paradigm require a new approach in its management that is the use of human resources in order to achieve the expected goals of the organization. In

other words, it can be said that the effectiveness of the organization cannot be separated from the effectiveness of the employees as one element of an organization that plays an important role in achieving the goals of the organization.

Therefore, without a human in an organization, the organization that has defined objectives will not be achieved as expected. In this case, the government of North Mamuju regency has conducted the SMART program (*Sejahtera Mandiri and berMARTabat*= prosperous, Independent, and Dignified), in which all employees are engaged directly with the people camping in the villages to bring services to the community.

The implementation of the SMART program in North Mamuju regency has focused on institutional arrangement and management. They are improving the quality of personnel resources in order to have optimal performance that is accompanied by an increase in the quality of public services both basic services and other services; and development of a system of effective supervision and inspection, as well as increased performance accountability of government bureaucracy. The expected result is the creation of the figures and the bureaucracy of being more professional, accountable, efficient and effective, clean, free of corruption, and can provide excellent service to the community.

The above program means that people are the most dynamic elements of the organization. It also indicates that if they want a change, then the position of man in the organization cannot be equated with other elements. They should be prioritized. Therefore, in organizational management, human resource as the main expected factors that have the ability to realize good governance (Mant 2008).

In such a condition, government is an institution that plays an important role, in other words the government should be an effective organization, because one of the characteristics of good governance is effectiveness. Effectiveness can be achieved if the organization is created and there is an effectiveness of local government employees. In this regard, the study found that the local government of North Mamuju regency when providing public services in the field of social welfare, they have done the best service. This service was created because the employees have the motivation to do the job, in order to achieve organizational effectiveness. As an expression of 11 informants explained:

"Since the beginning of the expansion, North Mamuju regency, the local government has always been committed to grow and develop democratic principles in the region, with the involvement of

stakeholders from all levels and of all backgrounds in order to promote transparent governance, participatory and accountable. In the Strategic Plan 2007-2011, the local government also uses the momentum to further support the governance reform agenda as a public servant through a series of innovative programs and activities as an example of the SMART program. These initiatives will be developed and managed by a group of special programs."

Thus, it can be said that in order to achieve an appropriate balance between stakeholders in government, market and civil society are necessary to institutionalize standard procedures that ensure the creation of a consultative process among all stakeholders. To achieve this goal, the informant 4 suggests that,

"The balance is a prerequisite for successful participation of all stakeholders, equitable benefit sharing and fair, recognition and application of the fundamental rights of the community, access to justice and accountability mechanisms".

Furthermore, this study also found that good governance as a form of development management is also referred to as the administration building, putting the government's role as an agent of change of society. It is found that the government is the agent of change, because the change he wanted a change in the plan, defined as the driving process of development and change in society. The government pushed through a change in policies and programs, projects, and the role of planning in the budget, for example, the SMART program.

The above expression is a concept-oriented approach to the development of the public sector with good governance. Furthermore, here it appears that good governance is a concept of management of solid construction and is responsible, in line with the democratic and efficient markets, and the avoidance of any allocation of scarce investment, as well as the prevention of corruption both politically and administratively. In addition, budget discipline needs to be done in order to create a legal framework for the growth of entrepreneurial activity.

In this case, public governance involves achieving goals through collaboration with other organizations, including private sector organizations and non-profit organizations. According to Mant (2008), governance involves cross-boundary work in the public sector or the public sector to the private sector, or voluntary. Furthermore, in terms of efforts to build good governance, the study found that the essence of good governance also includes the effort to build a value system in governance.

Value system is built up in the area of observation that can be seen when some of the problems faced by the government in the implementation of good governance, clean and dignified, has changed, among others, increased understanding, awareness, and capacity development actors in particular personnel resources in the application of the principles good governance to achieve clean governance and authoritative. To this government has made efforts for Mamuju bureaucratic reform as proposed by informants 1:

"Various achievements have been to achieve clean governance and authoritative until 2012, among others, the completion and dissemination of guidelines and indicators of good governance, clean and dignified ... it aims to build commitment of local government officials to implement such effort. They have drawn up a draft policy as a strategic framework of local government agencies in implementing reform of the bureaucracy and provide direction in operational stages, including the preparation of the operational or technical and operational guidelines as the basis of bureaucratic reforms, among other guidelines, SOPs (Standard Operating Procedures)."

This above opinion is in accordance with the argument by Osbourne and Gaebler (1992) that the reform of the bureaucracy is basically an attempt to change the conscious and planned program so that the bureaucracy can easily adapt to the dynamics of the strategic environment and encourage changes for the better in the state administration and development. Furthermore, reform of the bureaucracy can also be used as a means of renewal, if the goals of the organization are directed to a renewal strategy that is characterized by the willingness of the bureaucratic apparatus to be responsive to thoughts of renewal that can improve the performance of government bureaucracy.

This study provides a good input that good governance is participatory, oriented on the deal, accountable, transparent, responsive, effective and efficient, equitable and inclusive, and subject to the rule of law. Good governance ensures that corruption is minimized, the views of minorities are taken into account and the voices of those most vulnerable in society are heard in decision-making.

Fiscal Capacity Analysis

Fiscal capacity is the potential ability of the government to generate taxes and other revenues from all sources available in connection with the responsibility for the cost of the service. This information is a major concern for all public officials, because it

is an integral component of the governments financial plan both short and long term. According to one informant:

The above concern is reflected in the budget discussion, the proposal of income, and financial plans. When government makes good financial policy decisions, whether it is related to the issuance of new bonds decision, a new operating program, as well as the expansion of existing programs, the key step in the decision-making process can create an assessment of the potential fiscal resources available to support the decision.

This is in line with the opinion of Herb (2005), it is revealed that the fiscal capacity is not just a hypothetical revenue that can be collected by a local. However, the determination of fiscal capacity also requires an analysis of the relationship that exists between the ability of a region to raise revenues and the public's willingness to pay for services that have been provided. This concept is also closely related to the fiscal health of an area.

Thus, the evaluation of the fiscal capacity of a region requires a series of analytical assessment that is based on qualitative and quantitative factors. There are many variables that must be considered when measuring the fiscal capacity of the area, where most of the variables are interrelated. For example, the income tax base and community, social, and economic framework that is unique, and any legal constraints, political, and practical that reduce people's ability to use its resources fully, all of these aspects must be carefully considered.

The main aspects of the government's fiscal capacity are the ability to generate local revenues derived from various sources compared to the overall total revenue, including transfers from the central government. As revealed by Mkandawire (2010) that the fiscal dependence is a picture of the autonomous region's ability to meet the financial needs for development. Fiscal dependence is expressed in degrees Fiscal Autonomy (DOFD) which is the result of proportion or ratio of the total regional revenue to total revenue in the same year.

Based on the above argument, the evaluation of the fiscal capacity depends on variables related to each other, where the majority of the variables analyzed in the study conducted in the regency of West Sulawesi province. West Sulawesi province consists of five districts namely Mamuju, North Mamuju regency (division of the regency. Mamuju). They are Polewali Mandar regency, Mamasa regency (division of the regency of Polewali), and Majene regency. In this study Majene did not become the object of observation because it is not an

Table 1
The Degree of Regional Autonomy (DOFD) of Polman Regency

Year	Total Income	Part of Original Regional Income	DOFD	Growth of Original Regional Income	Growth of DOFD
2006	350,076.72	9,824.19	2.81%		
2007	387,252.61	13,086.70	3.38%	25%	16.96%
2008	455,998.59	24,013.57	5.27%	46%	35.83%
2009	485,302.00	20,945.00	4.32%	-15%	-22.02%
2010	496,870.53	32,216.13	6.48%	35%	33.44%
2011	630,507.05	30,438.40	4.83%	-6%	-34.31%
2012	701,015.31	32,003.06	4.57%	5%	-5.75%
			4.52%	14.97%	4.03%

Source: Processed data from Regional Income of Poliwali Mandar Regency (Polman) 2013

Table 2
The Degree of Regional Autonomy (DOFD) Mamasa Regency

Year	Total Income	Part of Original Regional Income	DOFD	Growth of Original Regional Income	Growth of DOFD
2006	213,552.19	4,048.58	1.90%		
2007	239,414.49	4,514.97	1.89%	10%	-0.53%
2008	275,379.32	5,302.56	1.93%	15%	2.06%
2009	315,262.00	5,094.00	1.62%	-4%	-19.17%
2010	308,087.67	5,398.84	1.75%	6%	7.79%
2011	397,356.85	8,133.62	2.05%	34%	14.39%
2012	484,288.68	8,496.73	1.75%	4%	-16.67%
Average			1.84%	10.77%	-2.02%

Source: Processed data from Regional Income of Mamasa Regency 2013.

expansion area. Thus, only four counties that became the object of observation are the parent regions and new autonomous regions.

During the period 2006 - 2012, the average *DOFD* (Indonesian=*Derajat Otonomi Daerah* = the Degree of Regional Autonomy) Polman regency is 4.52 percent. This condition indicates that the area is classified in the low category (see Table 1). This shows that Polman is only able to pay 4.52 percent of the construction of their own income, while the rest are still to be met with the transfer of funds from the central government. Meanwhile, the average *DOFD* districts or cities nationwide in the same period were 8.16 percent (Ministry of Finance 2011).

Meanwhile, during the period 2006 - 2012, that is the division Mamasa regency of Polman shows quantitative data fiscal capacity that is still low. It can be seen from the degree of fiscal autonomy (*DOFD*) that seems to be very small at 1.84 percent (see Table 2). This shows that the Mamasa regency only afford up to 1.84 percent of revenue owned development needs, while the rests are still to be met with the transfer of funds from the central government.

Furthermore, Mamuju regency during the period 2006 - 2012 after most of the region has expanded an average of 4.05 percent *DOFD*, and this shows the low category (see Table 3). This illu-

strates the region's ability to finance development of Mamuju that is derived from its own revenues amounted to only 4.05 percent, while the rests are still to be met with the transfer of funds from the central government. On average *DOFD* of the regencies or cities nationwide in the same period was 8.16 percent (Ministry of Finance 2011).

On the other hand, North Mamuju regency which is a regional division of Mamuju during the period 2006 - 2012, an average is of 1.84 percent of its *DOFD*. Thus, it is low in the category (see Table 4). This shows that the District of North Production only able to finance their development needs 1.84 percent sourced from its own revenue, while the rests are still to expect a transfer of funds from the central government.

An overview of the tables above show the fiscal capacity of 4 autonomous regions that are obtained from the comparison parts of local revenue with total regional income. Based on the calculation above, it appears a phenomenon in which the degree of fiscal autonomy of the regions of division of Mamasa and North Mamuju regencies showed unsatisfactory results over a period of 7 years of expansion. The same thing occurred in the parent region. Redistricting (downsizing) was not able to push the degree of local fiscal autonomy. This indi-

Table 3
The Degree of Regional Autonomy (DOFD) of Mamuju Regency

Year	Total Income	Part of Original Regional Income	DOFD	Growth of Original Regional Income	Growth of DOFD
2006	361,215.21	9,497.97	2.63%		
2007	428,995.73	14,091.18	3.28%	33%	19.95%
2008	509,009.31	16,265.60	3.20%	13%	-2.79%
2009	619,162.00	25,379.00	4.10%	36%	22.04%
2010	527,842.40	27,500.00	5.21%	8%	21.32%
2011	677,988.25	31,500.00	4.65%	13%	-12.13%
2012	682,482.49	36,040.05	5.28%	13%	12.02%
Average			4.05%	19.15%	10.07%

Source: Processed data from Regional Income of Mamuju Regency 2013.

Table 4
The Degree of Regional Autonomy (DOFD) of North Mamuju

Year	Total Income	Part of Original Regional Income	DOFD	Growth of Original Regional Income	Growth of DOFD
2006	204,365.17	5,445.67	2.66%		
2007	228,382.76	3,926.89	1.72%	-39%	-54.97%
2008	266,975.75	4,278.69	1.60%	8%	-7.29%
2009	291,300.00	4,645.00	1.59%	8%	-0.51%
2010	282,016.78	5,284.60	1.87%	12%	14.90%
2011	360,841.68	6,209.32	1.72%	15%	-8.90%
2012	408,989.98	7,052.52	1.72%	12%	0.21%
Average			1.84%	2.73%	-9.43%

Source: Processed data from Regional Income of North Mamuju Regency 2013.

cates that the region has not got a significant benefit in the implementation of regional expansion. That is, the expansions of regions tend to lead to new autonomous regions and parent regions that have a high dependence on transfers from the central government.

Furthermore, it can be said that the expansion of the area in the province of West Sulawesi, failed to prove that smaller government has the opportunity to explore the potential economic and local revenue that has not been excavated. It is similar to that revealed by the theory of economy of scale. In addition, the government of West Sulawesi province also failed to prove that the regional expansion allows the creation of new businesses that are able to absorb labor from the formal and informal sector, which in the end can encourage the growth of the fiscal capacity of local regions.

Departing from studies by Herb (2005) who initiated the independence of the region, it can be said that the expansion of the area in the province of West Sulawesi is high cost. That is, the central government bears a heavy burden with a large area dependence on transfers from the central government (Khemani 2006). This dependency causes an autonomous region is difficult to carry out public services optimally (Herb 2005).

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

It appears that redistricting is done in the province of West Sulawesi shows that by reducing the span of control (expansion), they become easier to integrate the synergy of three pillars of good governance, namely government, private, and community. The three groups have worked together in planning and implementation of regional policy. The successes of the expansion in West Sulawesi province can be seen from the efforts of civil society that is explicitly to enter into the process of local governance through active participation. Therefore, good governance, increase social trust, and responsibility of local governments are required for such a program.

This study shows that the expansion area in the province of West Sulawesi is a policy that is responsible and important to do. This policy has encouraged participation, transparency; and public accountability, as well as other aspects of good governance. Therefore, the government's desire to establish new autonomous regions, namely Central Mamuju regency that should receive a positive response, given the vast territory that this regency is less for the local government to reach the participation of society as a whole.

On the other hand, the study found that the

expansion has led to weak local fiscal capacity. This is due to the expansion in the area of West Sulawesi province that could not encourage the growth of local fiscal capacity, which in fact, they still expected to encourage the degree of fiscal autonomy of the regions.

The options on real regional expansion must be addressed with optimism and it should be done as a real challenge. The strategy is through continuous campaign on the importance of the implementation of good governance at local government level. Of course, it requires the embodiment of a real decentralization and responsibility, as well as success in the area of good governance should not be just an instant effort. It is not as easy as like turning the palm of the hand. It should bear a strong commitment, learning constantly, and the patience of all stakeholders both at the central and regional levels.

The researchers argue that the result of decentralization is the impact of politics on the local level interaction with the dynamics of the institution. This study assumes that decentralization is a reform that is moving with a large number of local processes is independent. Therefore, to understand the decentralization and regional expansion, then we must first understand how the government, especially when government works well, and when they work with the poor.

This study suggests that in analyzing the impact of the expansion should be observed all aspects of a holistic manner. The imitation of this study is that it is a qualitative statistical data obtained just after the expansion is done, especially for the parent region. Therefore, future studies are expected to enhance the statistical data before and after the regional expansion occurs.

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