



A. INTRODUCTION

A1.0 The Partnership for Governance Reform (the Partnership) is collaboration between the international community and Indonesia which aims to push and support a governance reform agenda. The main actors from the international community are The World Bank, United Nations Development Program (UNDP) and the Asian Development Bank (ADB) who are the founder members of the Partnership. From the Indonesian side, there is a Governing Board comprising of a number of reform minded individuals including ministers, senior public officials and private entrepreneurs.

The Partnership has 10 defined sectors of work. These are:

- | | | | |
|---|-----------------------|---|----------------------|
| - | Judicial reform | - | Civil service reform |
| - | Electoral reform | - | Legislative reform |
| - | Civil society | - | Corporate governance |
| - | Police reform | - | Anti-corruption |
| - | Information and media | - | Decentralization |

A2.0 The Anti-Corruption Work Program identifies the underlying problems of corruption in Indonesia as follows:

A2.1 At the macro level, a substantial number of the policies and implementing rules and regulations of different laws were “captured” by vested interests (who were usually cronies of then-President Soeharto) resulting in the corruption of numerous polices during the New Order. While reasonable anti-corruption laws do exist, they are limited, perverted, and, moreover, largely ignored. When cases of corruption are prosecuted, the judiciary is often bribed into compromising the prosecution of those accused.

A2.2 Corruption is thus often used by the political leadership as a means to attack political opponents, and the systemic nature of corruption is ignored except in rhetoric.

A2.3 After more than three decades of authoritarian rule, corruption has become entrenched and accepted by society. There is an absence of a shaming culture concerning corruption, as well as misperceptions and misunderstandings of the harmful impact of corruption to the country’s political, economic and social development (by discouraging investment, impoverishing the treasury, accepting bad governance practices, for example).

A2.4 Despite efforts by non-corrupt individuals and organizations in government, business, and civil society, there is widespread cynicism that corruption is an endemic feature of Indonesia and Indonesians. There are few documented or well-known examples of truly clean organizations or individuals that have been untouched by corruption over the years.



- A2.5 In the civil service, employees are commonly allowed to mix their public roles with private interests. Sources of income for individual employees are unregulated and often arbitrarily determined through a patronage system that is linked to a culture of silence underpinning such patronage. This environment encourages and supports corruption.
- A2.6 The long-standing collusion between business enterprises with government officials has resulted in a distorted economy that favors private economic interests over broader public good. The situation is compounded by the patterns of non-transparent and illegitimate practices that sustain the culture of corruption.
- A2.7 Civil society organizations and the media who are concerned with corruption are generally limited in financial and technical resources and therefore address themselves more to individual cases rather than to combating the systematic and structural practices of corruption.
- A3.0 Against this backdrop, the Partnership envisions being able to contribute to and generate a national anti-corruption movement that has the participation of all segments of Indonesian society. More specifically, the Anti-Corruption Work Program has the following objectives:
- A3.1 *A national anti-corruption strategy and program*
This will be developed with realistic expectations along a phased schedule, socialized widely throughout the country (particularly through citizen organizations), and applied to different segments of society. This strategy will be derived from a national diagnostic study of corruption with close advice from a high level steering committee.
- A3.2 *A coordinated structure for donor support*
The donor support structure will be based upon the anti-corruption strategy and program, together with more transparent exposure of corruption offenses involving donor funding.
- A3.3 *Guidelines and Handbooks*
These will be produced for a range of different groups who want to implement the strategy and change corrupt practices systematically within their environments. These materials could include sections on (a) the harm caused by existing corrupt practices; (b) alternative and preferable practices; and (c) ways to achieve such practices and (d) the resource organizations available to provide assistance. The Guidelines and Handbooks would be targeted to government departments, private businesses, village organizations, and other interested parties.
- A4.0 Strategically, the role of the Partnership is to facilitate an Indonesian approach to controlling corruption by working at three levels:
- Grass roots – to support public mobilization and socialization of corruption issues
 - Politics and bureaucracy – to demand for legislative and regulatory reform



- Legal and judicial – to provide tools to expose and control corruption

The Partnership will do this by working with an Indonesian Steering Committee and specific Select Committees in the different areas. The Partnership will concentrate on building citizen pressure as well as working with the private and public sector initiatives with the realization that national level anti-corruption initiatives have usually been unproductive. But the Partnership will also take advantage of opportunities to respond to possibilities at a national level that are likely to have impact.



B. BACKGROUND

B1.0 The Governance Diagnostic Study was initiated in October 2000 with assistance from the World Bank which is supporting similar governance studies in a number of other countries.¹ The goal of the Governance Diagnostic is to provide inputs for productive policy discussion based on broad participation in explicit strategies and concrete action plans. In order to enhance governance, three key factors have been identified:

Governance Success = KI + LE + CA where

KI = knowledge and information i.e. rigorous data analysis

LE = leadership i.e. political will

CA = collective action i.e. consensus based on broad participation

The Governance Diagnostic Study thus provides for the KI which can be used to simultaneously pressure the LE and produce the necessary CA to implement change and improve governance.

B2.0 In Indonesia, the Partnership for Governance Reform (the Partnership) has undertaken the Governance Diagnostic Study as part of its Anti-Corruption Work Program to develop the knowledge and information base (KI) that will serve as the foundation for a program of collective action (CA). The Governance Diagnostic Study in Indonesia consists of two parts:

- Commissioning 13 research papers on different topics on corruption in Indonesia.²
- Conducting a national survey on corruption for three groups of respondents – business enterprises, households, and public officials.

B3.0 The national survey was completed in March 2001 and a Select Steering Committee (SSC) was formed in May 2001³ to review the preliminary results of the Survey and guide the Partnership in the preparation of this Draft Report on A Diagnostic Study of Corruption in Indonesia. This Draft Report is the result of both quantitative statistical analyses of the survey data coupled with a review process by the Select Steering Committee.

B4.0 The types of corruption covered by both the research papers and the national survey span the broad categories of corruption identified by Schacter and Shah (2000)⁴ and include the following:

- Bureaucratic or petty corruption involving large numbers of public officials (bureaucrats and politicians) extracting small bribes or favors.
- Grand corruption which is the theft or misuse of vast amounts of public funds but by a relatively small number of officials.
- State capture or regulatory capture involving collusion among private concerns and public agencies for personal benefit.



The research papers, being qualitative in nature, discuss examples of grand corruption and state capture through case studies, while the national survey is a quantitative study of the different aspects of petty, bureaucratic corruption.

ENDNOTES TO SECTION B

- 1 Countries where governance studies are underway include Albania, Georgia, Latvia, Bolivia, Ecuador, Cambodia, Argentina, Thailand, Russia, Slovakia, Romania, Benin, Nigeria and others. Reports, papers, and survey instruments from these projects can be downloaded from <http://www.worldbank.org/wbi/governance>
- 2 The 13 paper topics commissioned included (i) presidential corruption; (ii) economic costs of corruption; (iii) legal, policy and institutional framework of corruption; (iv) corruption and the military; (v) corruption in the legal system; (vi) corruption in the public sector; (vii) corruption in the private sector; (viii) corruption in state-owned enterprises; (ix) corruption in the banking system; (x) corruption and foreign aid; (xi) corruption in non-government organizations; (xii) corruption and society; (xiii) corruption and politics.
- 3 Sixteen individuals from government, business, law and civil society were invited to participate in the SSC. Nine agreed to serve on the committee and eight attended two separate meetings held in May and June 2001. The eight members consisted of 3 former Ministers, 1 former judge, 2 lawyers, and 2 businesspersons.
- 4 Mark Schacter and Anwar Shah, "Anti-corruption Programs: Look Before You Leap." Paper prepared for the International Conference on Corruption, Seoul, South Korea, December 2000.

C. SURVEY & SAMPLING METHODOLOGY

- C1.0 Five survey firms were briefed on the content and scope of the survey and invited to submit proposals for the project. Three proposals were submitted and the survey firm Insight was selected based on a combination of factors including past work experience, organizational capacity, technical ability, project understanding and ability to take guidance, as well as project costs, client feedback, and level of professionalism.¹
- C2.0 The survey instrument was developed through a process of written inputs and culminated with a series of focus group discussions on each of the questionnaires for business enterprises, households and public officials respectively. The semi-structured questionnaires contained a range of questions regarding the quality of public services, the functioning of the court system, the regulatory environment, the internal organizational environment, corruption and governance items, and respondent profile questions. The questionnaires were administered in the field as face-to-face interviews with the respondents in their homes or offices.²
- C3.0 The main limitations of the survey were (1) the small sample size (<1% of the total population); and (2) the potential compromised validity of responses because of the fixed response categories. The small sample size was managed through proportional representation of the sample in all three categories of respondents (See C4.0). The inherent weakness of response validity in survey research was offset by the use of the interview technique to increase the response rate, and the application of multivariate analyses to uncover valid relationships in the data set.
- C4.0 The total sample size was 2,300 respondents consisting of 650 public officials, 1,250 households and 400 business enterprises. Each category of respondent was selected based on a range of different criteria in order to develop fair representation of the population.³
- C4.1 Household respondents were between 18 to 55 years old representing 14 provinces.⁴
- C4.2 For business enterprises, the sample was based on companies in seven industry sectors and eight cities.⁵
- C4.3 The public officials sample was selected from eight regulatory agencies, seven infrastructure departments, and four welfare service agencies for 28 different government units that were considered to have more relevance to the context of the study.⁶

Table C(i) Distribution of Select Sample Characteristics

	Household (%)	Business Enterprise (%)	Public Official (%)
GENDER	N/A	N = 400	N = 650
Male	N/A	83.75%	79.23%
Female	N/A	16.25%	20.77%
AGE (years)	N = 1249	N = 400	N = 650
< = 30	18.98%	23.75%	13.54%
31 - 40	37.47%	46.25%	33.85%
41 - 50	25.46%	18.75%	39.23%
> = 51	18.09%	11.25%	13.38%
EDUCATION	N = 1249	N = 400	N = 650
<=Junior High School	35.07%	3.50%	2.31%
High School	42.91%	18.50%	30.00%
Diploma	11.05%	12.75%	14.62%
Bachelor and above	10.97%	65.25%	53.08%
REGION	N = 1250	N = 400	N/A
Urban	42.16%	93.75%	N/A
Semi-Urban	39.84%	4.75%	N/A
Rural	18.00%	1.50%	N/A
	INCOME (N=1232)	SIZE (N=400)	RANK (N=601)
	< Rp 600,000 = 33.52%	Large = 12.25%	Senior = 15.47%
	Rp 600,001 – 800,000 = 21.19%	Medium = 36.50%	Middle = 68.72%
	Rp 800,001 – 1,450,000 = 20.29%	Small = 51.25%	Junior = 15.81%
	> Rp 1,450,000 = 25.00%		



ENDNOTES TO SECTION C

- 1 Summarized from internal correspondence from S. Teggemann dated 15 November 2000.
- 2 The questionnaires for the three categories of respondents for households, businesses and public officials are contained in Appendix A.
- 3 Details of the sampling methodology are contained in Appendix B.
- 4 The fourteen provinces were (i) Sumatra (North, Riau, Lampung); (ii) Java (Jakarta, West, Central, Yogyakarta, East); (iii) Bali; (iv) Nusa Tenggara Barat; (v) Kalimantan (West, South); (vi) Sulawesi (North, South).
- 5 The seven industries included (i) agriculture; (ii) mining; (iii) manufacturing; (iv) construction; (v) trade and restaurants; (vi) transportation; (vii) financial institutions. The eight cities were (i) Jabotabek (Greater Jakarta); (ii) Surabaya; (iii) Bandung; (iv) Semarang; (v) Medan; (vi) Denpasar; (vii) Batam; (viii) Ujung Pandang.
- 6 The eight regulatory agencies included (i) Department for Industry and Trade; (ii) Department for Laws and Regulations; (iii) Land Registration Body; (iv) Department of Finance (tax, customs, and budget); (v) Department for Internal Affairs; (vi) Department for Mining & Energy (vii) Department for Forestry & Plantations; (viii) Department of Communications. The seven infrastructure departments included (i) public works; (ii) electricity; (iii) telephone; (iv) drinking water supply; (v) railroads; (vi) sea transport; and (vii) local public transportation. The welfare agencies were (i) healthcare and hospital services; (ii) education and school administration; (iii) police (traffic and crimes); (iv) local courts (court judge, court clerk, prosecutor and lawyer).



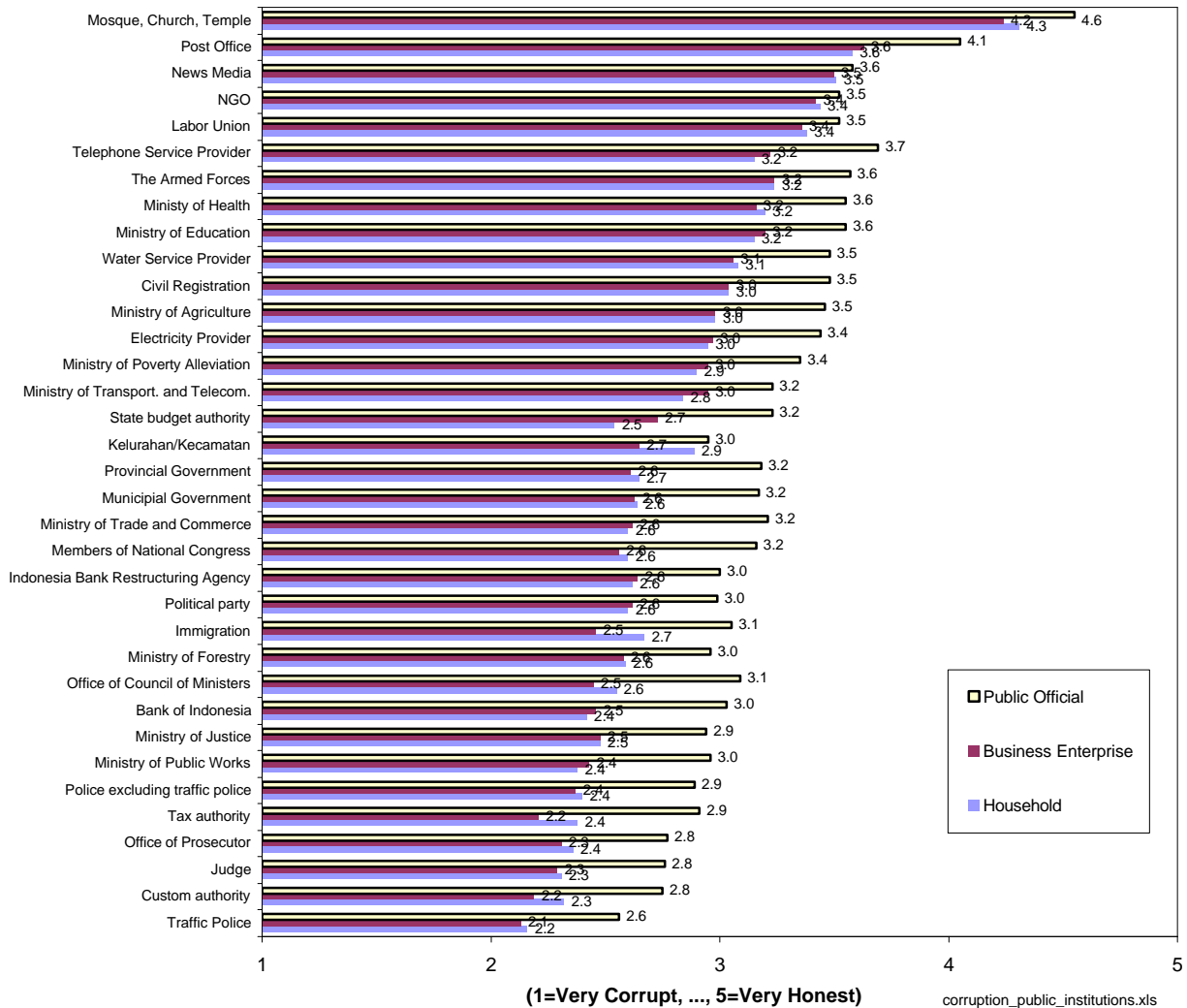
D. PUBLIC SECTOR CORRUPTION

A corrupt bureaucracy spawns two forms of corruption: systematic corruption and systemic corruption. "The Aksara Journal", TEMPO, 19 February 2001: 40

D1.0 Perception of public institutions

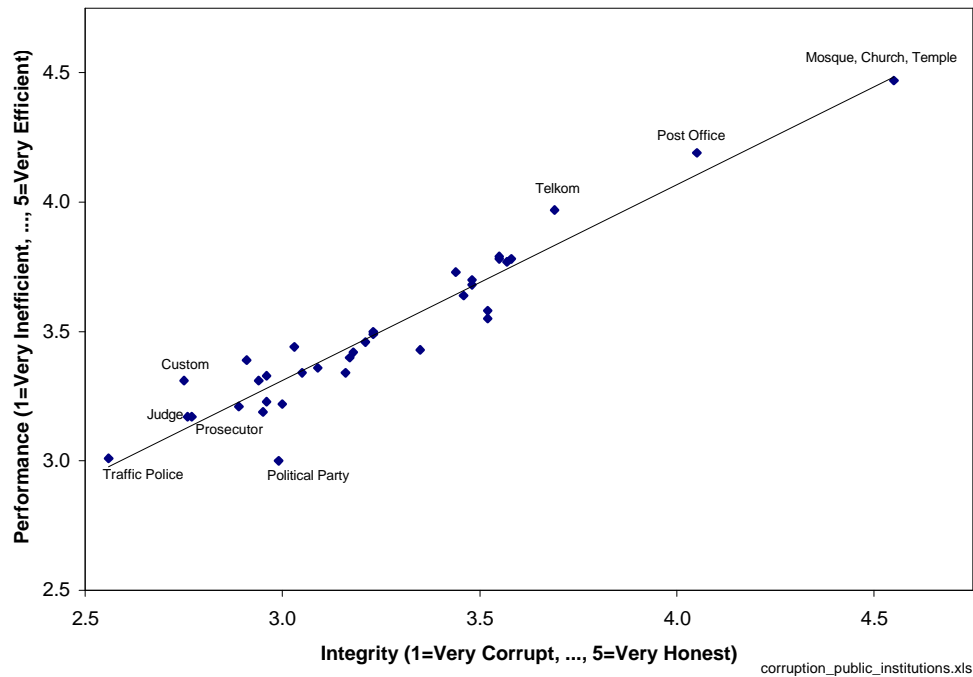
- D1.1 Corruption in the public sector is regarded as very common by approximately 75% of all respondents. It is considered the most serious social problem by household respondents ahead of unemployment and the poor state of the economy. Approximately 65% of households also reported actually experiencing corruption involving public officials. Businesses, however, did not regard corruption as seriously as households, listing instead financing problems, exchange rate instability, and political uncertainty. Public officials in the survey were not specifically asked this question, though other surveys¹ report that the majority of public officials also consider corruption in the public sector a serious problem.
- D1.2. Respondents were asked to rank a list of 35 public institutions in terms of integrity from the least to the most honest. There was close consensus between the business enterprises and household respondents, while the scores of the public officials were generally higher than the other two groups of respondents, suggesting some underreporting on the part of public officials.
- D1.3 The *traffic police, customs authority and the judiciary* were ranked the most corrupt institutions, while the news media, post office and religious organizations (mosques, churches and temples) were considered the least corrupt. Mean scores were computed which ranged from a low of 2.13 for the traffic police to a high of 4.55 for religious organizations.

Figure D1 Perceived Integrity of Public Institutions



D1.4 Related to the perceived integrity of the institution was the performance rating of the institution. Those ranked the least honest or most corrupt were also perceived to be the least efficient in terms of delivery of the public service, indicating a positive relationship between integrity and performance. This result supports findings from other studies that show low performance levels related to high levels of perceived corruption.²

Figure D2 Relationship between Integrity and Performance of Public Institutions



D2.0 Extent of public sector corruption

D2.1 For the purpose of this study, the general World Bank definition of corruption as the “use of public office for private gain” is applicable. This definition of public sector corruption encompasses (a) payments for faster services; (b) purchase of preferential treatment in procurement; and (c) petty bribery for jobs.³ The national survey covered these aspects of corruption through a number of different questions.

D2.2 The four public institutions where corruption was considered to be most common among the public officials in the survey are shown in Table D(i).

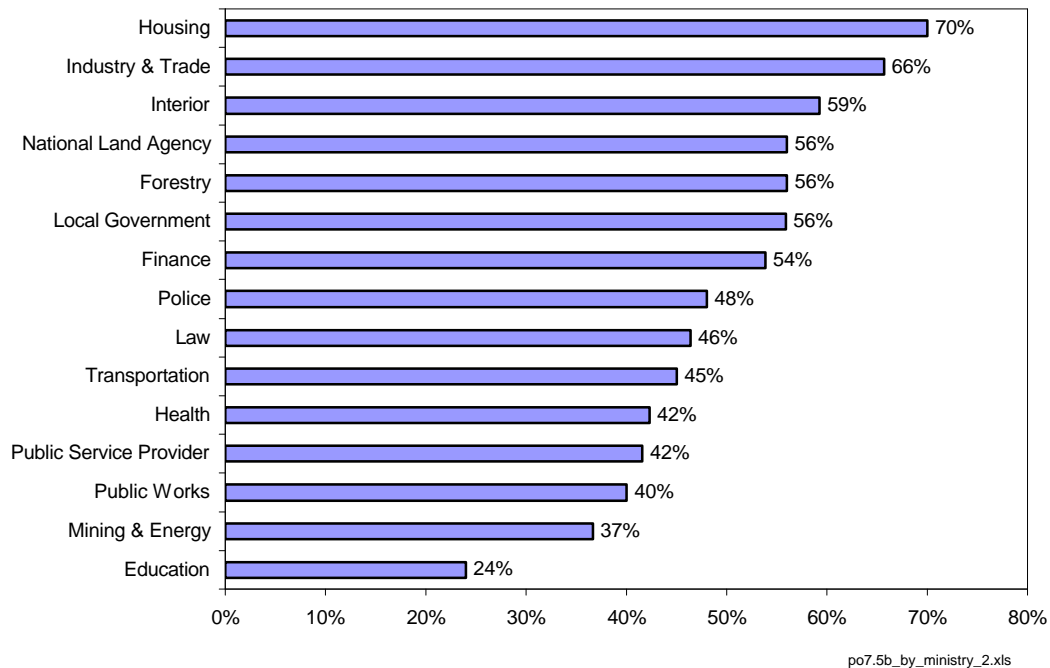
Table D(i) Public Institutions where Corruption is Most Prevalent

INSTITUTION	%
National Land Agency [Badan Pertanahan Nasional]	24.0
Industry & Trade [Departemen Perindustrian dan Perdagangan]	22.9
Forestry [Departemen Kehutanan]	20.0
Interior [Dalam Negeri]	18.5

D2.3 Furthermore, among public officials, it was reported that almost half (48%) were estimated to be receiving unofficial payments. The four abovementioned ministries ranked among the top, in addition to the

Housing Department which had the largest proportion of public officials reportedly receiving unofficial payments (70%).

Figure D3 Percentage of Public Officials Receiving Unofficial Payments



D2.4 From a households' perspective, for those government departments where there was at least one contact and a bribe made with the contact,⁴ the average number of bribes for the public institutions with the fewest non-missing cases⁵ were as follows:

Table D(ii) Average Number of Bribes Paid

Public Institution	Average number of bribes	Maximum number of contacts made	% non-missing
Kelurahah/Kecamatan (KTP and KK)	2.08	36	44.5%
Civil Registry (birth/marriage certificates)	1.70	12	29.6%
Land Registry	1.72	20	33.3%
Immigration (passport)	1.48	5	48.8%
Police (crimes)	1.27	4	44.1%

The results suggest that the number of bribes paid increased with the frequency of contact with the public institution, though the reliability of such a conclusion is tempered by the large number of missing cases in the responses (See Endnotes 4 and 5) as the public institutions where bribes were paid most frequently were the post office (12.5x), state-owned hospitals (4.6x), and the electricity service (3.8x). However,

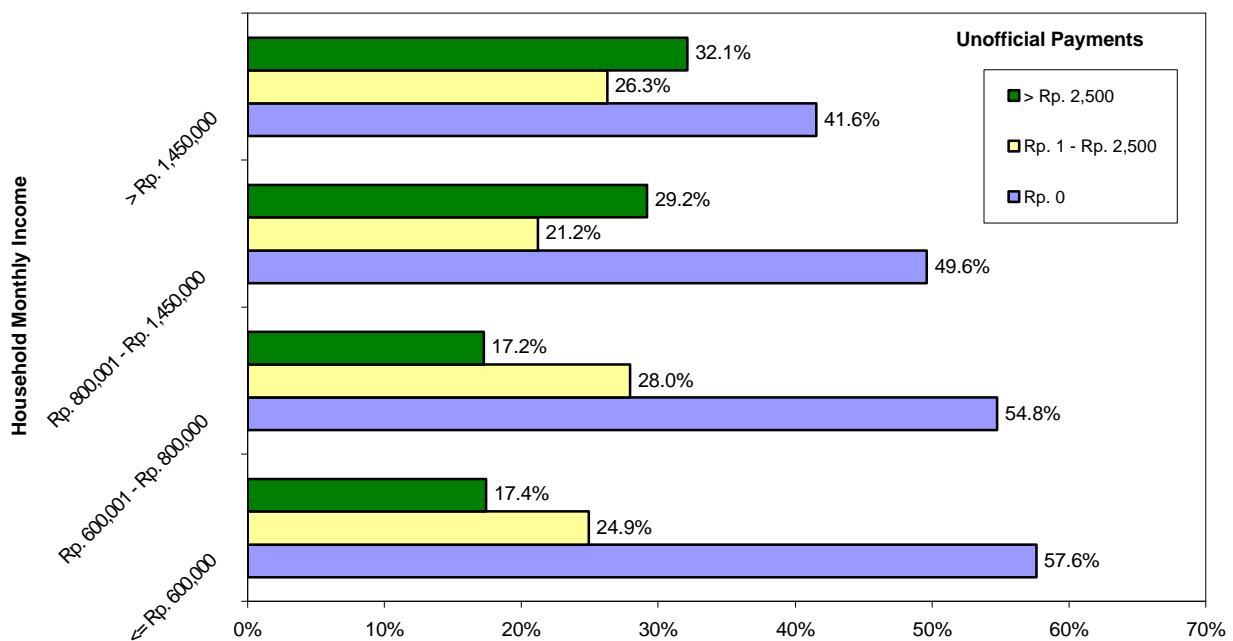
these services also had large percentages of missing cases (98.7%, 85.1% and 92.4% respectively). Moreover, previous results indicated that the postal service was considered one of the least corrupt and more efficient of the public institutions (See Section D1.3).

D3.0 Consequences of public sector corruption

D3.1 The cost of corruption to society

D3.1.1 Corruption extracts a high cost from society with between 1% to 5% of household income, official salary or company revenue spent on unofficial payments. Higher income households proportionately pay more in bribes than lower income households, and also disproportionately more of their monthly household income on unofficial payments.

Figure D4 Amount of Monthly Unofficial Payments by Monthly Household Income Level



hh2.2b_by_bribe.xls

3.1.2 Furthermore, the range in the amount of bribes paid can be substantial. Based on the frequency of contact and making unofficial payments as in Table D(ii) (See Section D2.4 above), the amount of bribes paid ranged as follows:

Table D(iii) Average Amount of Bribes Paid by Households

Public Institution	Average number of bribes	Minimum amount (Rp)	Maximum amount (Rp)	Mean (Rp)
Kelurahah/Kecamatan (KTP and KK)	2.08	500	2,500,000	9,776
Civil Registry (birth/marriage certificates)	1.70	1,500	500,000	38,602
Land Registry	1.72	10,000	3,000,000	192,717
Immigration (passport)	1.48	2,000	1,000,000	131,222
Police (crimes)	1.27	1,000	2,000,000	203,464

D3.2 The cost of corruption to business

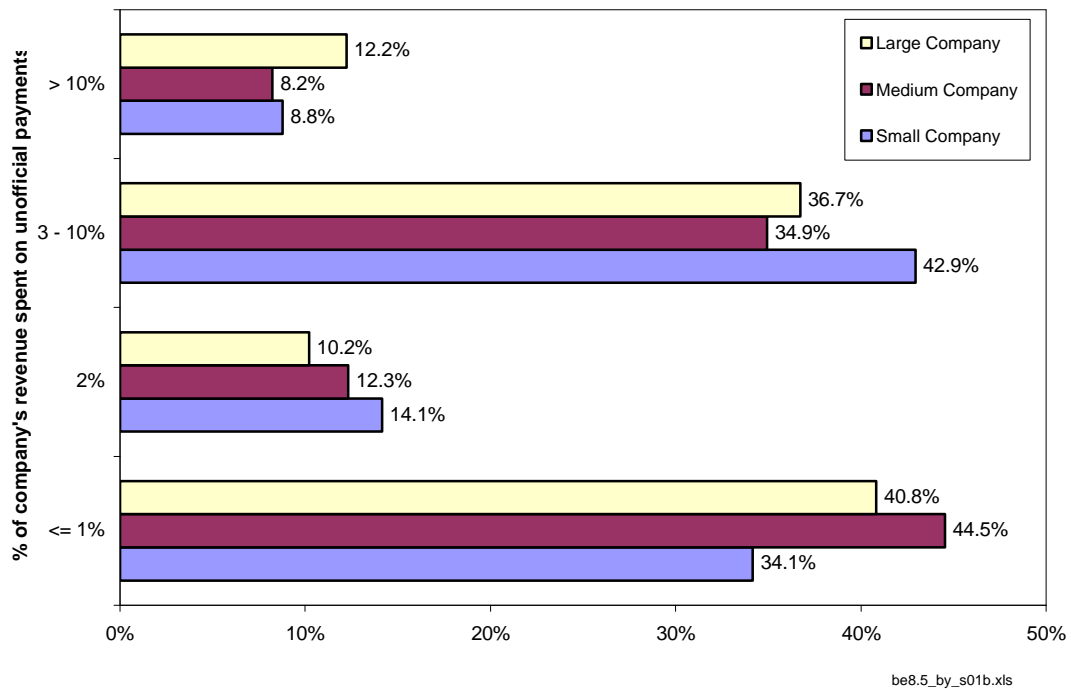
D3.2.1 Corruption increases the overall costs of doing business. In terms of amounts paid in bribes, businesses paid more than households in absolute amounts and in wider ranges. Businesses reported paying from a low of Rp2,500 (to the tax office) to a high of Rp 500 million for local safety inspection and the courts. By comparison, households reported minimum bribe payments of Rp 500 to Rp 3 million at the Land Registry. Table D(iv) shows the average amount of bribes paid by businesses that had at least one contact with the select public institution:

Table D(iv) Average Amount of Bribes Paid by Businesses

Public Institution	Average number of bribes	Minimum amount (Rp)	Maximum amount (Rp)	Mean (Rp)
Customs	9.6	5,000	30,000,000	1,184,571
Trade & Industry (licensing)	3.3	7,000	5,000,000	475,634
Tax	3.8	2,500	500,000,000	9,726,949
Traffic Police	4.6	5,000	2,000,000	63,860

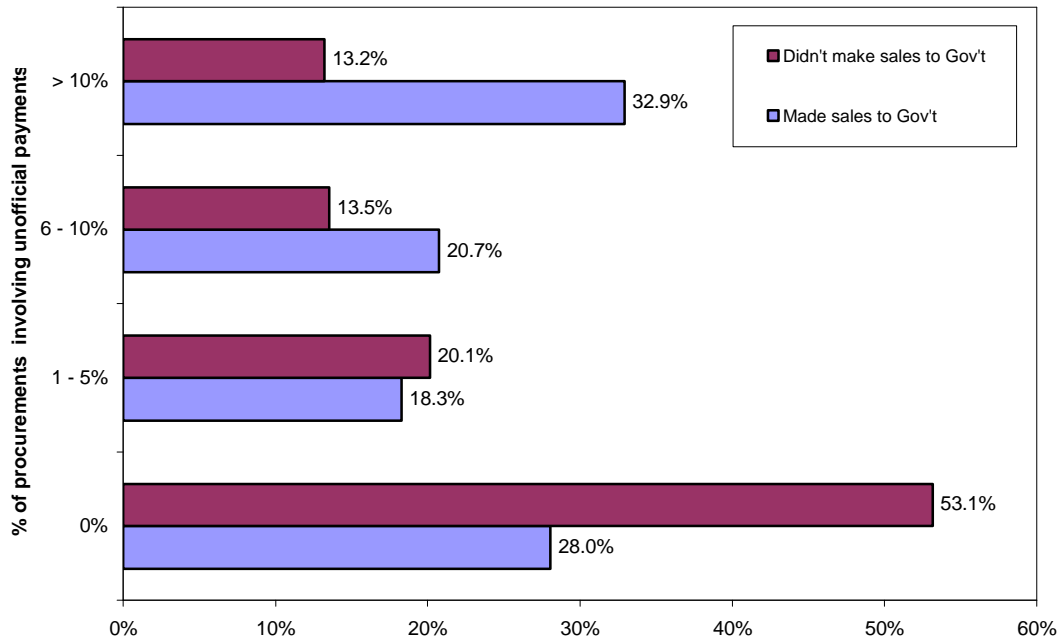
D3.2.2 But corruption has an unequal impact on businesses. Survey results showed that small-sized businesses allocated a larger percentage of their sales towards unofficial payments than medium and large sized enterprises. This unfairly disadvantages smaller companies and undermines the business environment for open competition and entrepreneurship.

Figure D5 Percentage of Company Revenue Spent on Monthly Unofficial Payments by Company Annual Revenue



D3.2.3 The survey results also showed companies that paid more in bribes on procurement contracts (from 6% to more than 10%) did significantly more business with the government than companies that did not pay bribes or paid in smaller amounts. So rather than winning contracts based on a criterion of lowest bids, it appears from the survey results that government contracts go to the “highest bidder”. Protracted corruption in this form can significantly increase economic inefficiency as uncompetitive firms win government contracts and deliver poor services.⁶

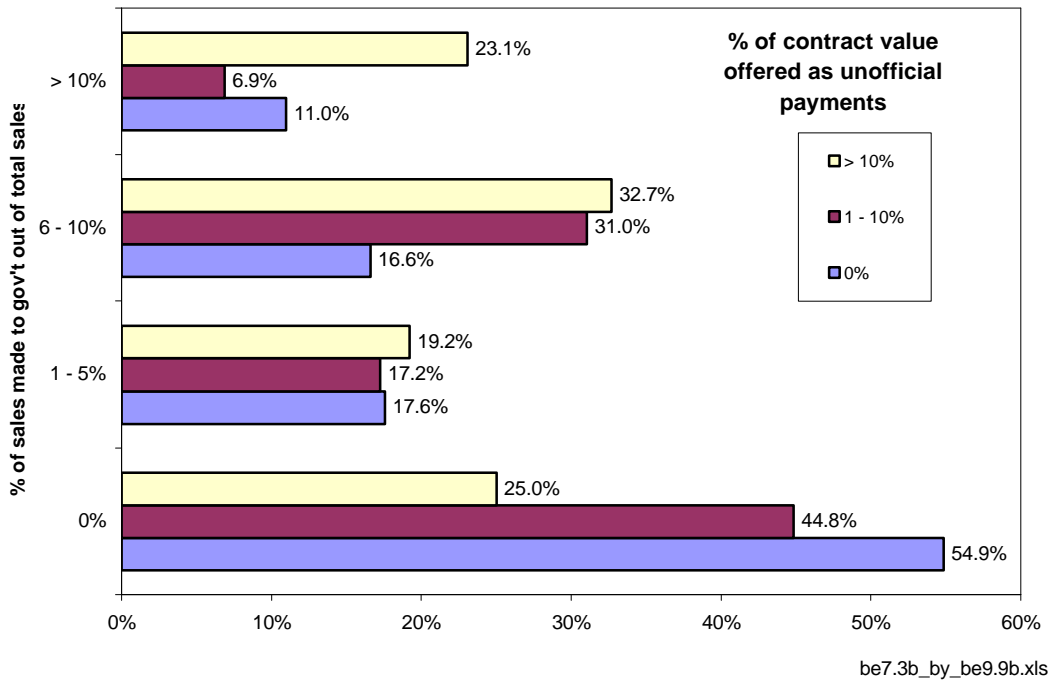
Figure D6a Impact of Bribery on Doing Business with the Government



be7.3a_by_be9.9a.xls

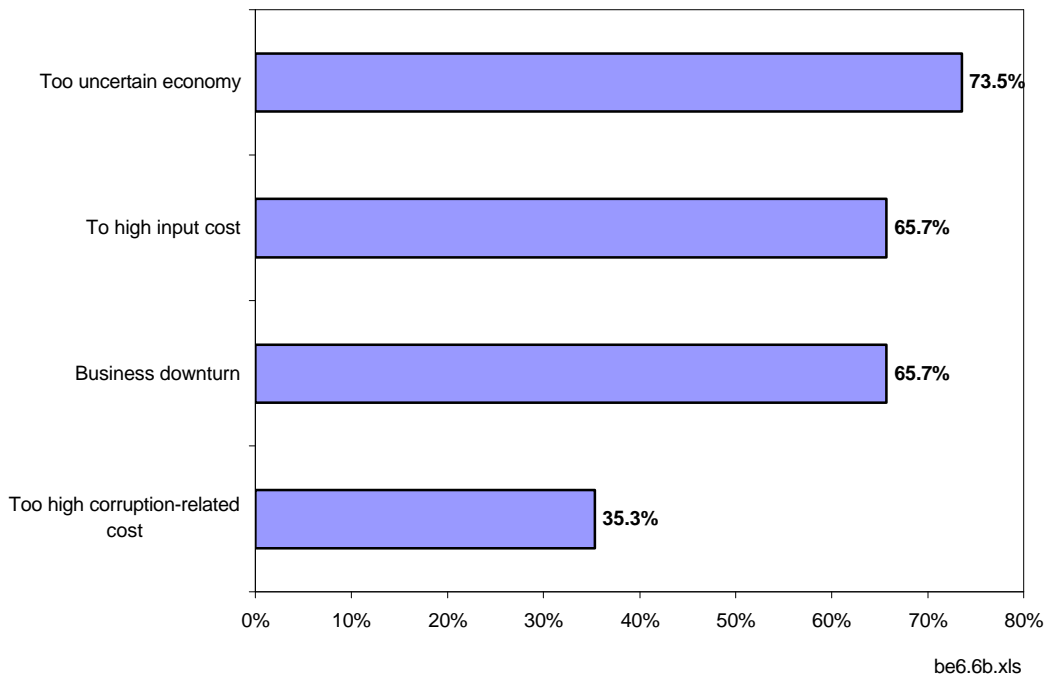
D3.2.4 This point is further illustrated in Figure D6b. Companies that offered more than 10% of the contract value in bribes had a larger percentage of sales revenue from government contracts.

Figure D6b Impact of Bribery on Doing Business with the Government



D3.2.5 Corruption appears to also discourage business investment. Approximately 35% of business enterprises reported not making investments because of the high cost related to corruption.

Figure D7 Reasons Not to Invest in Indonesia



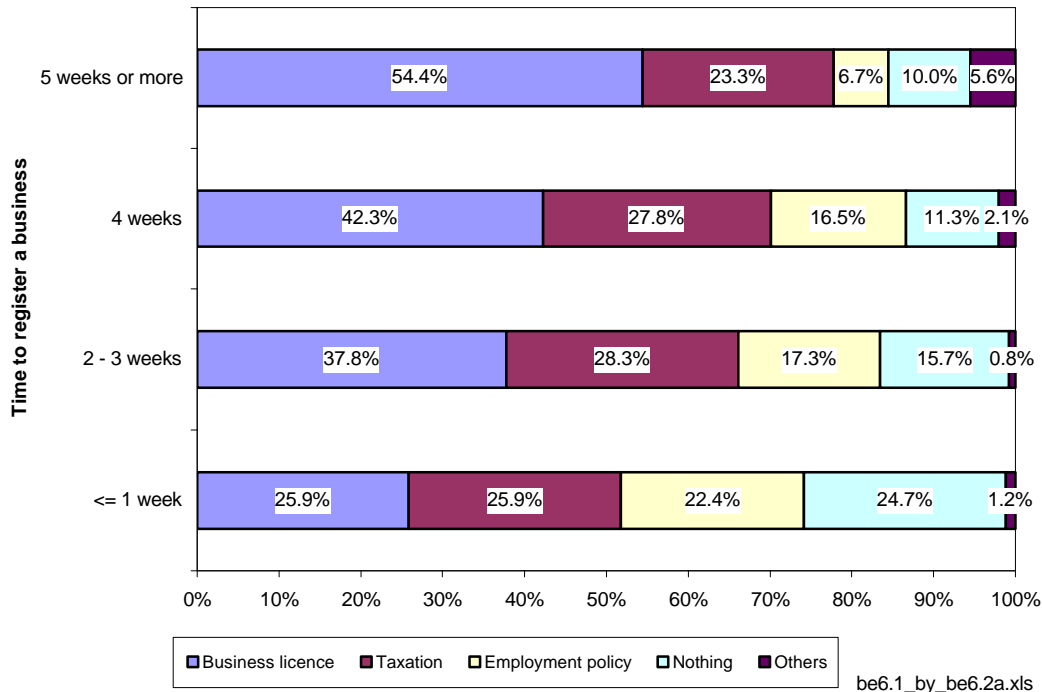


D3.2.4 The argument that less corruption and better governance encourages investment receives support from the results of a survey of investors in Asia, U.S.A. and Europe by McKinsey & Company.⁷ Five Asian countries (Japan, Taiwan, Thailand, Korea, Indonesia and Malaysia) were rated according to the quality of corporate governance and Indonesia received the worst rank – a score of 1.1 out of a total score of 5. However, investors indicated willingness to pay an average premium of 27% in Indonesia for a well-governed company. This was the highest premium among the five countries, suggesting that Indonesian companies could improve their value through improved corporate governance. Almost three-quarters of the McKinsey investors surveyed rated the quality of governance as equal or more important than financial issues when considering an investment.

D3.2.5 Although economic uncertainty was the main reason not to invest, indirect corruption costs are also generated by bureaucratic red tape (such as the time required for business registration and the amount spent on using facilitators. A local businessman noted that "...under-the-table payments go hand in hand with the official procedures ..."(The Jakarta Post, 3 August 2001) Thus, complicated official procedures for business licensing, for example, that are exacerbated by various hidden costs further act as disincentives for investment. The survey results illustrate this point.

D3.2.6 Approximately 40% of all business respondents mentioned business licenses and taxation (26.6%) as the government requirements that were most difficult to meet. In assessing the impact of such requirements by the time required to register a business, the national survey found that more than half (54.4%) of the businesses that needed five or more weeks to obtain business registrations regarded business licensing as the most difficult government regulation.

Figure D8 Time to Register a Business by the Most Difficult Government Regulation



D3.2.7 The cost of corruption on businesses can be further seen from the price companies were willing to pay to eliminate corruption. More than half of the business enterprise respondents (56%) were willing to pay additional taxes if corruption could be eliminated, and of those willing to do so, more than half were willing to pay more than 5% of company revenues towards eliminating unofficial payments.

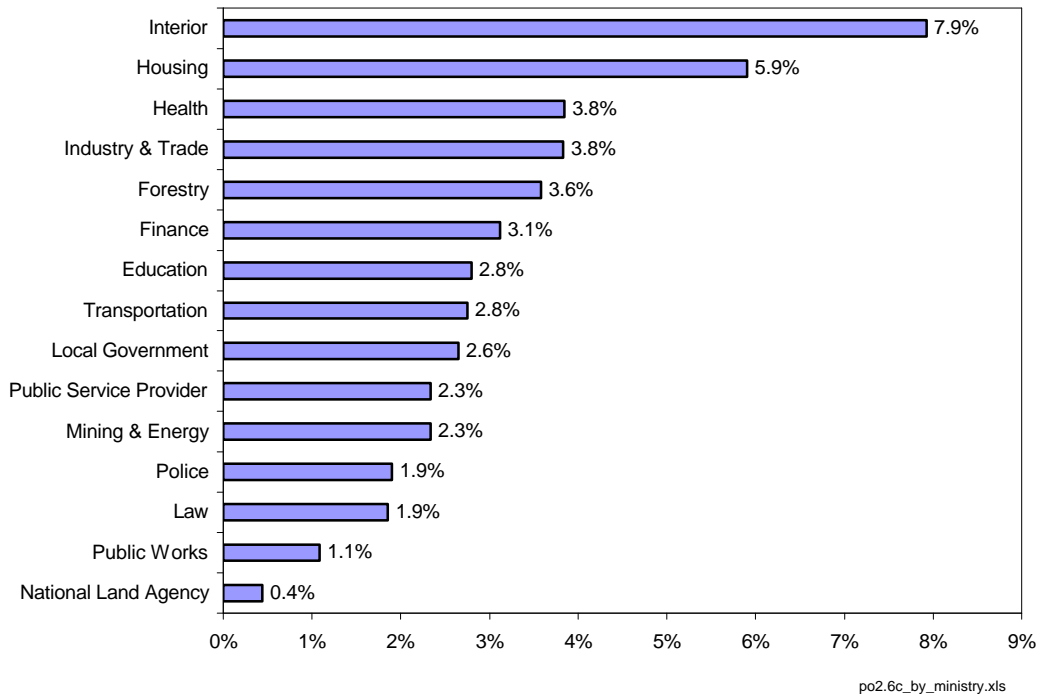
D3.3 The cost of corruption to the state

D3.3.1 “Tax revenue losses from fraud, evasion, and smuggling sanctioned by local officials also drain funds from the state treasury.”⁸ The national survey provided an indirect estimate of the potential size of tax revenue lost through corruption based on the willingness of companies to pay for the elimination of corruption is an indication of the fiscal cost of corruption to the state budget. Corruption presently acts as an implicit tax on businesses that could instead contribute to the state as tax revenues if corruption could be eliminated. And judging from the amount that companies were willing to pay – more than 5% for over half of the companies willing to pay additional taxes – this could be a significant source of revenue for the state.

D3.3.2 Corruption within public institutions not only distorts the budget, but also results in a significant loss of public funds.

Almost one-quarter of the ministries surveyed reported some budgetary diversion in the past year. Almost half of the public officials reported budgetary diversions at the Interior Ministry, while approximately one-third pointed to diversion of the budget at the Department of Industry and Trade, the Department of Forestry and the Housing Ministry. The results also indicated that these public institutions had to pay in order to receive their budget allocations.

Figure D9 Percentage of Budget Diverted by Ministry



D3.3.3 The diversion of funds reduces the amount of resources available to the agency administering the public service, thus lowering the quality of the public service. At a macro level, “the diversion of public funds into private pockets inevitably reduces the state’s ability to provide public goods, such as education, environmental protection, and research and development.”⁹ At a micro level, corruption does not increase the certainty that the service will be rendered. More than half (56%) of business respondents could not say that making unofficial payments actually guaranteed a service or resolved a problem. Corruption undoubtedly reduces the effectiveness of public sector organizations.¹⁰



ENDNOTES TO SECTION D

- 1 Maning et al. *Reference pending*
- 2 Maning et al. *Reference pending*
- 3 Maning et al. *Reference pending*
- 4 The missing values on these questions were too large (ranging from 24.3% to 98.2%) to allow for direct reporting of results, as it was unclear from the results whether the missing cases implied there was no need for contact and therefore no contact was made; or whether the missing cases were omissions or some other form of coding error. Since at least a quarter of the responses were missing, the reporting of results was limited to where there was at least one contact made with the public institution and at least one bribe paid.
- 5 The percentage of non-missing cases was calculated by dividing the number of cases where there was at least one bribe paid into the number of cases where there was at least one contact made with the public institution.
- 6 Minxin Pei, "Will China become another Indonesia?" *Foreign Policy*, Washington, Fall 1999.
- 7 McKinsey & Co., Presentation to The World Bank, Jakarta, 19 June 2001. *Request for permission to use pending.*
- 8 Minxin Pei, "Will China become another Indonesia?" *op.cit.*
- 9 Minxin Pei, "Will China become another Indonesia?" *op.cit.*
- 10 Minxin Pei, "Will China become another Indonesia?" *op.cit.*

E. CORRUPTION IN THE LEGAL SYSTEM¹

People know that our law enforcement system is seriously defective. There is no point in continuing to hope that a defective system will suddenly function once again. "The Aksara Journal", TEMPO, 19 February 2001: 44.

E1.0 Perception of the legal system

E1.1 The Indonesian legal system is generally not regarded in a positive light. Business enterprises in particular held harsher opinions of the courts with 10% more business respondents viewing the courts as untrustworthy compared to household respondents. Similarly, businesses clearly viewed the courts as biased towards "the rich and powerful" (48%) over households who were more evenly split in opinion (34% for the rich and powerful versus 39% for everyone). This difference in opinion can be explained by more businesses having actual experience with the courts (27%) over the average household (7%). (See related subsection E2.0.)

E1.2 The Indonesian judiciary and prosecution were also regarded among the most corrupt public institutions. Judges and prosecutors were consistently ranked among the least honest, just above the traffic police and customs. (See related Section D1.3)

E2.0 Nature of corruption in the legal system

E2.1 Respondents who had actual dealings with the courts were asked about their experiences. Of the households and businesses that had recent experience with the court system, more than one-third of the respondents (35%) indicated that some form of unofficial payment was expected. Households reported paying prosecutors (66%) and staff from the prosecutor's office (59%) more than businesses that made more unofficial payments to prosecutors (51%) and judges (46%).

E2.2 The negative business view of the legal system is further shown in the amount of the bribe payment. Businesses paid proportionally more in bribes of between Rp 1 to 5 million while the majority of households paid less than Rp 1 million.

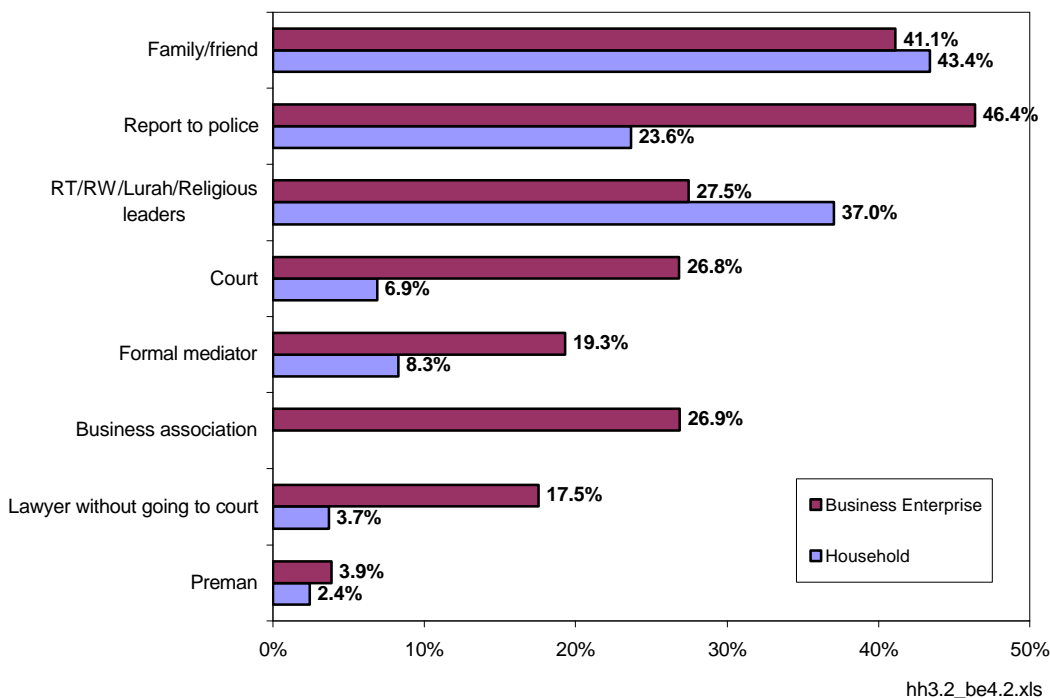
Table E(i) Amount of Unofficial Payment in Courts

Rp	HOUSEHOLD	BUSINESS
Less than 1 million	56%	31%
1 to 5 million	33%	49%
More than 5 million	11%	20%
No. of cases	29	35

E3.0 Consequences of corruption in the legal system

E3.1 A measure of the public’s trust in the legal system and its efficacy is seen from the usage of the courts as a form of dispute resolution. Household and business respondents were asked about the methods used to settle disputes in the past five years, the results of which are shown in Figure E1. Courts showed low levels of usage by households at less than 10%, as households were more likely to use informal means such as family members and friends, as well as their neighborhood and religious leaders to settle disputes. Businesses were more likely to use formal methods in addition to informal methods to resolve disputes. Most turned to the police for assistance (46.4%), who are another important component being the usual point of first contact in the legal process as opposed to the judiciary at the outcome end. More than a quarter of businesses reported using the courts and business associations, less than 20% used formal mediators and lawyers. But still a substantial portion of businesses used informal means including family and friends (41.1%) and neighborhood and religious leaders (27.5%).

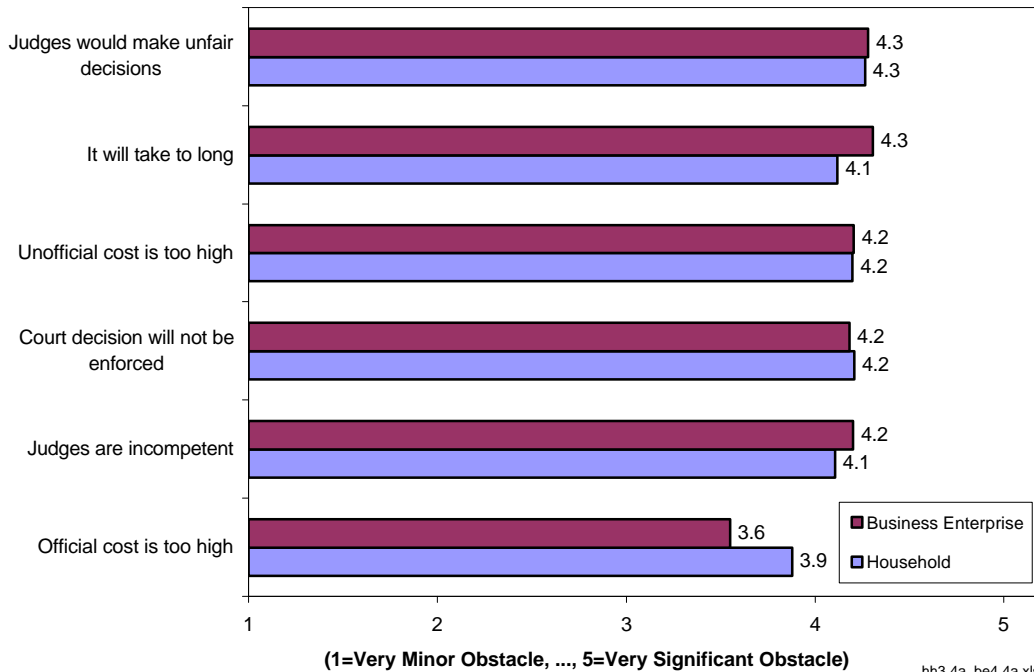
Figure E1 Methods of Dispute Resolution Used



E3.2 But it is unclear from the foregoing results if the lack of trust and credibility in the legal system are directly related to corruption. Business enterprises ranked the high unofficial costs as the most significant obstacle to using the courts (44%) while households cited “judges would make unfair decisions” (42%) instead. But when results were aggregated, the top reasons given as obstacles to the court system

were process related issues including the lengthy time required, the lack of enforceability of decisions, and judicial impartiality.

Figure E2 Obstacles to Using the Courts

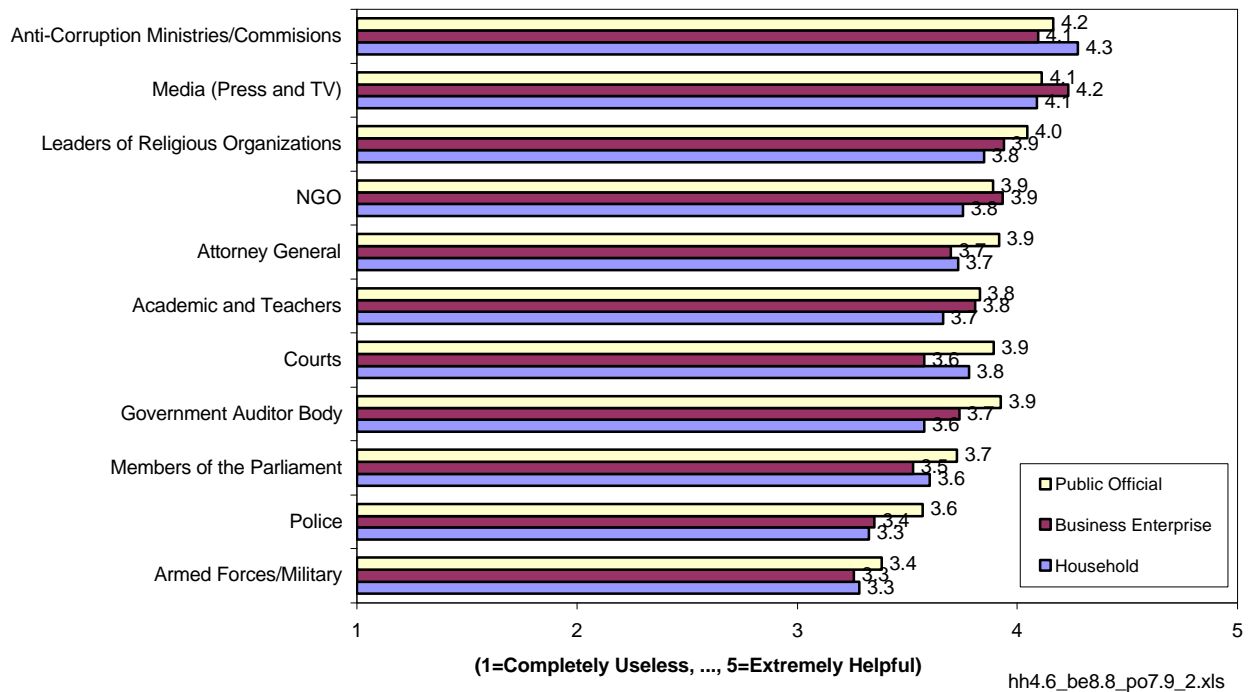


E3.3 Although the unofficial costs may not be the most significant obstacle to using the courts, other weaknesses in the overall legal system render it largely inaccessible to the average citizen and ineffective in its ability to enforce the rule of law in society. Pei’s (1999) description of the situation in China bears strong resemblance to Indonesia:²

Weak legal institutions incur real economic costs. A system with a track record of corruption, politicization, and inability to enforce a large share of its judgments, as in the Chinese case, greatly increases the risks of economic activities because investors cannot be certain that their contracts and property rights will be secure.

E3.4 The generally negative public perception of the two main institutions of justice is problematic given that the prosecution and judiciary are the institutions responsible for the prosecution and punishment of corruption cases. The loss of public confidence in the ability and integrity of the courts and the Office of the Attorney General is further reflected in their low scores for “usefulness in combating corruption”. The public appears to place more hope and trust in the mass media and religious organizations to fight corruption over these two institutions.

Figure E3 Useful Institutions in Fighting Corruption



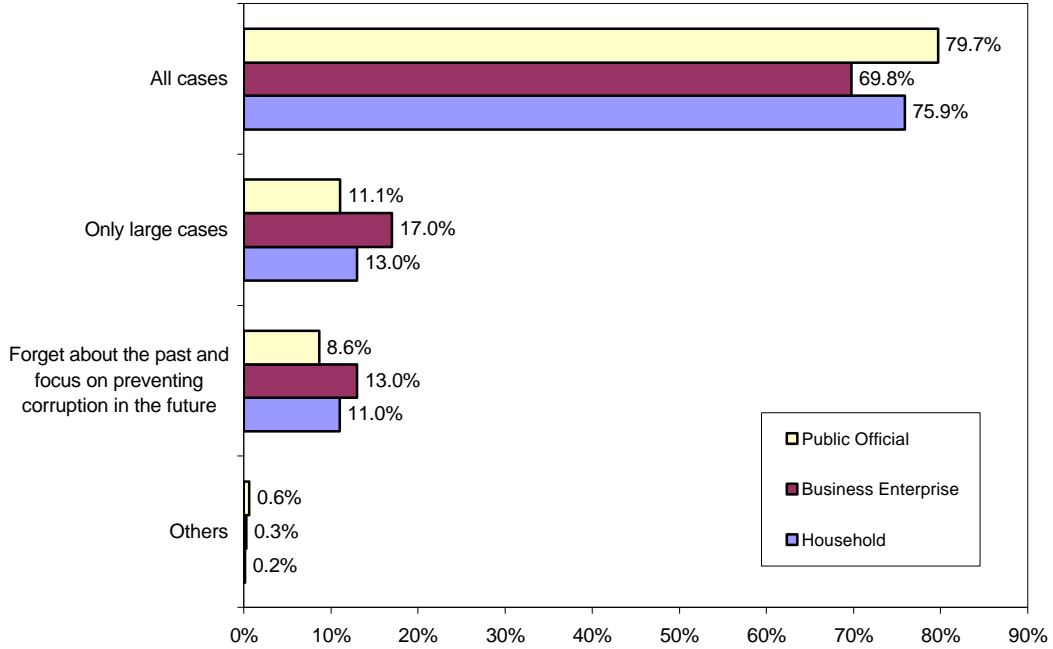
E3.5 The general public is overwhelmingly of the view that the nascent anti-corruption commission will be the most useful in fighting corruption, with 87% of household respondents pinning their hope on this body. The formation of the anti-corruption commission comes on the heels of a host of other anti-corruption related groups – the National Ombudsman Commission, the Audit Commission on the Wealth of Government Officials (KPKPN), and the Joint Investigation Team. These groups have been largely unsuccessful, and appear to have been hastily established by the government to temporarily satisfy the demands of the public.³ The public’s misguided faith in the anti-corruption commission was borne out in the national survey.

E3.6 The focus on an anti-corruption commission or another singular body is counterproductive to the anti-corruption effort because it narrowly focuses on one aspect of corruption and overlooks other related issues critical for success. In this respect, the anti-corruption commission cannot substitute for a corrupt and dysfunctional legal system (police, prosecution and judiciary) that is essential to the rule of law in society: *Anti-corruption activists gain temporary satisfaction – but the legal system frees those accused, the public despairs, and finally becomes apathetic to the whole issue.* TEMPO, 19 February 2001: 41.

E3.7 In spite of the vote of no confidence in these two institutions of justice, the public’s expectations of their functions and outcomes clearly demand a better performance from the prosecution and courts:

- Approximately 75% of all respondents want all corruption cases pursued.

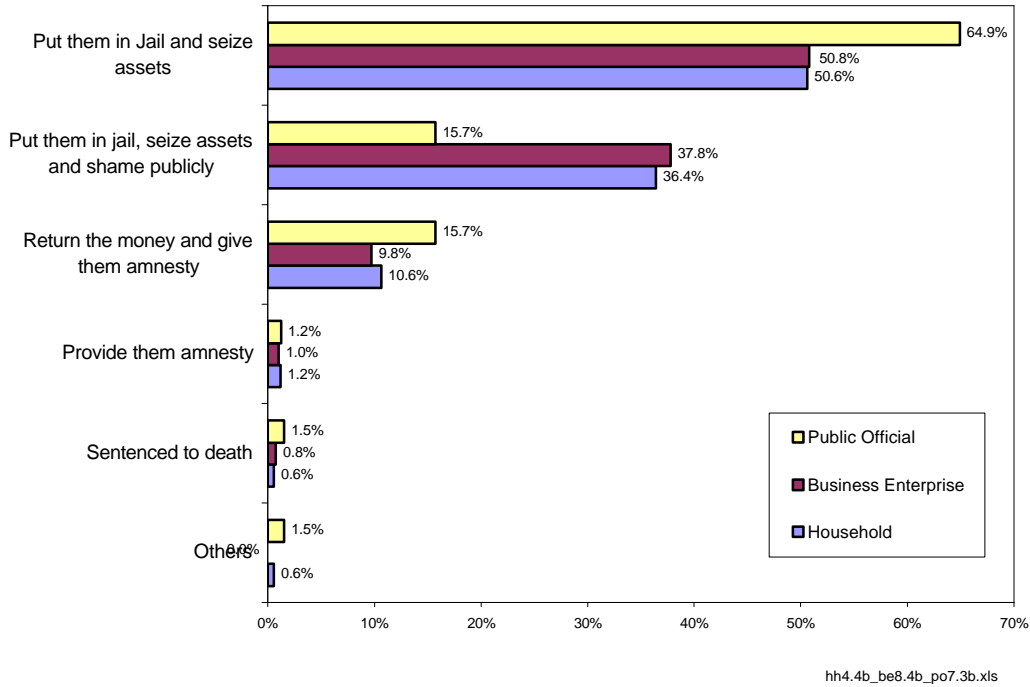
Figure E4 What Should Be Done About Corruption Cases



hh4.4a_be8.4a_po7.3a.xls

- Approximately 87% of all respondents want convicted corruptors punished with jail time and asset seizure (56%), additional public shaming (30%), death sentence (1%) or life imprisonment (<1%).

Figure E5 Desired Outcome for Convicted Corruptors



The public preference for a punitive outcome for all corruption cases is a severe and unrealistic view to handling such cases, but it underlies the frustration and powerlessness of the people in dealing with corruption in society. (See related Section F3.0)

ENDNOTES TO SECTION E

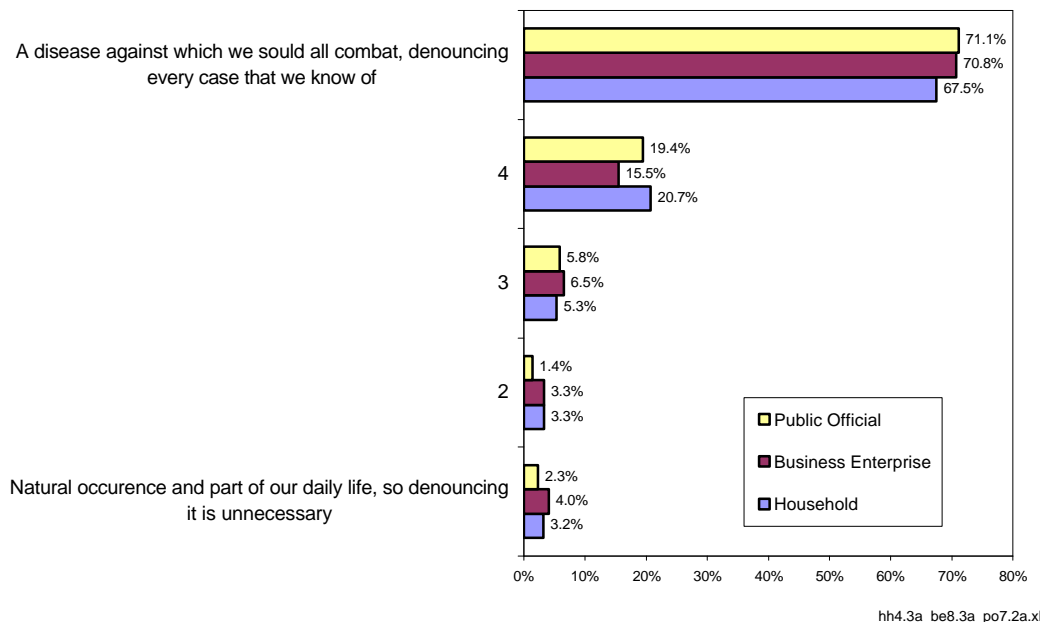
- 1 The legal system normally refers to the police, prosecution, courts and corrections but is used more specifically in this context to mean the judges, court clerks, prosecutors and prosecutors' staff.
- 2 Minxin Pei, "Will China become another Indonesia?" Foreign Policy, Washington, Fall 1999.
- 3 Tempo, 19 February 2001, p. 41.

F. PUBLIC ATTITUDES AND CORRUPTION

“Corruption in Indonesia has become part of the culture....” M. Hatta, 1st Vice President of the Republic of Indonesia. “The Aksara Journal”, TEMPO, 19 February 2001: 36.

F1.0 Public attitudes appear to be firmly against corruption with the majority of respondents (approximately 70%) regarding corruption as a serious social problem, likened to “a disease to combat, denouncing every known case”.

Figure F1 Public Attitudes towards Corruption



F2.0 However, in reality, when asked what their behavior would be in different corrupt situations, almost a third of respondents viewed corruption as “something normal and paid up” or actually “felt relieved and paid up”, or accepted money and gifts. The situations ranged from bribing a policeman to marking up contracts to accepting money for votes. Select responses to situations for each response group (household, businesses and public officials) are presented below separated into two response categories:

- Those who accept the situation as normal versus those who do not¹
- Those who pay up in the situation and those who do not²

The differences in responses not only give a sense of the extent of corruption in terms of the percentage of people who do pay up regardless of whether they agree with the behavior; but also provide a popular definition of corruption based on the perceptions of the different social groups.

F2.1 In a common scenario involving the payment of a bribe to the lurah (village chief) to speed up the issuance of identity cards, more than half of the respondents regarded paying to accelerate the delivery of a service as something “normal” in this case, and three-quarters would pay up to obtain the service.

Table F(i) Payment of Bribe to Lurah (Village Chief)

In the kelurahan (political district), the lurah (village chief) or his staff asks for “uang rokok” (literally cigarette money or tea money) or some gratuity to speed up the issue of a KTP (Kartu Identifikasi Penduduk or Resident Identity Card).

BRIBE LURAH	NORMAL	NOT NORMAL	PAY UP	DO NOT PAY	DON'T KNOW
HOUSEHOLDS	64.4%	34.5%	72.7%	26.2%	1.1%
BUSINESSES	62.8%	36.8%	82.0%	17.5%	0.5%
PUBLIC OFFICIALS	58.6%	40.9%	70.6%	28.9%	0.5%
AVERAGE	61.9%	37.4%	75.1%	24.2%	0.7%

F2.2 Another typical situation is the payment of a bribe to a police officer to avoid a traffic ticket. Here, less than half of the respondents regarded the situation as “normal”, but more than half indicated they would pay up.

Table F(ii) Payment of Bribe to Police Officer

You are stopped by a policeman for a driving violation. You are told you can pay him a certain amount of money or receive a ticket.

BRIBE POLICE	NORMAL	NOT NORMAL	PAY UP	DO NOT PAY	DON'T KNOW
HOUSEHOLDS	44.1%	53.2%	60.3%	37.1%	2.6%
BUSINESSES	45.0%	55.0%	61.0%	39.0%	0.0%
PUBLIC OFFICIALS	50.7%	47.9%	54.9%	43.8%	1.4%
AVERAGE	46.6%	52.0%	58.7%	40.0%	1.3%

F2.3 The responses for a situation involving the bribing of a judge were even more pronounced. The majority of respondents did not consider paying for justice as “normal”, nor would they pay in this case. The unmistakable opinion here is that judicial corruption is not acceptable to the Indonesian public.

Table F(iii) Payment of Bribe to a Judge

You have a case and have to bribe the judge in order for your case to be heard and decided in your favor.

BRIBE JUDGE	NORMAL	NOT NORMAL	PAY UP	DO NOT PAY	DON'T KNOW
HOUSEHOLDS	26.3%	69.3%	34.8%	60.8%	4.4%
BUSINESSES	17.3%	80.8%	27.0%	71.0%	2.0%
PUBLIC OFFICIALS	23.1%	74.0%	18.5%	78.6%	2.9%
AVERAGE	22.2%	74.7%	26.8%	70.1%	3.1%

F2.4 The patterns of responses in these three scenarios suggest that there is a loose understanding as to what constitutes corruption in the eyes of the Indonesian people. It would appear that the lower the rank of the public servant (village chief and traffic police), the less the behavior is defined as corrupt.

F2.5 Respondents were further asked for their actions in corrupt situations specific to their social group.

Table F(iv) Corrupt Situations Specific to Social Group

HOUSEHOLDS	In school, the teacher asks for a payment to ensure your child's enrollment in the school.
BUSINESSES	You are asked to mark up the price of a government supply contract and pay the government official part of the contract price.
PUBLIC OFFICIALS	Your supervisor asks for money that is not budgeted.

RESPONSES	NORMAL	NOT NORMAL	PAY UP	DO NOT PAY	DON'T KNOW
HOUSEHOLDS	53.0%	45.5%	70.7%	27.8%	1.5%
BUSINESSES	49.5%	47.5%	53.8%	43.3%	3.0%
PUBLIC OFFICIALS	49.1%	39.5%	38.2%	50.5%	11.4%

- Although about half of households considered having to pay to guarantee school enrollment for their children as something normal, almost three-quarters actually did pay.
- Businesses were almost equally divided between those who regarded mark-ups as normal and those who did not, indicating a lack of consensus in what is considered ethical business practices. However, 10% more businesses indicated they would actually mark-up to win the contract.
- The responses for public officials had the highest proportion of “don't knows” for their scenario. The results were also less consistent than that of households and businesses. While a larger proportion regarded

the request for unbudgeted funds as normal, more indicated they would not release the funds.

- F2.6 Accepting a bribe is the flipside of paying a bribe. But this is where the discrepancy between public attitudes and behavior was most marked. Respondents were asked for their views in two situations where they were offered gifts and money, instead of having to pay for something. In the case of the Idul Fitri gift from a supplier, the overwhelming majority of respondents indicated they would accept the gift. The proportion of respondents accepting money for votes dropped significantly, but around 40% still accepted the money. Tables F(v) and F(vi) show the results of these questions.

Table F(v) Accepting Gift from Supplier

A supplier gives you a big gift just before Idul Fitri saying this is just a thank you.

OFFERED GIFT	ACCEPT	DO NOT ACCEPT	DON'T KNOW
HOUSEHOLDS	81.1%	15.1%	3.8%
BUSINESSES	85.1%	13.8%	1.3%
PUBLIC OFFICIALS	77.2%	20.4%	2.3%
AVERAGE	81.1%	16.4%	2.5%

Table F(vi) Accepting Money for Votes

During an election, a political party offers to pay you money if you vote for the party.

OFFERED MONEY	ACCEPT	DO NOT ACCEPT	DON'T KNOW
HOUSEHOLDS	46.6%	50.3%	3.2%
BUSINESSES	41.1%	57.8%	1.3%
PUBLIC OFFICIALS	43.4%	54.3%	2.3%
AVERAGE	43.7%	54.1%	2.3%

- F2.7 The difference in response to these two scenarios suggest that accepting Idul Fitri gifts is viewed less as an act of corruption than vote selling, and that the Indonesian political consciousness can distinguish between what are social customs and what are socially unacceptable practices in the political arena. This is an encouraging result, but underscores the difficulty in refining or redefining public attitudes towards the more culturally sensitive aspects of corruption. Furthermore, the accept category does not mean that all respondents here would change their vote. In fact, less than 2% of businesses and public officials, and less than 5% of households indicated that they would vote as instructed. But the risk remains that political choices for almost half of the respondents could be compromised through money politics.

- F3.0 Thus, whilst Indonesians do not approve of corruption and perceive it as harmful to society, they nonetheless actively engage in it due to a sense of

powerlessness and a lack of experience in engaging in corrective action to effect change, as well as insufficient external support to resist corruption. This powerlessness and inexperience in dealing with corruption in society can be further understood through the low reporting of corruption cases and the reasons for not reporting corruption cases.

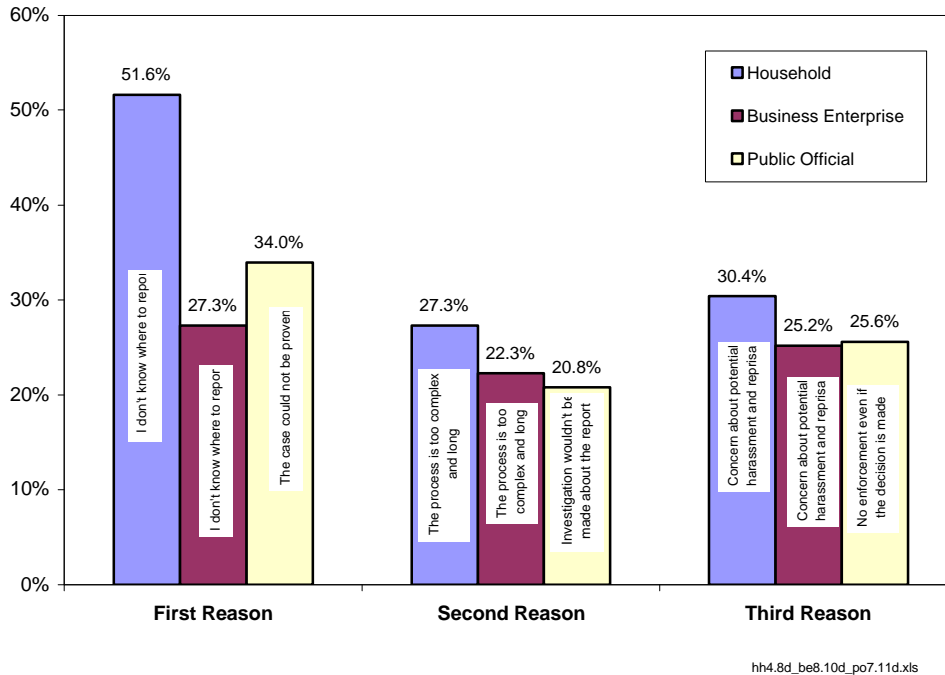
Approximately 40% of the respondents reported observing a case of corruption, but less than 10% of the cases were reported as almost three-quarters of respondents (approximately 71%) did not know how and where to report such cases. This is especially true for household respondents who had not only the highest non-reporting (98%) but also the largest percentage of not knowing where to report (87%). More than half the household respondents who did not report corruption cases claimed first that they did not know where to report (52%), but they were also discouraged from reporting by the long and complex process (27%) and their concerns for potential harassment and reprisals (30%).

Table F(vii) Public Reporting of Corruption

	HOUSEHOLDS	BUSINESS ENTERPRISES	PUBLIC OFFICIALS
Observing corruption cases	YES = 35% NO = 65%	YES = 45% NO = 55%	YES = 41% NO = 59%
Reporting corruption cases	YES = 2% NO = 98%	YES = 22% NO = 78%	YES = 23% NO = 77%
Knowing reporting procedure for corruption cases	YES = 13% NO = 87%	YES = 32% NO = 68%	YES = 42% NO = 58%

F4.0 The reasons for non-reporting given by respondents who did not report their observations of corruption reflect the lack of public confidence in the existing system. Public officials in particular, gave responses for not reporting corruption that were critical of the legal process – the case could not be proven (34%), no investigation would be made of the report (21%) and no enforcement would be made even if detected (26%) as the three main reasons for non-reporting. Responses by business enterprises combined the household view of lack of knowledge (27%) and fear (25%) with the public official view of procedural difficulty (22%) as the three main reasons.

Figure F2 Reasons for Not Reporting Corruption



F5.0 But while the survey results indicated that the public was not actively participating in the fight against corruption through inconsistent behavior and non-reporting of corruption cases, there did appear to be a clear desire to engage in fighting corruption.

- 56% of all business enterprise respondents indicated a willingness to pay additional taxes equivalent to approximately 5% of revenues to eliminate corruption.
- 72% of household and public official respondents indicated punishment for corruptors according to the law as their first course of action in fighting corruption if they were in a position of responsibility.

ENDNOTES TO SECTION F

- 1 Normal was defined as those who both accepted the situation as normal and felt relieved after paying up. Not normal was defined as those who felt angry at the situation.
- 2 Pay up was defined as those who paid up irrespective of whether they felt angry or accepted the situation as normal.



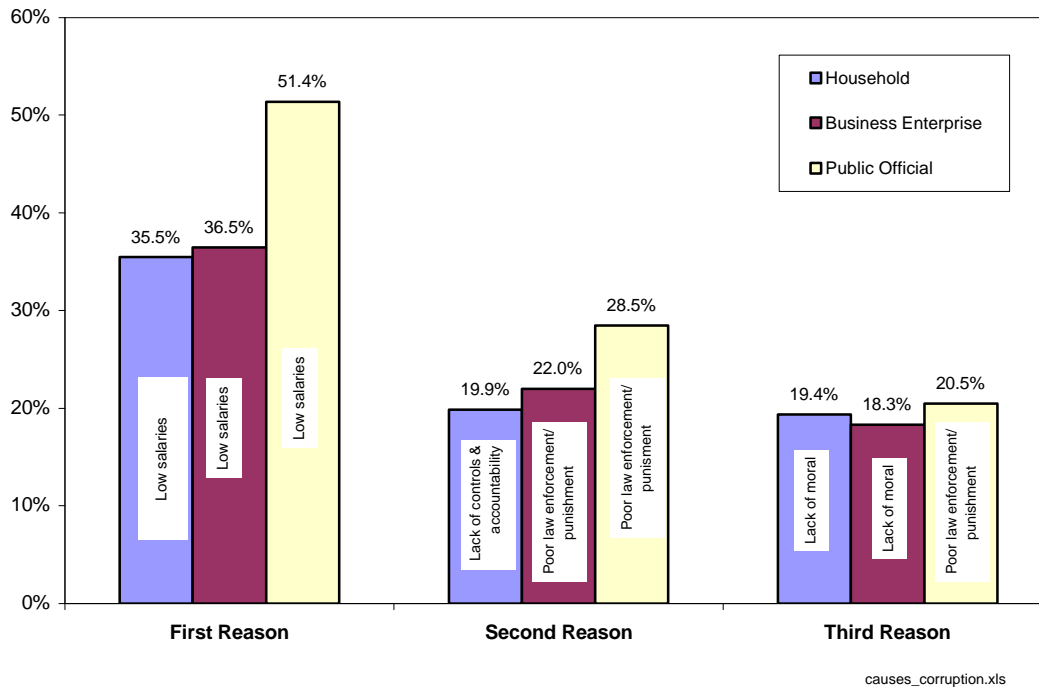
G. CAUSES OF CORRUPTION

Focusing efforts on the pursuit of perpetrators of corruption, while neglecting the search for the root cause, can create negative results for the anticorruption movement. "The Aksara Journal", TEMPO, 19 February 2001: 41.

G1.0 Public opinions on the causes of corruption

- G1.1 Respondents were asked to rank the main causes of corruption in society from amongst a list of possible reasons. The results showed a strong consensus among all three groups with more than one-third of households (36%) and business enterprises (37%) attributing the main cause of corruption to low civil servant salaries. Public officials were even more strongly of this view with over half of them (51%) putting this reason first.
- G1.2 The public officials' response was also quite different from the other two groups of respondents who regarded the lack of controls and accountability of public officials as the second most important reason. Businesses and households ranked this reason twice as important as the 9% of public officials who rated this reason second. But all three groups were evenly of the opinion that a lack of morality was related to corruption, linking an individual level of responsibility to the problem.
- G1.3 Other reasons that were rated by between 5% to 10% of the respondents included poor enforcement and punishment of corruptors, cultural reasons, the lack of an independent and effective judiciary, and the lack of an effective corruption reporting system. Figure G1 shows the public opinions on the causes of corruption.

Figure G1 Public Opinion on the Causes of Corruption



G1.4 While low salaries as a cause of corruption may be the most widely held belief, the accuracy of this relationship is disputed in the corruption research literature. It is argued that corruption among public officials is more determined by the institutional environment than merely insufficient compensation. Inadequate pay may be one of the components in the corruption equation, but other factors within public institutions can contribute more to either encouraging or controlling the corrupt behavior of officials.¹ Hence, it was important to empirically test the premise of low salaries, as well as the other popular beliefs that low morality and lack of controls cause corruption.

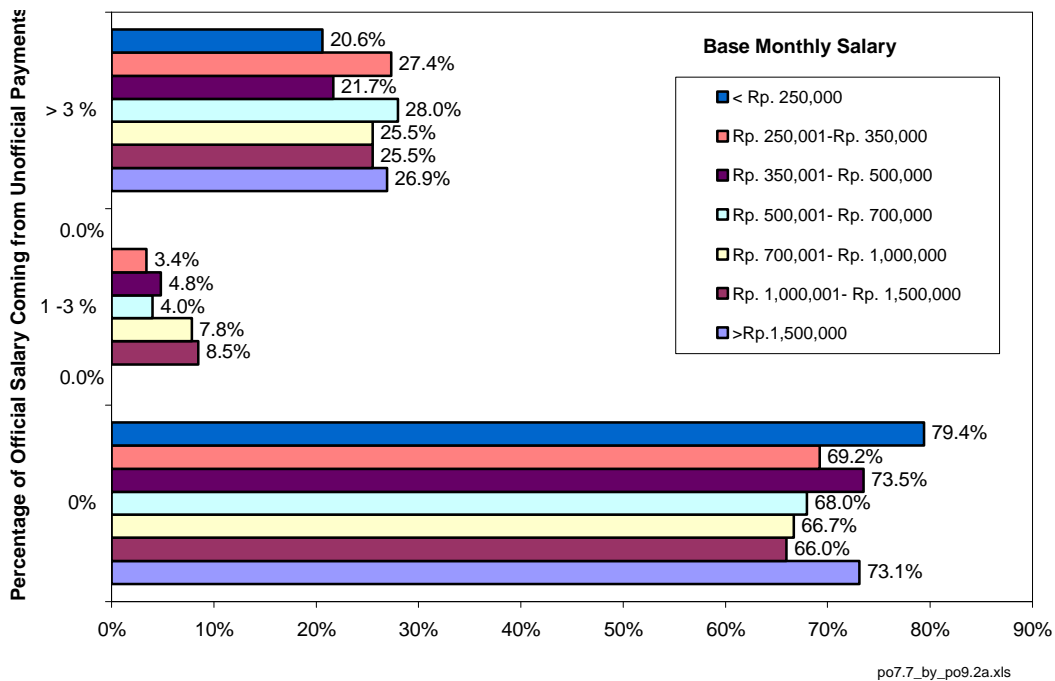
G1.5 Using the responses from the public officials, an index of bribery was constructed using five measures of corruption.² The bribery index was used as the dependent variable, against which the concepts of salary, individual values, and lack of control were tested. Measures for these three concepts were taken from the public officials' portion of the national survey and are explained within each of the subsections.

G2.0 Low salary as a cause of corruption

G2.1 In Indonesia, the fragmented pay system for civil servant salaries results in a complex system of allowances (e.g. family, children, food, etc.) that supplement base wages.³ The unequal application of functional and structural allowances, and particularly the existence of discretionary allowances, have created an informal patronage system that promotes corrupt and collusive practices.⁴ As reported in Section D2.2 (see

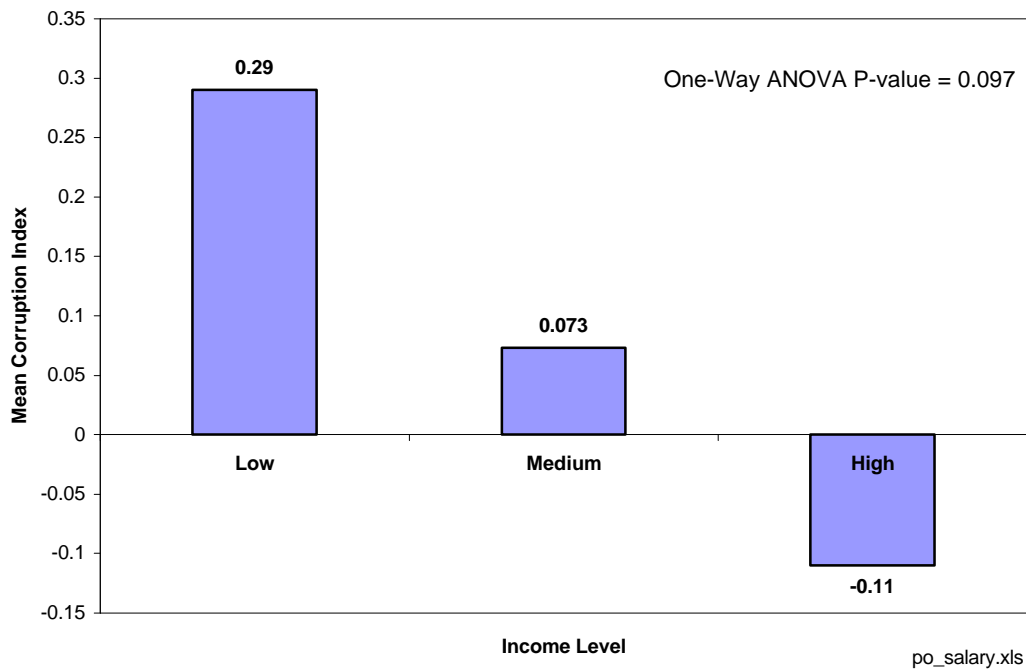
Figure D3), almost half of the public officials reported receiving unofficial payments. The argument that low salaries are a cause of corruption assumes that wages are inadequate to meet daily needs, and thus income has to be supplemented with bribes. However, when the amount of unofficial payment was analyzed against the range of monthly base salaries of the public officials, the distribution did not show a concentration among the officials with low base salaries; rather the distribution was quite evenly spread over seven salary categories as seen in Figure G2 below.

Figure G2 Percentage of Monthly Unofficial Payments by Monthly Salary of Public Official



G2.2 Further analyses of the data were performed on each individual measure of compensation against the bribery index. No clear patterns were found in terms of the amount of corruption and base monthly salary, additional monthly income and annual benefits of public officials. However, by clustering the responses from the three measures of compensation from the survey into low, medium and high income levels, a weak but significant relationship was found showing higher corruption with lower income as in Figure G3.

Figure G3 Relationship between Bribery and Income Level of Public Officials

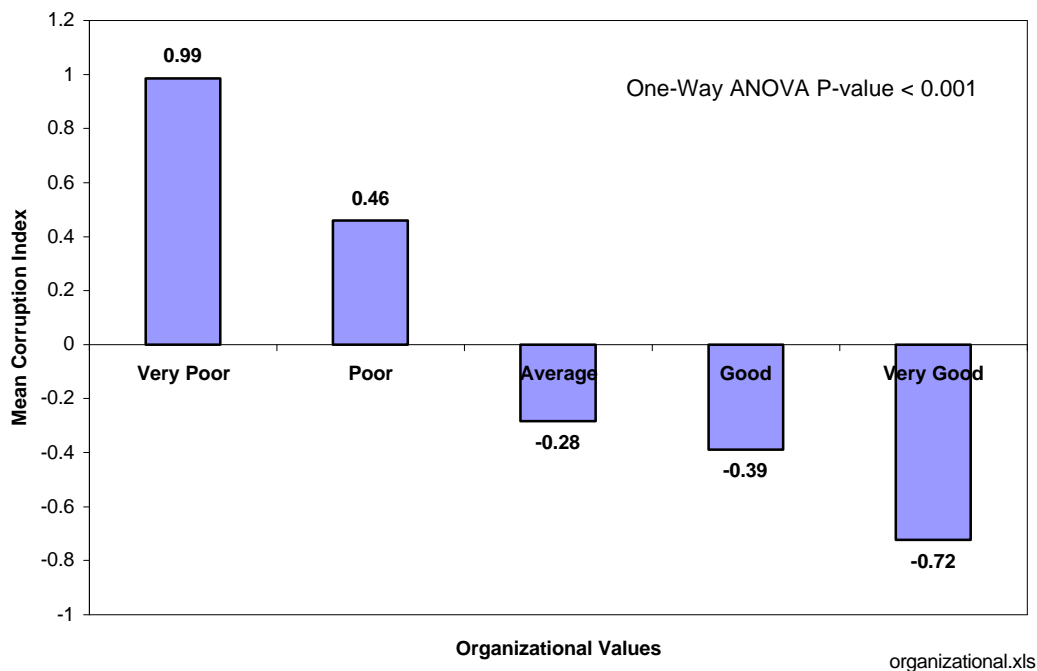


G3.0 Individual moral values as a cause of corruption

G3.1 Another common perception on the cause of corruption is blamed on the individual's lack of morality. Survey respondents were uniformly adamant in their rejection of corruption; but when asked for their behavior in a number of corruption situations, most respondents were willing to pay or considered the situations as normal (see Section F1.0). The diagnostic study attempted to test the question of whether corrupt behavior can be explained by individual values underlying such attitudinal responses.

G3.2 The best proxies to gauge the individual's underlying value towards corruption also reflected organizational influences.⁵ Public institutions that were perceived to be oriented towards serving citizens and committed to fighting corruption had lower levels of corruption; as were organizations that regarded even small scale corruption as a practice that should be eliminated. Thus while it may be convenient to view corruption as an individual failing, the survey results found a highly significant relationship between lower bribery levels and strong anti-corruption organizational values as seen in Figure G4.

Figure G4 Relationship between Corruption and Organizational Value



G4.0 Lack of controls and accountability of public officials as a cause of corruption

G4.1 In order to test this third most cited cause of corruption, three different indices were constructed to measure the presence of formal rules and guidelines, the implementation of such rules and guidelines, as well as the effectiveness of disciplinary actions on the level of corruption. As Figures G5a and G5b show, both the strong presence of formal rules and their effective implementation were associated with lower levels of corruption. However, the same trend was not found between the use of disciplinary actions and corruption.

G4.2 The importance of both adequate rules and adequate enforcement is thus emphasized: *“Civil servants can be held accountable only in those areas where there are clear rules – whether formal or customary – and will be held accountable only when there are reasonable arrangements for enforcing”*⁶

Figure G5a Relationship between Corruption and Presence of Written Rules

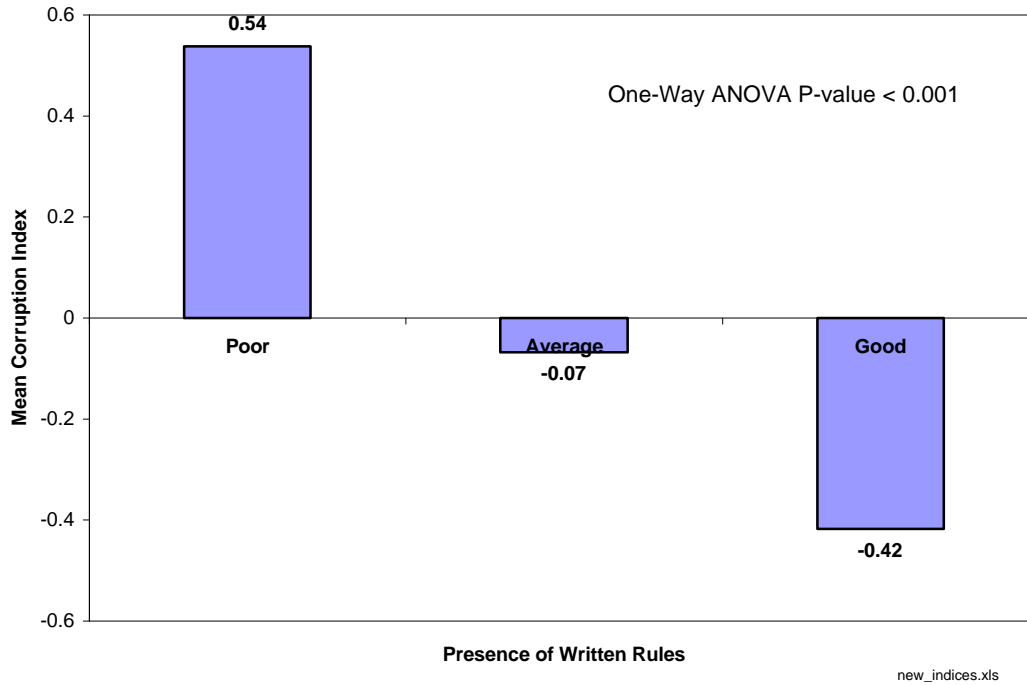
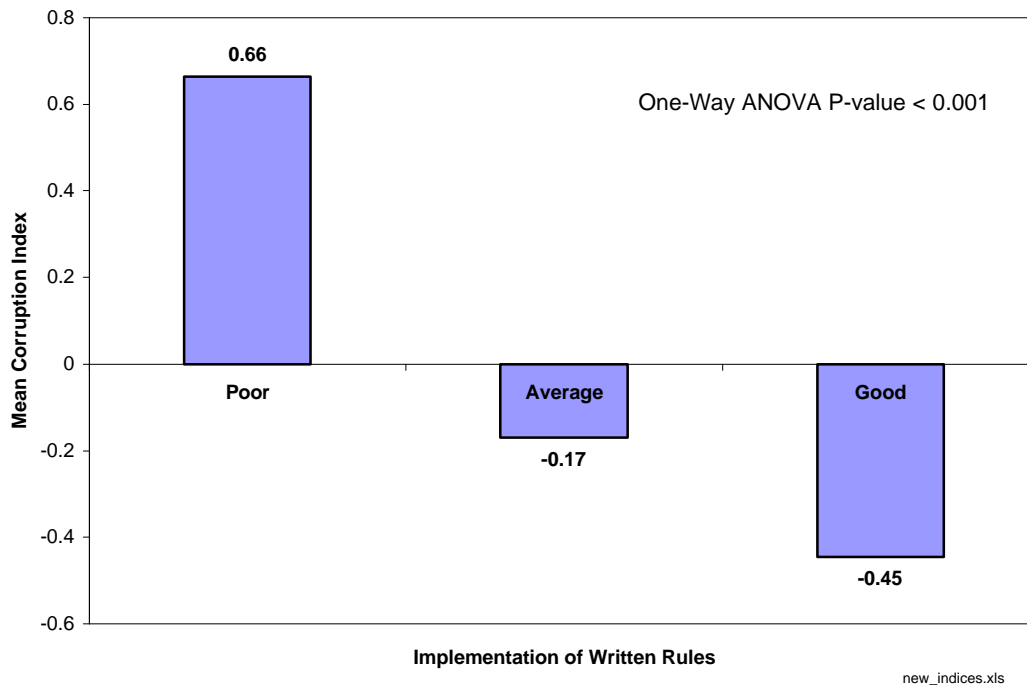


Figure G5b Relationship between Corruption and Implementation of Rules

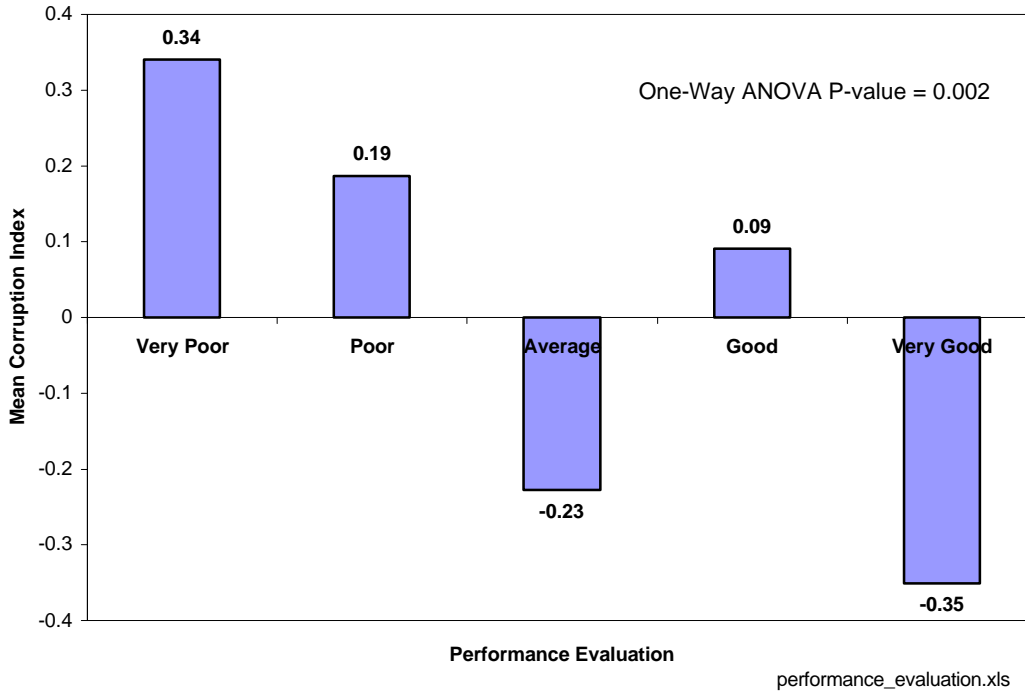




G5.0 Other institutional factors

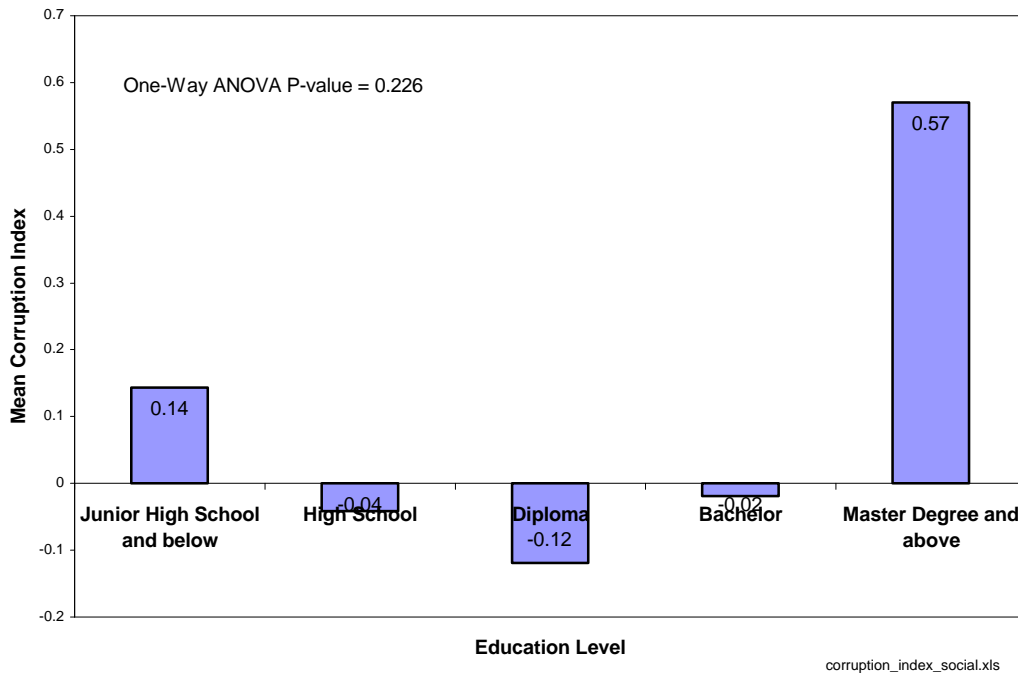
- G5.1 While the need for controls is recognized by the survey results, it was noted in Section G1.2 that public officials were less likely to view control and accountability as an explanation for corruption than households and businesses. Public officials were specifically asked to identify the three most effective measures to improve the performance of their organization. *A little over a half of them (51%) mentioned the need for better trained and competent staff as the most effective measure.* Higher salary was selected as the second most important measure by 24% of the public officials. Other measures noted included better connection between performance and reward/punishment, better legal framework and better communication.
- G5.2 The need for better trained and competent staff supports the argument for meritocracy in the civil service. A World Bank review of the Indonesian civil service found that the career structure of the service encouraged neither performance nor skill. Career promotions were largely “predetermined vertical progressions” and management skills were “not recognized as a distinct competence”.⁷ Results from the national survey support the argument for meritocracy as corruption levels were negatively related to the frequency of performance evaluations, the rewarding of professional excellence, and when competency was commensurate with rank. When combined into an index, the relationship between corruption levels and performance evaluation was found to be highly significant as seen in Figure G6.

Figure G6 Relationship between Corruption and Meritocracy



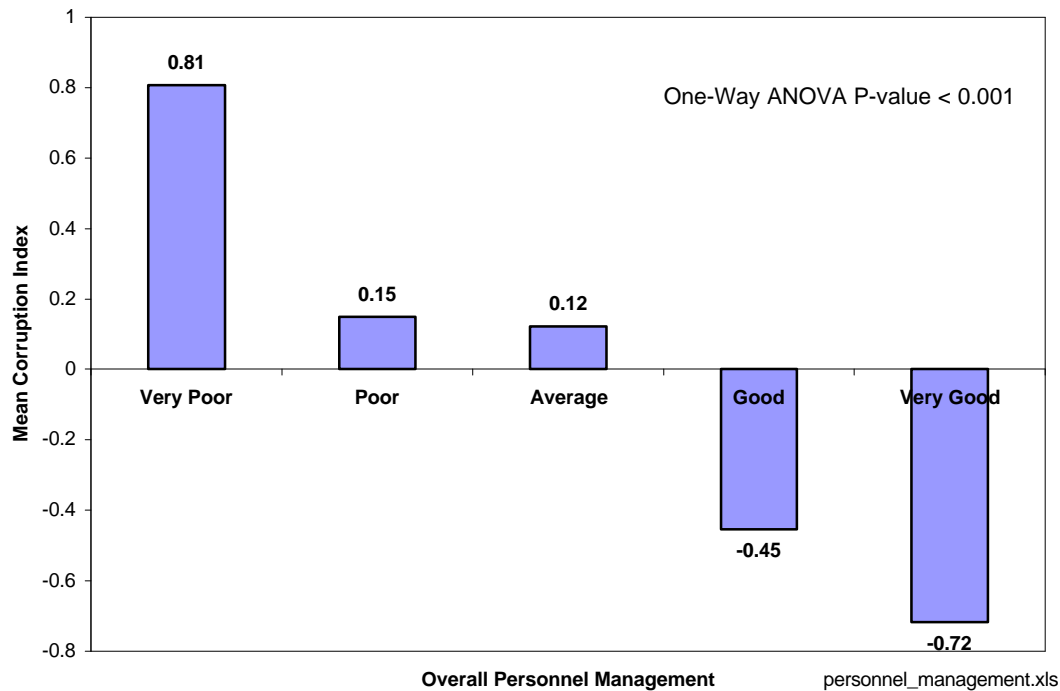
G5.3 The need for better trained and competent staff also suggests that the educational level might have impact on the level of corruption. Results from the national survey did not find clear patterns in the relationship between higher education and corruption.

Figure G7 Relationship between Corruption and Education Level



G5.4 The professionalism of the civil service and its performance are further related to the quality of the personnel management within the organization. A composite index of variables measuring the overall quality of personnel management including formal guidelines and management decision-making⁸ was found to be significantly related to corruption as shown in Figure G8.

Figure G8 Relationship between Corruption and Overall Personnel Management



G6.0 Predictors of Corruption

G6.1 In order to be useful for policy making, it is important for the survey results to provide an empirical basis for selecting priority areas for reform. Among the various factors related to corruption discussed in this section, the following results have so far emerged:

- There appears to be a weak relationship between public official income levels and corruption.
- An anti-corruption orientation within the organization is strongly related to lower corruption levels.
- The presence and enforcement of rules in controlling corruption is supported by the national survey.
- Results also support a civil service system of meritocracy in terms of regular performance evaluations, rewarding for professional excellence and assigning rank based on competencies and skills.
- The quality of personnel management within the organization is significantly related to corruption levels.

G6.2 These five concepts, as measured by independent composite indices, were analyzed together with procurement and budget management indices through a regression model using the corruption index as the dependent variable controlling for individual social characteristics of respondents.⁸ The social characteristics used as controls for the regression model included (i) income level (low, medium, high), (ii) age (35 and younger, 36 - 40, 41 - 45, 46 and

older), (iii) gender, (iv) education level (high school and below, diploma, bachelor degree and above), and (v) years working in the organization. Results found only four indices to be strongly related and statistically significant.

Table G(i) Results of the 1st Regression Model

RANK	INDEPENDENT VARIABLE	BETA COEFFICIENT	T	P-VALUE	STATISTICAL SIGNIFICANCE
1	Quality Budget Management	-0.626	-4.381	< 0.001	Very Significant
2	Anti-Corruption Organizational Values	-0.438	-3.949	< 0.001	Very Significant
3	Quality Personnel Management	-0.538	-3.340	0.001	Very Significant
4	Quality Procurement Management	-0.274	-2.177	0.030	Significant
--	Meritorious Civil Service System	0.117	0.984	0.326	Not Significant
--	Public Official Income				Not Significant
	<i>Low</i>	<i>0.000</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
	<i>Medium</i>	<i>-0.0802</i>	<i>-0.503</i>	<i>0.615</i>	<i>Not Significant</i>
	<i>High</i>	<i>-0.128</i>	<i>-0.791</i>	<i>0.430</i>	<i>Not Significant</i>
--	Educational Level				Not Significant
	<i>< High school</i>	<i>-0.282</i>	<i>-1.971</i>	<i>0.049</i>	<i>Significant</i>
	<i>Diploma</i>	<i>-0.259</i>	<i>-1.416</i>	<i>0.157</i>	<i>Not Significant</i>
	<i>> University</i>	<i>0.000</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
--	Length of Service	-0.00452	-0.570	0.569	Not Significant
--	Age				Not Significant
	<i>< 35 years</i>	<i>0.0339</i>	<i>0.184</i>	<i>0.854</i>	<i>Not Significant</i>
	<i>36 – 40 years</i>	<i>-0.206</i>	<i>-1.132</i>	<i>0.258</i>	<i>Not Significant</i>
	<i>41 – 45 years</i>	<i>0.0725</i>	<i>0.424</i>	<i>0.672</i>	<i>Not Significant</i>
	<i>> 46 years</i>	<i>0.000</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
--	Gender				Not Significant
	<i>Female</i>	<i>-0.0371</i>	<i>-0.242</i>	<i>0.809</i>	<i>Not Significant</i>
	<i>Male</i>	<i>0.000</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
--	Intercept Term	0.283	1.531	0.126	Not Significant

G6.2 The standardized beta coefficients point to the direction of the relationship between the independent variables – budget management, organizational values, personnel management and procurement management with the dependent variable of the corruption index. In Table G(i), all the independent variables are negatively related to the corruption index, suggesting that lower levels of corruption are associated with higher ratings for the independent variables. The

corresponding T scores indicate the strength of the relationship with the larger the T score, the stronger the relationship. The P-values refer to the degree to which the results are statistically significant with the lower the figure, the stronger the significance.

G6.3 As the concepts of rules and enforcement were subsumed in the three quality management indices, a separate regression analysis was performed isolating the measures for rule enforcement from management practices and controlled by the same social variables as in the first regression analysis. The results of the second regression still found institutional management practices to be the most significant factor related to lower levels of corruption, though the effectiveness of management practices were supported by limited discretion in the implementation of rules.

Table G(ii) Results of the 2nd Regression Model

RANK	INDEPENDENT VARIABLE	BETA COEFFICIENT	T	P-VALUE	STATISTICAL SIGNIFICANCE
1	Management Practices	-0.626	-5.110	<0.001	Very Significant
2	Discretion	-0.380	-3.983	<0.001	Very Significant
3	Implementation of Rules	-0.221	-1.832	0.068	Significant
--	Presence of Written Rules	0.0196	0.167	0.868	Not Significant
--	Disciplinary Actions	0.0191	0.238	0.812	Not Significant
--	Public Official Income				Not Significant
	<i>Low</i>	<i>0.000</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
	<i>Medium</i>	<i>-0.0191</i>	<i>-0.120</i>	<i>0.904</i>	<i>Not Significant</i>
	<i>High</i>	<i>-0.135</i>	<i>-0.826</i>	<i>0.409</i>	<i>Not Significant</i>
--	Educational Level				Not Significant
	<i>< High school</i>	<i>-0.154</i>	<i>-1.070</i>	<i>0.285</i>	<i>Significant</i>
	<i>Diploma</i>	<i>-0.165</i>	<i>-0.910</i>	<i>0.363</i>	<i>Not Significant</i>
	<i>> University</i>	<i>0.000</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
--	Length of Service	-0.00776	-0.988	0.324	Not Significant
--	Age				Not Significant
	<i>< 35 years</i>	<i>-0.0665</i>	<i>-0.363</i>	<i>0.717</i>	<i>Not Significant</i>
	<i>36 – 40 years</i>	<i>-0.174</i>	<i>-0.966</i>	<i>0.334</i>	<i>Not Significant</i>
	<i>41 – 45 years</i>	<i>0.0518</i>	<i>0.303</i>	<i>0.762</i>	<i>Not Significant</i>
	<i>> 46 years</i>	<i>0.000</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
--	Gender				Not Significant
	<i>Female</i>	<i>-0.0384</i>	<i>-0.255</i>	<i>0.799</i>	<i>Not Significant</i>
	<i>Male</i>	<i>0.000</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
--	Intercept Term	0.273	1.483	0.139	Not Significant



- G6.4 The above results lead to the following interpretations about controlling corruption in public institutions:
- G6.41 Public institutions where (a) budgets were perceived to be developed in close consultation with managers, where (b) rules were perceived to be always formalized, well-specified and implemented, where (c) budget decisions were perceived to be clear, transparent and regularly audited, and where (d) budget expenditure was perceived to be effectively monitored and controlled had lower levels of corruption.
 - G6.42 Public institutions which were oriented towards (a) serving the public, (b) fighting corruption, and (c) eliminating even corruption involving small amounts of money had lower levels of corruption.
 - G6.43 Public institutions where (a) personnel policies were perceived to be always formalized, well-specified and implemented, where (b) personnel decisions were always perceived to be clear, transparent and completely fair, and where (c) merit was considered more important in the treatment of staff than other non-objective criteria (i.e. connections, relationships, gender, gifts, etc) had lower levels of corruption.
 - G6.44 Public institutions where (a) procurement guidelines are perceived to be always formalized and enforced, where (b) qualifications and competitiveness are considered more important than connections and making unofficial payments in winning contracts had lower levels of corruption.
- G6.5 The above findings point to the organizational characteristics of public institutions as causes of corruption over individual employment aspects such as salary and performance. In particular, quality management practices in procurement, budget, and personnel processes backed up by strong anti-corruption organizational orientation, limited discretion, and the implementation of rules were found to be significantly related to lower levels of corruption in public institutions. None of the other measures tested in the model, including income levels and performance evaluation were found to be significant. Individual social characteristics such as age, education and length of service were also not significant. Conversely, weak system controls for budget and contract procurement, and ambiguous organizational orientation and personnel management appear to allow for corruption to occur in public institutions.



ENDNOTES TO SECTION G

- 1 *References pending.*
- 2 The five measures were (i) the commonness of bribes, (ii) the percentage of officials receiving bribes, (iii) the percentage reporting budgetary diversions, (iv) the percentage reporting job purchases, and (v) the percentage reporting amount of bribe as a portion of salary.
- 3 Indonesia Civil Service Review, The World Bank, July 1999, p. 18.
- 4 Pay and Patronage in the Core Civil Service in Indonesia, The World Bank, March 2000.
- 5 An index of organization values was constructed with three measures – (i) the organizational belief that citizens were clients, (ii) the desire to combat corruption within the organization, and (iii) the government perception of small corruption.
- 6 Indonesia Civil Service Review, The World Bank, July 1999, p. 15.
- 7 Indonesia Civil Service Review, The World Bank, July 1999, p. 11.
- 8 The overall personnel management index was created with the following measures – (i) extent personnel management guidelines are formalized in writing, (ii) extent formal guidelines implemented, (iii) extent of discretion in formal guidelines, (iv) extent of transparency in personnel management practices, (v) extent of fairness of personnel management practices, (vi) the importance of merit, length of service, quality of relationship with supervisor, political and non-political connections, gender and the provision of gifts in staff treatment.

H. POLICY IMPLICATIONS

A large barrier in the anticorruption battle is the array of “fuzziness”, prejudices and misunderstandings about what are the principal factors in an anticorruption strategy. “The Aksara Journal”, TEMPO, 19 February 2001: 41.

H1.0 The findings from the national survey raised numerous questions about the state of corruption in the public sector, the legal system, corruption attitudes and behavior and general beliefs on the causes of corruption. In order for the findings to have practical meaning and use, the next step was to develop priorities amongst the many issues that would be not only appropriate but also effective in reducing corruption in society.

H2.0 The Select Steering Committee (SSC) members were each asked to identify five priorities from a list of 21 issues¹ that were raised from the national survey and these were ranked and classified into short, medium and long-term time frames²:

H2.1 Short term priorities

H2.1.1 *Understand the causes of corruption in public institutions.* How to identify the vulnerabilities in the system that give rise to opportunities for corruption in the public sector?

H2.1.2 *Identify methods to control corruption.* How to identify the vulnerabilities in the system that give rise to opportunities for corruption in the public sector?

H2.1.3 *Support and strengthen the anti-corruption commission.* How to augment the legal framework for the anti-corruption commission?

H2.1.4 *Develop accurate public information and education on corruption.* How to disseminate accurate and effective information on corruption for negative reinforcement in public prevention?

H2.1.5 *Boost prosecutorial and judicial institutional capacity.* How to increase the prosecution and punishment of corruption cases?

H2.2 Medium term priorities

H2.2.1 *Reconcile public attitudes on corruption and actual behavior in corrupt situations.* How to develop secure and accessible methods for the public reporting of corruption and recognizing such public reporting for positive reinforcement.

H2.2.2 *Continue to strengthen prosecutorial and judicial institutional capacity.* How to raise the professional standards in the judicial system?



H2.3.3 *Reduce markups and kickbacks on contracts and prevent procurement fraud.* How to adhere to existing rules and regulations to reduce and prevent corruption in the public sector and boost the integrity of public services.

H2.2.4 *Increase certainty of delivery of public services.* How to increase the certainty in the delivery of public services by devising plans and developing processes with information technology support to improve efficiency and synergy?

H2.2.5 *Identify significant difference between corrupt and less corrupt public institutions and the areas most in need of reform.* How to improve the quality of human resources in public institutions through (i) meritorious recruitment and placement; (ii) performance-linked remuneration and promotion; and (iii) training based on career development and organizational needs?

H2.3 Long term priorities

H2.3.1 *Reconcile public attitudes on corruption and actual behavior in corrupt situations.* How to furnish the public with the tools (skills, competencies and capabilities) to say no to corruption?

H2.3.2 *Develop accurate public information and education on corruption.* How to develop accurate public information on corruption and incorporate good governance into the educational curriculum?

H2.3.3 *Continue to improve certainty of delivery of public services.* How to increase the certainty in the delivery of public services by devising plans and developing processes with information technology support to improve efficiency and synergy?

H2.3.4 *Involve mass media and religious organizations in fighting corruption.* How to involve the mass media and religious organizations in fighting corruption with information technology support?

H2.3.5 *Reduce loss of public funds and limit opportunities for corruption from budgetary diversions.* How to introduce transparency into public processes involving the use of public funds and the processing of corruption cases?

ENDNOTES TO SECTION H

1 The list of 21 issues is contained in Appendix D.

2 The definitions of the time frames were: (i) short = 1 to 18 years; (ii) medium = 3 to 5 years; (iii) long = 5 to 10 years.

I. FRAMEWORK FOR AN ANTI-CORRUPTION STRATEGY

An anticorruption program cannot be made to order, but must be meticulously formed according to the unique needs of each nation. "The Aksara Journal", TEMPO, 19 February 2001: 41.

I1.0 An anti-corruption strategy for Indonesia takes a systemic view of the problem - from the mindset that tolerates corruption to the system inadequacies, rule violations and breakdown in controls that enable corruption to flourish. This approach is consistent with the conceptual framework found in the corruption research literature but adds an individual personal dimension to the effort. The anti-corruption program in Indonesia identifies four core components:

Table I(i) Anti-Corruption Building Blocks



I2.0 The first two components of this building block approach – control and enforcement, and law/rules/regulations/ethics – are not dissimilar to the recommended priorities put forth by Hunter and Shah.¹ Based on a typology of governance quality² derived from composite indices for citizen participation, government orientation, social development, and economic management, Indonesia was ranked among the countries with poor governance with a score of 38.³ For countries where there was also a high incidence of corruption, the recommended priorities⁴ in anti-corruption efforts are to:

- Establish rule of law
- Strengthen institutions of participation and accountability
- Limit government interventions to focus on core mandate

I3.0 As fighting corruption is obviously a process, so the anti-corruption strategy recognizes the need to sequence actions according to the gains that can be achieved over short, medium and long term time frames. Thus, while people/human resources are considered to be the foundation of the strategy, the breakdown of law and order in this crisis period of Indonesia's development necessitate greater attention to be paid initially to the components of control and enforcement and laws and regulations. Hence, three time frames are defined with corresponding approaches as follows:



- I3.1 Short: 1 year to 18 months to emphasize control/enforcement but also addressing human resources and regulations/ethics.
- I3.2 Medium: 3 to 5 years to emphasize process/system with continuing support in control/enforcement.
- I3.3 Long: 5 to 10 years to emphasize human resources with continuing developments in regulations/ethics.

The time frames do not mean that no action is to be taken on long-term issues; but rather that the outcome of strategic action can only be expected within the specified time frame.

I4.0 Control & Enforcement

- I4.1 In Hunter and Shah's typology, the rule of law is highly relevant and essential to any anti-corruption program. In this regard, the control and enforcement component is the most immediate and urgently required element to an anti-corruption strategy in Indonesia as the weak and ineffective implementation of anti-corruption laws and supporting regulations have resulted in rampant abuses of the political and economic systems and numerous violators unaccounted for and unpunished.
- I4.2 Anti-corruption reforms have to be underpinned by definite control and enforcement to deter further corruption. Specific control mechanisms are needed to clarify the roles of responsibility for these functions and establish accountability for outcomes. But accountability/oversight efforts as such could have limited relevance and effectiveness to Indonesia at this point in time given the weak rule of law, and may be more appropriate when there is a strong accounting infrastructure established to support such efforts.⁵

I5.0 Laws/ Regulations/ Rules & Ethics

- I5.1 Indonesia's anti-corruption laws are contained in Laws No. 28 and 31 Year 1999. There are also various professional codes of conduct and ethics as well as disciplinary procedures for different sectors of industry and government.
- I5.2 However, it would appear, according to Hunter and Shah that legal approaches on their own would be of little relevance to tackling corruption given the entrenched nature of corruption in Indonesia. In this regard, it should be noted that the majority of survey respondents considered the soon-to-be established anti-corruption commission as the most useful institution in combating corruption. However, with endemic corruption as in Indonesia, such agencies may actually become a source of corruption by extorting rents. Other efforts, such as an "ethics office", would be of limited influence without good governance already in existence.⁶

16.0 Process/Plan/System

- 16.1 A weakness in the present system of government is the wide discretionary control available to different departments which function separately and distinctly from each other. With each unit controlling its own inputs and outputs, the institutional structure fosters arbitrary decision-making and opportunities for corruption.
- 16.2 Findings from the national survey are compatible with programs from the research literature that propose reducing public sector size, and developing a client based and merit based civil service. First, the national survey found that high amounts of bureaucratic red tape created opportunities for corruption. By reducing the scope of government activities, public officials can focus on the primary objectives of the state. Second, there was strong support from the national survey that a public service orientation was significantly related to lower corruption. However, a meritorious civil service was not found to be statistically significant to lower levels of corruption in the national survey. Such efforts, in highly corrupt societies, may become derailed by the bureaucratic processes.⁷

17.0 People/Human Resources

- 17.1 This is the most important but hardest and longest to achieve component of the strategy as it involves value change and empowerment. In order to reduce or eliminate corruption, Indonesian society not only needs to internalize the beliefs and attitudes that reject corruption; but also be equipped with the proper skills, competencies, and capabilities that can be externalized into effective anti-corruption behavior.
- 17.2 Public opinion surveys such as this national survey can serve as the starting ground to channel public awareness and concern about corruption into a coherent voice and force for change. Hunter and Shah noted that media and judicial independence and citizen participation have high relevance in this regard.⁸ The media was regarded as the second most effective institution in fighting corruption according to the national survey. A free press and a trained press corps in the ways of corruption would allow for detection of corruption and accountability.
- 17.3 But apart from this, other isolated efforts from a human resource standpoint would have none to negligible impact in reducing corruption given Hunter and Shah's model, and the national survey findings do not contradict some of those assumptions such as:⁹
- Raising public sector wages would have some impact on the petty corruption but not grand corruption. In fact, raising wages may even have a negative impact if there is already excessive public employment.
 - Raising public awareness of corruption through seminars is not relevant in countries with weak governance as corrupt practices



and agents are generally well known. This is certainly true for Indonesia as approximately 75% of all survey respondents regarded corruption as very common.

- Furthermore, raising awareness of public officials through seminars is also seen as not relevant as Indonesian public officials are already well aware of corruption but lack the ability or willingness to take action as other institutional factors are related to corruption.

18.0 The programs rated by Hunter and Shah as being of significant relevance to countries where corruption is high and governance is low are mostly macro level reforms are beyond the scope of the national survey but include:¹⁰

- Economic policy reform
- Reducing public employment
- Decentralization

19.0 The national survey was a survey of public perceptions. It did not, and could not ask questions of a macro nature regarding the systemic nature of corruption or what is often described as “state capture”.¹¹ This term is used to refer to situations where the underlying legal and institutional framework from the laws, decrees, rules, regulations and policies are set up in such a way to unfairly favor certain parties (usually private parties) over the larger common good. The elements of state capture include:

19.1 The “parties” refer to the state institutions such as the executive, ministries, state agencies, the legislature and judiciary.

19.2 The “private interests” cover not just particular businesses or industries, but also special interest groups such as politicians, the military, religious and ethic groups.

19.3 The way the laws, decrees, rules, regulations and policies are “set up” is through informal, non-transparent exchanges (that usually involve payments), as well as unclear separation of roles that are conflicts of interests.

I10.0 The situation of state capture fosters the type of corruption that was the subject of the survey – which was mainly administrative corruption. Indonesia is a country where there is both high state capture and high administrative corruption, and the reforms corresponding to this condition are in accordance to the Partnership’s four-tier framework:¹²

- Building accountability and oversight mechanisms is covered through the control and enforcement approach.
- Promoting collective action among countervailing interests is contained in the human resources component.



ENDNOTES TO SECTION I

- 1 Jeff Hunter and Anwar Shah, “Anti-Corruption Policies and Programs: A Framework Policy Evaluation.” Policy Research Working Paper 2501, World Bank, November 2000.
- 2 Jeff Hunter and Anwar Shah, “Applying a Simple Measure of Good Governance to the Debate on Fiscal Decentralization.” Policy Research Working Paper 1894, World Bank, March 1998.
- 3 The scores ranged from a high of 75 as the highest score for Switzerland a low of 20 for Liberia and Sudan out of a total of 80 countries.
- 4 Jeff Hunter and Anwar Shah, “Anti-Corruption Policies and Programs: A Framework Policy Evaluation.” *Op. cit.*
- 5 Jeff Hunter and Anwar Shah, “Anti-Corruption Policies and Programs: A Framework Policy Evaluation.” *Op. cit.*
- 6 Jeff Hunter and Anwar Shah, “Anti-Corruption Policies and Programs: A Framework Policy Evaluation.” *Op. cit.*
- 7 Jeff Hunter and Anwar Shah, “Anti-Corruption Policies and Programs: A Framework Policy Evaluation.” *Op. cit.*
- 8 Jeff Hunter and Anwar Shah, “Anti-Corruption Policies and Programs: A Framework Policy Evaluation.” *Op. cit.*
- 9 Jeff Hunter and Anwar Shah, “Anti-Corruption Policies and Programs: A Framework Policy Evaluation.” *Op. cit.*
- 10 Jeff Hunter and Anwar Shah, “Anti-Corruption Policies and Programs: A Framework Policy Evaluation.” *Op. cit.*
- 11 World Bank, “Anticorruption in Transition: A Contribution to the Policy Debate.” Washington, D.C.: The World Bank, 2000.
- 12 World Bank, “Anticorruption in Transition: A Contribution to the Policy Debate.” *Op. cit.*

J. POLICY RECOMMENDATIONS

Now is the time to upgrade the anticorruption movement to the level of action. The economy must be reformed with deregulation, privatization, and decreasing the role and authority of the government in the world of economy and business. "The Aksara Journal", TEMPO, 19 February 2001: 41.

J1.0 With the key issues identified from the findings from the national survey, the Select Steering Committee developed 24 policy recommendations¹ along the lines of the four-tier framework discussed in Section I2.0. The 24 recommendations were then clustered around four main reform sectors, namely:

- Civil Service Reform
- Legal Sector Reform
- Civic Education
- Other Reforms (banking sector, political sector, and regional reform)

J2.0 Civil Service Reform

J2.1 Public Officials' Patronage System

J2.1.1 This recommendation from a Control and Enforcement approach aims to identify how public officials operate the patronage networks in the short term, and then install systems and procedures to reduce the power of such patronage networks in the medium term with the monitoring and adjusting of the installed systems in the long term.

J2.1.2 Many civil servants supplement their salaries from the revenue budget by accessing illicit funds from development projects. Project leaders or PIMPROS control networks of people dependent on such development project funds through corruption. Understanding and exposing this pattern of KKN will enable a more precise identification of the best options for reform polices in government.

J2.1.3 Regular tax inspections and audits (if done by persons of integrity) can identify illicit income and enable managers to find ring leaders and networks. Sanctions should be imposed on high profile cases. The knowledge that such inspections and audits are imminent will increase the risks and costs of corrupt practices and act as a disincentive to engage in them.

J2.2 Critical Public Service Processes

J2.2.1 Taking a Process/System/Plan approach, the short term objective is to first identify the critical processes susceptible to corruption. From the national survey results, licensing, taxation, procurement, budget allocation, electoral financing, recruitment

and selection, school entrance, traffic violations are all areas vulnerable to corruption. The specifics of how corruption works in these areas needs to be studied and exposed in order to design specific reform policies.

J2.2.2 Related to the above, once the critical processes have been identified, another objective to be accomplished in the short term is to redesign the key processes using information and communication technology (ICT). Many corrupt systems depend on face-to-face interaction, excessively detailed regulations that are not transparent, and on bureaucratic procedures whereby each “gatekeeper” can demand illegal payments. E-governance, i.e. web-based transparent information that is accessible to all, together with a reduction in regulations and increased outsourcing can diminish the opportunities for corruption.

J2.3 Operational Audits

Another Process/Plan/System recommendation for the medium term is to develop and extend the capability for operational audits in addition to financial audits. Financial audits substantiate expenditure but not look for evidence of corruption. There needs to be more training in the operational audits to investigate actual practice and use them as standard tools for accountability.

J2.4 Professional Recruitment

The short term objective of this People/Human Resources recommendation is to introduce a professional recruitment system for government and state-owned enterprises. Nepotism presently is a significant factor in the staffing of government and state enterprise positions. Procedures that prioritize objective qualifications, merit and integrity can reduce the hiring of unqualified and corrupt individuals. Government and ministerial decrees need to be revised in respect of these practices.

J2.5 Performance Evaluation System

A related recommendation for the short term is to establish a professional performance evaluation system. Promotion is presently often based on seniority, loyalty and payments irrespective of merit of performance. Fit-and-proper tests and other means of assessing competence will help to advance competent and professional staff.

J2.6 Recruitment and Promotion Policies

Following the introduction and establishment of professional recruitment and performance evaluation systems in the short term, the medium term recommendation from a Laws/Regulations/Rules/Ethics

standpoint is to revise the government regulations and ministerial decrees on recruitment and promotion of civil servants.

J2.7 Good Governance

To support the reforms above, a further regulatory recommendation in the medium term is to socialize the process of governance embodying the principles of transparency and accountability. Systematic practices of corruption are so deeply ingrained that the harm caused by corruption and the benefits from good governance are sometimes unclear. Clear explanations as to why good governance practices are helpful need to be provided.

J2.8 Non-Ambiguous Language

To facilitate the critical public service process reforms in J2.2, a related long term objective is to develop non-ambiguous language or suitable euphemisms for the process contact.

J2.8 E-Governance

In the long term, the recommendation is to establish value formation with a view to e-governance using a Process/System/Plan approach. E-governance systems emphasize public accessibility, transparency, and accountability. The value of e-governance practices as they reduce uncertainty, illicit payments and open up opaque practices need to be defined and socialized.

J3.0 Legal Sector Reform

J3.1 BLBI Cases

An immediate recommendation emphasizing Control and Enforcement is to prosecute and punish all parties involved in BLBI cases. The scale of misuse of Central Bank Liquidity Credits (BLBI) is so large that it is a symbol of the impunity of corruption. There has to be determined prosecution of such cases and just punishment for those convicted for involvement. A deterrent signal needs to be sent that such corruption cannot be tolerated.

J3.2 Witness Protection Act

Another urgent reform in the short term in terms of Laws/Regulations/Rules/Ethics is to introduce a Witness Protection Act (WPA). Witnesses to corruption are discouraged from giving evidence for fear of physical harm or economic sanctions. Witness protection legislation would encourage testimony by protecting material witnesses and improve prosecution and conviction of corruptors.



J3.3 National Commission of Justice

J3.3.1 The anti-corruption effort recommends a strong Control and Enforcement short term approach to install an independent National Commission of Justice (NCJ) to review cases flagrant miscarriages of justice. High profile cases of corruption have been thrown out of court on technicalities or given judgments that are suspect. An NCJ will review such cases and re-examine evidence and verdicts using an ad-hoc panel and not established judges.

J3.3.2 Once established, the medium term objective for the NCJ is to effect administrative penalties on censured justices. A judge identified by the NCJ as having passed unsound judgments that defend corrupt practices could be penalized through quarantine or early retirement.

J3.3.3 The long term goal in this Control and Enforcement exercise is to improve the quality of the judiciary. Judges presently vary in quality and integrity. New standards have to be instituted for the next generation of judges including introducing bar exams and professional lawyer associations.

J3.4 Quality of Legal Professionals

In addition to the judiciary, a long term objective in legal sector reform is to replace and remove judges, prosecutors and police from a Laws/Regulations/Rules/Ethics approach. In order for an anti-corruption movement to have success, corrupt officials of the legal system have to be identified, sanctioned and removed, and continuous legal education provided to others to clean up the ranks of law enforcement.

J3.5 Information and Publicity on Corruption Cases

From a People/Human Resources approach in the medium term, there is a need to have better information and publicity on corruption cases. The complex nature of major corruption cases are not well explained by the media and better reporting is required on corruption cases.

J4.0 Civic Education

J4.1 Citizen Rights

A long term People/Human Resources recommendation is to educate the public of their rights as citizens and users of public services. Citizens need to be educated as to their rights and to be provided with the skills and techniques to seek accountability and redress from



government and business when services are of poor quality or blocked from open accessibility by corruption.

J4.2 Civic Courses

Another long term People/Human Resources recommendation is to introduce both formal and informal civic courses. The feudalistic mindset of deference to authority has been reinforced by indoctrination materials of past civic courses. There is a need for systematic learning materials for schools as well as for all citizens that emphasize rights and responsibilities of individuals and communities over obedience to authority.

J4.3 Value System

From a Laws/Regulations/Rules/Ethics standpoint, a long term objective is to shift the value system and introduce a shame culture and code of ethics in society. Corruption has become the norm in society and successful corruptors are not subject to social disapproval. There is a need for materials that discuss moral questions about corruption, and open discussion about the subject. All institutions need to develop statements of purpose and code of ethics.

J5.0 Other Reforms

J5.1 Financial Sector Reform: Banking Law and Central Bank Law

Related to the prosecution and punishment of BLBI cases as a short term priority in the anti-corruption effort, a Laws/Regulations/Rules/Ethics recommendation for the medium term is to amend the Banking Law and Central Bank Law. The issue of Central Bank independence vis-à-vis the Executive has to be resolved. Principles of prudent banking practices need to be clarified and reinforced to prevent the unregulated lending and investment decisions that contributed to the banking crisis.

J5.2 Political Sector Reform: Money Politics Law

A Laws/Regulations/Rules/Ethics recommendation for medium term in the political arena is to introduce a Money Politics Law. It is commonly known that legislators routinely accept cash, gifts and other facilities from government departments or special interests groups as part of the legislative decision making process. A Money Politics Law would regulate the receipt of such gifts and limit the scale of bribery in politics.

J5.1 Regional Reform: Bupati Electoral Process



As part of the decentralization, it is a medium term recommendation to regulate the Bupati electoral process to limit the possibility of Bupatis taking retribution on “whistle blowers”. Reports of some Bupatis bribing DPRDs in return for confidence votes suggest that huge returns are expected from their positions through illicit income. Those who reveal corruption at the Bupati level are vulnerable to retribution. Bupati electoral process reform is needed to ensure their decisions have DPRD oversight, as well as sufficient expression for public voice.

ENDNOTES TO SECTION J

- 1 The SSC was divided into four groups of pairs under one of the four components of the framework. Each group identified two key policy recommendations in terms of what could be done, how it could be done and by whom it could be done in their category for short, medium and long term time frames for a total of six recommendations per group.

K. IMPLEMENTATION STRATEGY

We cannot distance ourselves from corruption ... Corrupt officials must show their faces, just as the people who have to finance the corruption committed by those officials are also identifiable – namely you, we, us, me. This personification should henceforth be included in the material for the advocacy of the drive against corruption.
The Aksara Journal, TEMPO, 19 February 2001: 44.

K1.0 In order to broaden participation in preparation for the dissemination of the findings of the national survey and the work of the Select Steering Committee, an expanded group of SSC members and their invitees were asked to refine the policy recommendations by identifying the methods to implement the reforms, and the people who could lead the particular reform effort. The objectives of the policy recommendations are expressed as desired outcomes of the implementation strategy.

K2.0 Civil Service Reforms

K2.1 Public Officials Patronage System

Short Term Outcomes	Action	Method	Possible Leaders
The workings of patronage systems exposed and documented	Identify how public officials operate patronage networks	Research, documentation and exposure	NGOs, research organizations, business executives
Medium Term Outcomes	Action	Method	Possible Leaders
Alternative systems and procedures to patronage networks installed and operating	Introduce new systems and procedures to reduce the power of patronage networks	Design and pilot new systems. Pressure through existing coalition as well as enlarge size of coalition.	NGO coalitions, research organizations, business executives
Long Term Outcomes	Action	Method	Possible Leaders
Processes to monitor and prevent backsliding on new systems installed and operational	Monitor installed systems for progress and results.	Adjust system efficacy.	NGO coalitions, research organizations, business executives, Ministries which have installed new systems

K2.2 Critical Public Service Processes

Short Term Outcomes	Action	Method	Possible Leaders
The operation of corruption in critical processes vulnerable to corruption identified and exposed	Identify critical processes susceptible to corruption	Collect case studies of sample processes at national and provincial level. Identify the winners and losers of any reforms	MENTAN, BAPPENAS, OTODA, public interest NGOs, unions, professional associations
Medium Term Outcomes	Action	Method	Possible Leaders
Key processes in the vulnerable areas redesigned and operating	Redesign the key processes using information and communication technology (ICT)	Ascertain those gaining/losing from existing systems: Design, test, pilot, roll out and seek champions to try out new systems	MENTAN, BAPPENAS, OTODA, public interest NGOs, unions, professional associations
Operational audits conducted regularly	Develop and extend the capability for operational audits in addition to financial audits	Build internal capacity and acquire external capacity in the relevant agencies. Seek experience from MNCs (multinational corporations). Start with pilot projects. Give public recognition to successful work.	BPK/PEMDA, national and regional level agencies
Long Term Outcomes	Action	Method	Possible Leaders
Non-Ambiguous Language used in process contact	Establish non-ambiguous language for process contact	Use symbols, pictures and local language. Use education, reward system, and simple guidebooks.	Education department, civil society, religious organizations.
E-Governance introduced and successful pilot studies	Establish value formation with view to e-governance.	Prioritize accessibility, transparency, and efficiency.	Civil society

demonstrated	Inform public about e-governance.	Use formal and informal education, religious and cultural methods.	
--------------	-----------------------------------	--------------------------------------------------------------------	--

K2.3 Professional Public Official Staffing Systems

Short Term Outcomes	Action	Method	Possible Leaders
Professional recruitment systems for GOI and BUMN new employees installed and operating	Introduce a professional recruitment system for government and BUMNs	Clarify that each organization can initiate this – there are no laws blocking this. Emphasize the consequences of not taking such action. Decide unilaterally by fiat on the suitable criteria e.g. integrity, no past corruption, etc.	CEOs and top executives, university leaders
Medium Term Outcomes	Action	Method	Possible Leaders
Professional performance evaluation systems for GOI and BUMN employees installed and operating	Establish a professional performance evaluation system for government and BUMNs	Move away from rules favoring seniority and loyalty to merit and performance. Use fit and proper tests.	Human resource professionals, professional recruiters.
Long Term Outcomes	Action	Method	Possible Leaders
New GOI regulations and ministerial decrees on recruitment and promotion of civil servants operational.	Revise GOI regulations, ministerial decrees on recruitment and promotion of civil servants	Persuade GOI to be responsive and receptive	Ministry of Administrative Reform (BKN).

K2.4 Good Governance

Medium Term Outcomes	Action	Method	Possible Leaders
Principles and benefits of good	Socialize the process of good governance,	Target GOI offices and institutions,	MENTAN, BAPPENAS, OTODA, NGOs, religious organizations, unions

governance are well known and accepted	embodying the principles of transparency and accountability	investors and financial institutions. Use a cascading campaign program through public discourse, media and civil society components.	
----------------------------------------	-------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------	--

K3.0 Legal Sector Reforms

K3.1 BLBI Cases

Short Term Outcomes	Action	Method	Possible Leaders
All parties involved in BLBI cases prosecuted and punished	Prosecute and punish all cases involved in BLBI cases	Pressure GOI and DPR to amend existing anti KKN law. Improve prosecutorial techniques by empowering with skills and knowledge. Improve links between legal institutions.	Attorney General's Office, Anti-Corruption Commission.

K3.2 Witness Protection Act

Short Term Outcomes	Action	Method	Possible Leaders
A Witness Protection Act introduced and in effect.	Speed up the introduction of Witness Protection Act	Pressure GOI and DPR to amend existing anti-corruption act. Clarify meaning and definition of corruption for GOI, legal profession and public.	Public interest NGOs such as ICW and Judicial Watch.

K3.3 National Commission of Justice

Short Term Outcomes	Action	Method	Possible Leaders
Independent National Commission for Justice established and installed.	Create and install an independent commission to review cases of “flagrant miscarriages of justice”.	Propose and lobby GOI and DPR to introduce and pass law to set up a National Commission for Justice	Prominent and reputable lawyers, the legal profession, bar associations.
Medium Term Outcomes	Action	Method	Possible Leaders
Administrative penalties applied to censured judges.	Effect administrative penalties on censured judges.	Judges to attest “no conflict of interest” under oath. Sanctions used only to support working of the institution. E.g. no case adjudication for 1 to 2 years with first censure, early retirement after second censure.	Minister of Justice, National Ombudsman, Supreme Court.
Long Term Outcomes	Action	Method	Possible Leaders
Higher caliber and professional judges.	Improve quality of the judiciary	Introduce bar examinations and professional law associations. Convince lawyers that greater professionalism is in their interest	Enlarged participation of professional associations and law schools.

K3.4 Information and Publicity of Corruption Cases

Medium Term Outcomes	Action	Method	Possible Leaders
Greater and better consistent coverage of corruption cases by the media.	Provide better information and publicity on corruption cases.	Post Supreme Court cases on the internet in plain language. Change procedural code that only allows copies for involved parties. Promote journalistic coverage of corruption training in investigative journalism.	Mass media, students, universities, National Ombudsman.

K3.5 Quality of Legal Professionals

Long Term Outcomes	Action	Method	Possible Leaders
Corrupt judges, prosecutors, police removed and replaced.	Replace/remove judges, prosecutors and police.	Gradual appointment and removal through complaints body. Establish judicial academy to clarify professional ethics. Provide continuing legal education for law enforcement officers.	GOI, DPR, public interest NGOs.

K4.0 Civic Education

K4.1 Citizen Rights

Long Term Outcomes	Action	Method	Possible Leaders
Public informed of their rights as citizens and users of public services.	Educate public on their rights as citizens and users of public services.	Demand mandatory publication of all GOI decisions. Issue booklets, brochures, public service announcements.	NGOs and private sector e.g. consumer associations, media producers, dalangs, universities, etc.

K4.2 Civic Courses

Long Term Outcomes	Action	Method	Possible Leaders
Formal and informal civics learning materials and courses introduced and taught.	Introduce formal and informal civic courses	Emphasize the rights of individuals and community over obedience to authority. Incorporate into the traditional public mindset through indoctrinated learning materials.	Educational system and religious leaders.

K4.3 Value System

Long Term Outcomes	Action	Method	Possible Leaders
Code of ethics introduced and operating.	Shift the value system, introduce shame culture and code of ethics	Launch public campaign and formal education to clarify what are good governance and the advantages of no corruption.	Civil society Department of Education.

K5.0 Other Reforms

K5.1 Financial Sector Reform: Banking Act and Central Bank Law

Medium Term Outcomes	Action	Method	Possible Leaders
Banking Act and Central Bank Law revised and amended.	Amend the Banking Act and Central Bank Law to resolve issue of Central Bank independence viv-a-vis GOI.	Pressure to GOI and DPR to executive legislation to clarify and enforce principles and rules of prudent banking. Improve professionalism of financial institution decision makers.	GOI, DPR Commission IX, public interest NGOs.

K5.2 Political Sector Reform: Money Politics Law

Medium Term Outcomes	Action	Method	Possible Leaders
Money politics law introduced and in effect.	Introduce Money Politics Law	Pressure the GOI and DPR to execute legislation to amend the Election Law and the Political Parties Act, as well as pass the Anti-Money Laundering Draft Law.	Public interest groups such as NGOs like Indonesian Corruption Watch, Judicial Watch.

K5.3 Regional Reform: Bupati Electoral Process

Medium Term Outcomes	Action	Method	Possible Leaders
DPRD oversight and control mechanisms introduced and in effect for Kabupaten level policy decisions.	Check discretion of Bupatis for retribution.	Introduce transparency and check and balances by introducing new law for oversight and control systems in the regions. Give DPRD's authority over Bupatis. Introduce new laws for selecting Bupatis.	Civil society and the media.



L. CONCLUSION

Both systematic and systemic forms of corruption could be minimized if there were a political will on the part of the political elite, a resolve convincingly demonstrated, to end the cause and effect of corruption at the systemic level. "The Aksara Journal", TEMPO, 19 February 2001: 40.

The fight to eradicate corruption in Indonesia requires the participation by all facets of society – including the government, business, and civil society. The role of the Partnership is not only to define the reform strategy as stated above, but also to facilitate the reform process with the individuals, groups, and institutions taking the initiative and lead to bring about the change.

As with her predecessor, President Megawati Soekarnoputri has made the eradication of corruption a major platform of her new government. She has spoken of a new national vision – one that calls for reorganizing policies, readjusting strategies, and revamping state institutions.¹ The work of the Partnership through the Diagnostic Study has identified and developed a vision and strategy for Indonesia that is free of the corruption, collusion and nepotism (KKN) that has impeded the country's development and oppressed the aspirations of the people.

The Partnership offers this report on A Diagnostic Study of Corruption in Indonesia to the government and people of Indonesia as a way to achieve that vision.

END

ENDNOTES TO SECTION L

¹ The Jakarta Post, 31 August 2001.