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**strategies for
preventing corruption in
Indonesia**

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Abbreviations

ASEAN	Association of South East Asian Nations
KKN	corruption, collusion and nepotism (in Indonesian)
NGO	non-government organisation

Strategies for preventing corruption in Indonesia

This paper briefly reviews the literature on corruption, making particular use of online resources for understanding current issues in Indonesia. The state and nature of the problem is described followed by an overview of measures proposed for tackling corruption. Two strategies are then considered in greater detail. The first involves prosecuting high profile public officials. Such action will serve as a powerful symbol of the end of an era where corruption was acceptable. The second involves increasing public sector wages to remove one of the major incentives for corrupt activity as well as contributing to improvements in service delivery.

Corruption in Indonesia

Corruption in Indonesia is endemic. Transparency International (1998) recently ranked Indonesia at number 80 of the 85 countries on its Corruption Perception Index. Political and Economic Risk Consultancy Ltd. (1998) ranked Indonesia the most corrupt of twelve Asian countries it considered. Rizal Ramly (Econit Advisory Group) estimates that 30 per cent of loans to Indonesia have been lost through corrupt avenues, that is almost US\$13 billion (*Bisnis Indonesia* 1998a). A recent survey of Indonesians found that 68.5 per cent believed that the law, from police to judges, could be bribed (*Bisnis Indonesia* 1998b).

A widely agreed structural factor underlying corruption in Indonesia is a political system which vests an inordinate amount of power in the hands of the executive, and the president in particular. There is no balance between the executive, legislative and judicial arms of power. The Asia Pacific Management Forum, for instance, argues that tackling corruption in Indonesia requires increasing processes of democratisation alongside strategies for generating prosperity. Similarly, P. and S.P. Phongpaichit (1994:22), in their discussion of corruption in Thailand, suggest that the strength of a democratic framework is that it engenders a constituency—or a civil society—that is willing and able to monitor public and political officials.

Commentators differ in the emphasis they give to other factors which characterise the environment of corruption. Lopa (1998) highlights the greed of those in positions of power, who are often already wealthy individuals, combined with a weak system of law enforcement where investigations are poorly carried out and few prosecutions are made. Gross financial mismanagement is a cause and consequence of this situation.

Rose-Ackerman (1997:19–20) argues that incentives for corruption are provided by the high level of funds and resources under the discretionary control of officials, combined with poor formal laws on corruption, the lack of credibility of law enforcers, and the poor conditions of civil service employment. Other contributing factors include the limited extent of auditing and monitoring within government, the lack of public awareness of government

activities and a tendency not to file complaints, the low level of press freedom and the controls preventing individuals from forming non-government organisations, and the poor level of active political opposition.

Klitgaard (1998:4) asserts that almost everyone who lives and works in Indonesia goes along with corruption including foreign investors, aid donors, and international financial institutions. But, as Salim (1998) has suggested, the current financial turmoil in Indonesia presents an opportunity to address and fight corruption, referred to as KKN (the Indonesian abbreviation of corruption, collusion, and nepotism).

Strategies for preventing corruption

At the 53rd Annual Meeting of the World Bank and the International Monetary Fund, Victor Tanji suggested a four-pronged strategy for minimising corruption (Ardhianie 1998). The first was the need for an honest and clear commitment from the leaders in government and business to combat corruption. Second, was to establish a zero tolerance policy for those found guilty of corruption. Third, was to reduce all the conditions leading to the creation of corruption, like low salaries, ineffective controls, and punishments that are not applied. Fourth, was to monitor political party funding.

Klitgaard (1998:4) argues that Civil Service reform can be achieved by implementing five strategies which can affect the environment of corruption.

- Establishment of a National Integrity Workshop, a forum where government and civil society can meet to discuss strategies to reduce corruption.
- Establishing a code of conduct for top public officials, including a pledge not to accept bribes.
- A declaration of wealth and income, including a provision where political leaders have to place private business activities into blind trusts.
- Focused efforts to improve government programs in high priority areas such as social safety nets. This program should include experiments with the citizen oversight, evaluations by community organisations, incentives based on performance for public employees, and widespread publicity about what is supposed to happen, where, and when.
- Setting up new mechanisms of citizen oversight of government projects, including their design, evaluation, and audit.

Other strategies aim to improve various public systems including the government procurement system, the fixed assets management system, the national database, the government budgeting system, the taxation management system, the legal system, the foreign loan management system, and the competitive environment. These strategies focus on developing accountability, transparency and the financial transaction reporting system in the public sector.

Lopa (1998) emphasises the importance of an effective system of management and monitoring of corruption to be administered by honest and disciplined officers.

Alatas (1986:49–50) suggests that the most important factor in combating corruption is the moral and intellectual stature of leaders. Several conditions are necessary to effectively mitigate corruption. The public and the bureaucracy should both have a positive attachment to the government and a spiritual commitment to facilitating the progress of the nation. An efficient administration is necessary to avoid creating sources of corruption, and an anti-corruption value system must be promoted. Ideally, inspirational leadership should emanate from a group with high moral and intellectual standards, while an educated public should be informed and critical of current events.

In order to prevent corruption it is necessary to enlist the support of the public. One way of doing so is by publicising corruption cases, provided privacy issues are not involved. Non-government organisation's can perform an important function here in mobilising resources to run anti-corruption campaigns and research programs. They may be able to perform a monitoring role along the lines of Transparency International.

Salim's (1998) overall strategy is to strengthen civil society, beginning with free and open elections. Strengthening of civil society, will see a flourishing of non-government organisations and must entail assurances for freedom of expression. Transparency, accountability and efficiency must become guiding principles for the business culture in Indonesia to become more open. Salim views development as having a spiritual as well as material component, and sees moral pressure as a useful strategy to prevent corruption.

The strategies outlined above are not very different from the strategies that are proposed by the World Bank. The World Bank (1997:105–8) argues that any reform increasing competitiveness in the economy will generally reduce incentives for corrupt behaviour. Thus, policies that lower controls on foreign trade, remove entry barriers to private industry, and privatise state firms, will all reduce opportunities for corrupt practice.

The World Bank sees independent watchdog bodies as offering an effective mechanism for strengthening the monitoring and punishment of corruption. Watchdog organisations should focus on those who receive and pay bribes. Freedom-of-information acts are an important tool for facilitating oversight of public affairs. Ultimately, such monitoring mechanisms will fail unless they are supported by a legal system that punishes offenders appropriately.

By drawing lessons for minimising corruption from criminology literature, Gorta (1998) proposes some very different strategies to those previously discussed. She suggests that all people be viewed as potential offenders, even though it is obvious that people who work in positions with greater power and discretionary control over resources have more opportunity to engage in corruption. This view reminds us to direct educational materials and other prevention strategies at a broad audience and not to make assumptions that someone will be corruption free because of their particular position or background. In order to identify circumstances that encourage corruption, Gorta (1998) emphasises the importance of finding out why individuals engage in corrupt activities. Offenders can be asked about whether they consider their actions acceptable to identify justifications for corruption and challenge those justifications. Employee surveys can give an indication of

generally held beliefs about what is acceptable versus what is corrupt within different organisations so that organisations can be educated about corruption risk factors. By obtaining a better understanding of the dynamics and mechanics of corrupt conduct, the most appropriate crime prevention technique, or set of techniques, can then be applied.

A beginning point for combating corruption

To begin to combat corruption in Indonesia an entry point is required. The entry point suggested here is to catch some 'big fish'. Further inroads can then be made through measures to empower the People's Consultative Assembly and establish an anti-corruption commission.

Klitgaard (1998) argues that a system in equilibrium, as corruption has become in Indonesia, needs a shock if it is to be ruptured. This strategy sends a powerful signal that the era of accepting corruption is over. Investigations into the ill-gotten wealth of Panama's Noriega and the Philippines' Marcos were important for symbolic reasons as much as the recovery of public money.

Klitgaard also suggests that the international community has an important role. Foreign donors and lenders can contribute by setting up independent investigations of past projects in which they were involved.

The frying of some 'big fish' is very important in Indonesia to provide substance to the recent declaration by the People's Consultative Assembly (IX/MPR/1998) of its commitment to good governance free from corruption, collusion, and nepotism. Article 4 commits the government to a widespread campaign to combat corruption, collusion, and nepotism, encompassing every government officer, ex-government officer, their families and private party/conglomerates. Even the former President, Soeharto, can be subject to investigation under Article 4 (*Republica* 1998). Indeed, the people of Indonesia, particularly the students, have exerted considerable pressure for those in the highest positions of political office to be held to account for their actions. However, the former Financial Minister of Indonesia, Mar'ie Muhammad, has cautioned about the need to focus on all offenders equally and not to get carried away with such public demands (*Bisnis Indonesia* 1998c). This would be the role of an independent commission against corruption which could be established with the help of international institutions.

Removing incentives for corruption in the public sector

To begin to change the culture of corruption in the Indonesian civil service a necessary first step is to increase remuneration offered to holders of public office in Indonesia, as it is currently under the average cost of living and a major incentive for corruption. This strategy should be a part of general reforms to improve service quality, recruitment procedures, training, performance appraisal, promotion, rewards and salaries. The question is how government will finance higher salaries? Alternatives sources of revenue may derive from a reduction in budget leaks that had resulted from corruption, an increase of tax revenues and

a minimisation of civil service growth. These measures will all take time to implement and the need for such reforms are urgent. A more immediate option may be to seek grants or loans from international financial institutions, some of which already support public sector salaries.

Summary

Corruption is a major problem in Indonesia requiring reform of underlying economic and political structures. The economy needs to be made more open and political structures need to become more democratic. To initiate this process, the equilibrium of the old system needs to be ruptured. One way of achieving this would be to establish an anti-corruption commission which could prosecute, in very public cases, high profile officials guilty of corruption. To begin reform of the public sector, ways must be found to increase pay levels to reduce the major incentive for corruption in the Indonesian Civil Service.

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