Breaking Through the Barriers of Systemic Corruption

Using Objectives Oriented Project Planning as a way to think through anti-corruption strategies

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Attitudes and Behaviour

Program Ideas for the Governance Institutions

Civil Service
Justice Sector
Business
Parliament
Political Parties
Local Government
Civil Society
Public Audit Institutions

Annex 1: The Multi Pronged Strategy
Annex 2: The effects of Corruption on Indonesian and Indonesians.
Breaking through the Barriers of Systemic Corruption

Using Objectives Oriented Project Planning techniques to think through anti-corruption strategies

Background
In the work that the Partnership has been doing in Indonesia, it is regularly faced with the problem that Indonesia’s corruption is systemic, that the system is seemingly impenetrable, and that it does not seem easy to identify ways into that system to try and subvert it\(^1\). Many suggestions for anti-corruption strategies are suggested from other countries’ experience, or from anti-corruption theory, but they do not seem to be effective\(^2\). It seems important to find some way to design anti-corruption strategies that are (a) based on the Indonesian reality, and (b) can find a way to break through the seemingly impenetrable barrier of a closed system.

To illustrate what I mean, let me take the example of corrupt civil servants who steal the assets of the State for their own personal income. The huge income siphoned off by civil servants from illegal logging can serve as a model for such an inverted system.

If such a person is identified, it is very likely that:

- his or her behaviour is condoned (if not abetted) by his/her superior who receives a percentage of such income.
- It is also likely that the superior has helped to set up the system of corrupt behaviour by selling the civil servant the position that he/she now occupies, and thus (implicitly) requiring the civil servant to recoup on his/her investment by corrupt activities.
- Percentages of the illegal income very possibly are paid to senior people in the Department – the very people who would otherwise provide the political commitment to end corrupt practices.
- If a person is identified in corrupt practices, there is no incentive for the internal auditing department to deal with it because they frequently make their own income by taking bribes to ignore such cases.
- If a case is raised against such a person in the courts it is well known that the judges can be bought by the highest bidder.
- If a popular outcry is raised and demands made to the Parliament, experience suggests that Parliamentarians can also be bought, and that the Executive is experienced at agreeing reform, but then delaying and effectively neutralizing such reform.
- At the same time anti-corruption rhetoric is nationally transmitted, but the effective vehicles for fighting corruption are not put in place, or put in place but kept without funds or with ineffective legislation

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\(^1\) “Subvert” : Robert Klitgaard, guru of anti-corruption activists, has moved in recent years, from “controlling corruption” to “subverting corruption” taking the analogy of breaking criminal cartels or the mafia.

\(^2\) Indonesia is usefully compared, from the point of view of corruption with the countries of the former Soviet Union (FSU). Systemic corruption seems to be the case there as well. The World Bank has recently admitted that it’s existing strategies to limit corruption in the FSU are not working well, and need to be revised
Finally there are few examples of institutions which are not riddled with corrupt practices, and thus few models of how institutions can be run with integrity.

When faced with such a situation, what can an anti-corruption activist do? Our suggestion is there are ways through this barrier, but they must be based on

(a) a clear headed examination of the realities of present day corruption
(b) an ability to think beyond the present into the world that we would like to see without corruption, and
(c) the ability to design projects that fit (a) and take account of (b).

The technique generally known as “Objectives Oriented Project Planning” provides us with a way to do this. This is very much “work in progress”: Many new points may be suggested by others, and all readers who are interested are asked to contribute. The following pages give examples of working through Problems, Objectives and Programs for “common denominator” issues, and then important governance institutions.

Many programs suggested as ways of limiting corruption start with models of a clean society or clean institutions and try and work back from those – fitting them into an Indonesian (or other) context\(^3\). In my opinion this is the wrong way to start. We need to start with the actual problems caused by corruption in Indonesia, look at the effects caused by these problems, look at what might take place given the context of Indonesia and finally try to work out programs that reflect both the problems and the future states that we would like to see.

Two things have helped me with such a process. The first is the series of exercises that have been supported by the Partnership over the last year which have identified the ways that corruption works in Indonesia. The second is the very valuable work of the ADB in its 2002 Indonesian Governance Assessment written by Staffan Synnerstrom and Owen Podger\(^4\). The first has clarified the insidious and pervasive way in which corruption works and its many enthusiastic adherents. The second carefully analyses the structures that support corruption which are not always easy to understand.

**The Work of the Partnership**

The Partnership has produced 16 essays on different aspects of corrupt practices in Indonesia in its 4 volume book “Stealing from the Poor”. It has also produced a survey of perceptions and experience of corruption from Indonesian households, businesses, and civil servants. Furthermore it has produced a specific action research study of the effects of corruption on very poor urban slum dwellers, and their perceptions about corruption. It has assembled a high powered advisory team and asked their advice on entry points into pervasive corruption, and finally it has canvassed the opinions of over 600 people from every province in the country.

\(^3\) For an example of this, please see the multi-pronged model used by the World Bank in the former Soviet Union countries, in Annex A.

\(^4\) Still in draft
through a series of 6 regional workshops\textsuperscript{5}, producing finally “An Action Plan for Fighting Corruption in Indonesia”\textsuperscript{6}

**The Work of the ADB**

The ADB has looked at the common factors of corrupt behaviour, particularly in the Government of Indonesia, and has found origins of corruption in failures to realize competent standards in Human Resource Management, Public Expenditure Management, and Management of the Regulatory Environment. It has then shown how limitations in all those aspects of management have permeated the problems of the usual sectors that determine good governance in a country, Indonesia included – the Justice sector, the Civil Service, the Business Sector, Parliament etc etc.

The ADB has not looked so closely at the attitudes and behaviour of Indonesians – at the norms and patterns of daily life, and at the ethical standards that are and are not applied. My work, therefore, adds to the ADB work by looking at corruption through four “common denominator” sectors:

- Human Resource Management
- Public Expenditure Management
- Management of the Regulatory Environment
- Attitudes and Behaviour

and then watching the ways that corruption evolves from these common denominators into specific problems in eight important governance institutions:

- Civil Service
- Justice
- Business
- Parliament
- Political parties
- Local Government and Decentralization
- Civil Society
- Public Audit Institutions

One of the analytical tools that I have found very useful is the World Bank’s division of corruption into State Capture and Administrative Corruption. State Capture results when corrupt people control the regulatory process and, from the top, make laws, policies and regulations that specifically benefit them. Administrative Corruption results from peoples’ ingenuity and venality as they distort existing laws, policies and regulations to benefit themselves.

**The Effects of Corruption on Indonesia**

At the start of the booklet I provide an overall Problem Tree of the corruption situation in Indonesia, showing (from bottom to top) the common denominators, the governance sectors, state capture and administrative corruption, the core problem

\textsuperscript{5} A report on these workshops is available from the Partnership in English and Indonesian: “What Indonesia thinks can be done about KKN”

\textsuperscript{6} Also available from the Partnership
and then the effects. Since any enthusiasm for fighting corruption in Indonesia will come from Indonesians concern about corruption’s effects on their country, it is sensible to look more closely at these effects, particularly since the Partnership’s research has shown that a number of people in the country are not so concerned with corruption, and in fact, benefit from it.

All too often the effects of corruption are regarded at a macro-level. It is important that citizens see the direct influence on their lives of corruption. All too often the effect on foreign investment is flagged as the most serious effect of corruption on Indonesia. In fact the effect is much more personal and much more immediate.

Examples might be:

- A poor mother’s child dies because the PUSKESMAS drugs have been corruptly taken by the doctor to use in his/her more expensive private practice
- A child cannot get into school because the parents cannot afford the corrupt demands of the teachers for special contributions to the school.
- A slum area which has suffered a fire cannot get help from the Municipality because the budget for emergencies has been corruptly taken to buy Councillors sedan cars
- There is no fishing and polluted rivers in forest areas because officials have corruptly sold logging licenses to businesses
- Social services (education, health, social welfare) are very limited because money for this has been corruptly siphoned off elsewhere into private hands
- Corrupt people continue to steal from the state and are not prosecuted or punished because they can bribe the courts.

How to use this Book

The book is divided into two parts – the Common Denominators and the Governance Institutions. Within these two categories are three stages: Problem Trees, Objectives Trees, and Program Ideas.

1. Problem Trees

The Reader is invited to choose a Governance Institution that interests him or her, and look at the Problem Tree for that institution. The Problem Tree has a Core Problem box in the centre of the page with beneath that boxes for the Causes of the Core Problem and above it boxes for the Effects of the Core Problem. The boxes are linked logically from bottom to top, so that one box is the reason for the box above. The reader is invited to look at the boxes that make up these causes and effects, and add to them if wanted.

For each Governance Institution the reader is then invited to look at all the Common Denominators Problem Trees, since it is likely that the Common Denominators Problem Trees will have some insights into the problems of the specific Governance Institution.

7 See Annex 2
2. Objectives Trees

After the reader has understood the Problems, it is time to look at the Objectives. The Objectives Trees are simply the opposite of the Problem Trees. Each box does not state a problem but a desired future situation – Reasons leading to the Main Objective, leading to Results. The reader is invited to move from the Problem Tree of a Governance Institution into the Objectives Tree to understand how Problems can be changed into desired future situation or Objectives. He/she should look at the boxes that make up these Reasons and Results, and add to them if wanted.

3. Program Ideas

After the Reader has understood the Problems and the Objectives of a particular Governance Institution, it is time to look at practical Program Ideas which will give us a way to break through the barriers of systemic corruption. The reader should look at the Program Ideas which consist of three columns (Objectives, Indicators of Success, and Assumptions) and three rows (Goal, Purpose, and Outputs or Programs). Let us look at these more closely:

Objectives – these have been selected from the many boxes in the Objectives Tree, and are arranged logically from the most detailed (Outputs/programs) to the most general (Goal). They state what you want to achieve. If the readers have other ideas, please work them out using this format.

Indicators of Success – this column states what result you would expect to see if the objective was accomplished. It helps you to be concrete in your ideas.

Assumptions – this column suggests what others have to do before you can achieve your objectives, since you do not control everything. This column also makes you realize how difficult some of your objectives will be to achieve, since others may control factors important to your program

The Program Ideas zero in on a set of problems, and is inspired by what might be possible. At this stage it answers “What might be done” without saying “How this might be done”. Very importantly it also poses the Assumptions that we have to make if we think that there is a chance of achieving such objectives in these programs. The realistic examination of assumptions is sobering – as we see again the complexity and the inter-connectness of corruption in Indonesia.

These Program Ideas are a start to help you develop specific programs to fight corruption. It may well be that you need more detailed planning – but you can use this format to help you with this process.

Those familiar with the methodology will know it as GOPP (Goal Oriented Project Planning) or ZOPP (Ziel Orientiert Proyek Plannung). It leaves the reader with the opportunity of focusing on a program that fits the comparative advantage of his/her organization and further refining the Outputs and the Inputs that are the next stage of the process.
Hopefully, this booklet will allow the reader to move beyond the difficulties inherent in the complex, inter-twined, pervasive nature of corruption in Indonesia, to get a handle on more specific program possibilities which have, in turn, surfaced from the consideration of real problems.

Sources
The sources from which the problems have been identified are:

- The four books of “Stealing from the People” edited by the Aksara Foundation
- “The National Corruption Survey” produced by the Partnership with INSIGHT
- “The Poor Speak Out” produced by the Partnership and the World Bank, Indonesia
- “Participatory Corruption Appraisal” by the Partnership and the World Bank in Indonesia
- “Country Governance Assessment Report” produced by the Asian Development Bank, Indonesia (still in draft)
- The 6 regional Anti-KKN Workshops organized by the Partnership
- The work of the Partnerships Select Steering Committee fro the Anti-KKN Program of the Partnership
# Acronyms and Abbreviations

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Definition</th>
</tr>
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<tbody>
<tr>
<td>ABPD</td>
<td>District Budget</td>
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<td>ADB</td>
<td>Asian Development Bank</td>
</tr>
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<td>AGO</td>
<td>Attorney General’s Office</td>
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<tr>
<td>Anti-KKN</td>
<td>the work against corruption in Indonesia</td>
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<tr>
<td>AusAID</td>
<td>Australian bilateral assistance</td>
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<tr>
<td>BAWASDA</td>
<td>Badan Waspada Daerah – the Kabupaten level auditing body</td>
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<tr>
<td>BKN</td>
<td>Badan Kesejahteran Nasional</td>
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<td>BPK</td>
<td>Badan Pemeriksaan Keuangan (Indonesian) State Audit Bureau</td>
</tr>
<tr>
<td>BPKP</td>
<td>Badan Pemeriksaan Keuangan dan Pembangunan (Indonesian) Financial and Development Supervisory Board</td>
</tr>
<tr>
<td>BUMN</td>
<td>Badan Usaha Milik Negara (Indonesian) State Owned Enterprises</td>
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<tr>
<td>Bupati</td>
<td>Head of a District (Kabupaten)</td>
</tr>
<tr>
<td>CSO</td>
<td>Civil Society Organisation</td>
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<tr>
<td>DPR</td>
<td>Dewan Perwakilan Rakyat (Indonesian) National Parliament</td>
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<tr>
<td>DPRD</td>
<td>Dewan Perwakilan Rakyat Daerah (Indonesian) Regional Parliament</td>
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<tr>
<td>FCGI</td>
<td>Forum for Corporate Governance in Indonesia</td>
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<tr>
<td>GOI</td>
<td>Government of Indonesia</td>
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<tr>
<td>GONGOs</td>
<td>Government owned NGOs</td>
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<tr>
<td>GTZ</td>
<td>German Technical Assistance</td>
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<tr>
<td>IBRA</td>
<td>Indonesian Bank Restructuring Agency</td>
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<tr>
<td>IrJen</td>
<td>Inspektorat Jendral (Inspector General) – the in-house auditing body for any government department</td>
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<tr>
<td>KKN</td>
<td>Korupsi, Kolusi dan Nepotisme (Indonesian) Corruption, Collusion, Nepotism – the cry of Reformasi referred to in the Parliamentary Stipulation of 1998</td>
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<tr>
<td>LAN</td>
<td>Lembaga Administrasi Negara</td>
</tr>
<tr>
<td>MENPAN</td>
<td>Menteri Pemberdayaan Aparatur Negara</td>
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<tr>
<td>MoF</td>
<td>Ministry of Finance</td>
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<tr>
<td>MPR</td>
<td>Majlis Perwakilan Rakyat (Indonesian) Supreme Peoples Assembly</td>
</tr>
<tr>
<td>MPs</td>
<td>Members of parliament</td>
</tr>
<tr>
<td>Orde Baru</td>
<td>The Suharto Period (lit. New order)</td>
</tr>
<tr>
<td>Penda</td>
<td>Pemerintah Daerah</td>
</tr>
<tr>
<td>SOE</td>
<td>State Owned Enterprise</td>
</tr>
<tr>
<td>TCP3</td>
<td>Bill originating from Parliament to encourage public participation in discussion of new bills</td>
</tr>
<tr>
<td>Uncivil NGOs</td>
<td>NGOs which operate in destructive and non-developmental ways e.g. religious extremist NGOs</td>
</tr>
<tr>
<td>WB</td>
<td>World Bank</td>
</tr>
</tbody>
</table>
The Problem Tree of Corruption in Indonesia

Effect

Financial Capital
- State financial assets already stolen
- Continuing diversion of state assets into private hands
- Low revenue generation
- Loss of direct foreign investment (DFI)
- Unreliable financial information

Social Capital
- Justice system already perverted
- Ineffective state institutions
- Power holders prioritize personal income over state
- Lack of understanding or consensus about good governance practice
- Distrust of public institutions
- Unreliable information on justice and power within organisations

Physical Capital
- Many natural resources already lost
- Unsustainable erosion of remaining natural resources
- Deterioration in national stock of infrastructure
- Bad quality construction because of corruption in building standards
- Unreliable information

Human Capital
- Poverty already increased
- Poor cannot access government services
- Public unrest & vigilantism
- Rise of criminals in alliance with political parties
- People cannot participate in governance
- Inefficient use of existing skills
- Unreliable information on the condition of society

Core Problem

SYSTEMATIC AND WHOLESALE USE OF CORRUPT PRACTICES IN INDONESIA

State Capture
Illegal actions by firms or individuals to influence the formulation of laws, policies, regulations to their own advantage

Administrative Corruption
Intentional imposition (by state or non-state actors) of distortions in existing laws, policies, regulations for their own advantage.

Causes

Law Enforcement
- Justice for sale
- Under-budgeting
- Political interference
- Jurisdiction

Business
- Political interference
- Poor management
- History of impunity for big firms

Political Parties
- Contributions not monitored
- Extort money from businesses
- No policies

Public Auditing
- Conflict of interest in Irjen stop catching corruption
- No follow up of BPK findings
- BPKP generated conflict of interest

Civil Service
- Patronage networks
- Distorted pay scales
- Over-staffing
- Selling/buying of positions
- 2 budgets and informal cash flows

Parliament
- MPs take bribes
- MPs have no effective Code of Ethics
- MPs do not represent constituencies

Civil Society
- Political interference
- Foundation modality used spuriously
- GONGOs and uncivil NGOs

Local Government
- Inherits corruption from national govt.
- Executive heads bribe the legislature
- Cannot supervise the Executive on behalf of the public

Human Resource Management
Weaknesses in:
- Recruiting
- Placement
- Promoting
- Staffing
- Training
- Delegation

Public Expenditure Management
Weaknesses in:
- Budgetting
- Accounting
- Auditing
- Staffing
- Supervision

Management of the Regulatory Environment
Weaknesses in:
- Making laws, policies, regulations
- Communicating the same
- Budgetting
- Supervision

Attitudes and Behaviour
Weaknesses in:
- Accepting ethical standards
- Tolerating illegal behaviour
- Accepting impunity
- Exercising power

Common Denominators
The Objective Tree of Corruption in Indonesia

Result

Financial Capital
- State financial assets largely recovered
- An end to diversion of state assets into private hands
- Higher revenue generation
- Increase in direct foreign investment (DFI)
- Reliable financial info.

Social Capital
- Turn around in perverted Justice system
- Effective state institutions
- Power holders prioritize state objectives over personal income
- Clear understanding and consensus about good governance practice
- Trust in public institutions
- Reliable information on justice and power within organisations

Physical Capital
- Many natural resources recovered
- Erosion of remaining natural resources halted
- Restoration of national infrastructure
- Improvements in quality of construction
- Reliable information

Human Capital
- Poverty in decline
- Poor begin to access government services
- Greater public peace
- Political parties stay away from criminals
- People participate in governance
- Existing skills used efficiently
- Reliable information on the condition of society

Main Objective

RARE USE OF CORRUPT PRACTICES IN INDONESIA

Reasons

No More State Capture
The formulation of laws, policies, and regulations to personal advantage prevented by public oversight committees

No More Administrative Corruption
Public monitoring of Intentional imposition of distortions in existing laws, policies, regulations for personal advantage

Law Enforcement
- Justice not for sale
- Sufficient budgets
- No political meddling
- Clear jurisdiction

Business
- No political meddling
- Good management
- No more impunity for big firms

Political Parties
- Contributions monitored
- No Exortion of money from firms
- Clear policies

Civil Service
- Professional HRM
- Transparent pay & benefits
- Efficient staffing
- Competitive recruiting
- One budget

Parliament
- No bribes
- MPs have a Code of Ethics
- MPs accountable to the public
- Oversight structures in place

Civil Society
- No political interference
- Clear transparency in legal persona
- Public benefit NGOs
- NGO movement

Local Government
- National govt. corruption reformed
- Executive heads do not bribe the MPs
- DPR/DPRDs supervise the Executive

Public Auditing
- Irjen try to catch corruption
- Follow up to BPK findings
- No conflict of interest at BPKP

Human Resource Management
Strengths in:
- Recruiting
- Placement
- Promoting
- Staffing
- Training
- Delegation

Public Expenditure Management
Strengths in:
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- Accounting
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- Supervision

Management of the Regulatory Environment
Strengths in:
- Making clear laws, policies, regulations
- Communicating the same
- Budgeting
- Supervision

Attitudes and Behaviour
Strengths in:
- Accepting ethical standards
- Enforcing legal behaviour
- Denouncing impunity
- Exercising power

Common Denominators
Part 1A: The Problem Trees for the Common Denominators

- Human Resource Management
- Public Expenditure Management
- Management of the Regulatory Environment
- Attitudes and Behaviour
The Problem Tree of Human Resource Management

(see P. 28 for Objectives Tree and P. 42 for Program Ideas)

Effects

Many civil servants are unproductively employed
Regional governments are burdened with irrational and unrequested numbers of civil servants
Patrons (senior civil servants) control the lives of their clients and buy their silence to corrupt practices

Many civil servants spend much of their time trying to find income generating projects rather than doing their work

Core Problem

Human Resource Management
The civil service (a) is too large and dysfunctional re grades and ranks (b) has positions bought and sold (c) training is unrelated to function: (d) complex and discretionary construction of take home pay

Internal Reform Possibilities
MENPAN, BKN, LAN not yet interested in basic reforms. Many vested interests interested in keeping the status quo.

External Reform Possibilities
Many foreign donors eager to help in civil service reform

Causes

Recruitment and job assignments not made on the basis of fit between needs and skills

Procedures for recruitment, employment, promotion, evaluation unprofessional and riddled with opportunities for nepotism

Decentralization has exposed uneven and irrational staffing situations

An excessively standardized system of ranks and grades, which provide irrational allocation of human resources

Excessive amount of formal training geared to producing loyalty, not relevance to the tasks required

Those who buy their positions must extort or steal to recover their outlay

Very large numbers of contracted personnel (honor) paid very low wages with no rights

Remuneration taken from both routine and development budget, so that remuneration often divorced from performance

Little training for the new tasks and roles of the civil service in reformasi and decentralization

Recruitment, positions, promotions and transfers in the civil service are for sale by senior staff

Pay composed of basic wages plus numerous allowances – mostly at discretion of patrons

Ethical training has been captured by the patronage system (please the bosses)

Entry into civil service involves corrupt payments

Civil servants oath largely ignored

SYSTEMATIC AND WHOLESALE USE OF CORRUPT PRACTICES IN INDONESIA

Many civil servants are incompetent to do the job they have been assigned
Many civil servants time and talents underutilized

Many civil servants enter into civil service involves corrupt payments

Many civil servants are unproductively employed
Regional governments are burdened with irrational and unrequested numbers of civil servants
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Problem Tree for Public Expenditure Management

(see P. 29 for Objectives Tree and P. 43 for Program Ideas)

**Effects**

- Discretionary off-budget income creates patronage networks
- Public institutions do not want to give up unregulated income
- Parliament (national or local) is poorly informed and unable to be responsible for the nation's finances

**Core Problem**

- Systematic and wholesale use of corrupt practices in Indonesia

**Causes**

- DPR/DPRD does not see or approve the unofficial budget
- DPR/DPRD only approves the official budget; BPK only audits the official budget
- No “Public Accounts Committee” in Parliament
- Collusion between Pemda and DPRD in agreeing to “mark up” the APBD budget
- Off-budget income is budgeted and accounted in secret
- Off-budget income used for personal income supplement and program deficits
- Off-budget income is not accounted publicly or audited
- Public institutions seek and receive income from SOEs, wholly owned businesses (legal and illegal), and extortion from the public and businesses
- Tradition and accepted practice of funding public institutions from sources other than Min. of Finance
- Many opportunities for corrupt practices
- Official budgets do not identify all costs of programs
- Budgets arbitrarily divided into routine and development expenditure
- Budget lines do not relate directly to performance objectives
- Scattered cash management in 30,000 accounts
- Systems for financial control and management are weak

**Systematic and Wholesale Use of Corrupt Practices in Indonesia**

- GOI budgets and expenditures are not adequately supervised and result in many opportunities for corrupt behaviour.
- In the absence of greater tax revenue there are insufficient resources to run public institutions without off-budget revenue.
- Off-budget income is budgeted and accounted in secret.
- Budget lines do not relate directly to performance objectives.

**External Reform Possibilities**

- Few/ineffective efforts at reform by MoF & Meneg BUMN

**Internal Reform Possibilities**

- Little leverage except withholding aid

- Both Parliament (national/local) and Executive collude to get greater personal income

- The State gets poor value and poor productivity for its money

- Parliament (national or local) is poorly informed and unable to be responsible for the nation's finances
Problem Tree for the Management of the Regulatory Environment
(see P. 30 for Objectives Tree and P. 44 for Program Ideas)

NB: LPR = Laws/Policies/Regulations

Effects

Core Problems

Policy Making and Regulatory Environment
LPR offer scope for corruption through weak management or weak supervision designed intentionally for corrupt purposes (state capture)

Internal Reform Possibilities
Existing reform procedures insufficient to deal with the problems identified

External Reform Possibilities
Foreign donors do not know where to start

Causes

Lack of position papers for discussion before enactment

Lack of systematic consultation with the public or interest groups for new LPR

Matters that should be determined by law are defined in govt. regulation and decree

Some LPRs are difficult, if not impossible to enforce

Existing LPR are overlapping, contradictory, and discretion allowed in their interpretation

There are large gaps in LPR

Many necessary LPR have not yet been prepared

Likelihood that corrupt behaviour will be built in to new institutions

Some LPR are designed intentionally to allow corruption opportunities

No process for analyzing impact of new laws or regulations

GOI forces new institutions to find their own off-budget income

GOI makes insufficient budgetary allocations

COVID has no process for considering budgetary requirements, or legal implications for new LPRs

GOI has no process for analyzing impact of new laws or regulations

Gatekeepers have scope to and assume authority to charge levies beyond official rates for services

The details, especially the costs implications of LPRs, are not known by the public

New LPR may ignore public concerns

New LPR do not have public buy-in

State assets are at risk of being captured by LPR which are made by corrupt people.

Corruption becomes the norm and the expected corollary of new LPR

Ability to effectively revise dysfunctional parts of new LPR is limited

The public is angry and frustrated. In the case of the poor, it is further impoverished

Costs of doing business are increased

The public (including business) is exploited and extorted by “gatekeepers”

Systematic and wholesale use of corrupt practices in Indonesia

Policy Making and Regulatory Environment
LPR offer scope for corruption through weak management or weak supervision designed intentionally for corrupt purposes (state capture)

Internal Reform Possibilities
Existing reform procedures insufficient to deal with the problems identified

External Reform Possibilities
Foreign donors do not know where to start
Problem Tree for Attitudes and Behaviour
(see P. 31 for Objectives Tree and P. 45 for Program Ideas)

Effects

Increasing perception by the people that reform has been very limited.

Increasing frustration, cynicism and dissatisfaction that past and present corruption continues unchecked

Increasing middle class anger at continuing petty corruption in service provision

Growing appreciation by religious leaders of moral crisis in Indonesia

Whistle blowers or those who stand out against corruption often suffer social consequences

Many forms of behaviour elsewhere considered shameful escape a strong shame culture

Tolerance of corrupt behaviour in societies leaders

Core Problem

Attitudes and Behaviour
While there is strong pressure from the people for reform, particularly in the civil service, people are ambivalent about corruption, both tolerating it and practicing it

Internal Reform Possibilities
Strong public pressure for reform but increasing frustration because such pressure seems ineffective

External Reform Possibilities
Foreign donors do not work in this area

Causes

Little knowledge about how to report corruption (or to whom)

Impact and value of new laws/policies/regulations is not known by the people

Corrupt individuals do not feel shame and are not shamed by society

There is little public clarity about what constitutes corruption

Very few role models of people or organizations that are not corrupt

People cannot complain to their constituency representative in a party system

Long tradition of secretive government where information is not transparent to the public

Long tradition of immunity and protection for public officials

Corruption not thought of in the same way as stealing

Society’s ethical leaders do not campaign against corruption

Public media often expose corruption cases but little guidance about what to do next

Feudalism, Dutch colonialism and 32 years of Orde Baru have conditioned people to accept corruption as normal

Legitimate fear of retribution for whistle-blowers

Language used for corrupt practices is tolerant and “gray” – not black and white

Islamic religious teaching in Indonesia rarely gives strong guidance on corruption

People do not trust organizations that are created to receive reports of corruption

Tradition among civil servants that legitimate rewards are due for all work beyond basic routine jobs

No ethical curriculum in schools and few codes of ethics in organisations

Children learn corrupt practices from their parents and at school

Many civil society organizations do not have a position on corruption

SYSTEMATIC AND WHOLESALE USE OF CORRUPT PRACTICES IN INDONESIA

 Increasing perception by the people that reform has been very limited.

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Part 1B : The Problem Trees for the Governance Institutions

- The Civil Service
- The Justice Sector
- Private Business
- Parliament
- Political Parties
- Local Government
- Civil Society
- Public Audit Institutions
Problem Tree for Civil Service
(see P. 33 for Objectives Tree and P. 47 for Program Ideas)

Effects

Rewards go to those who pay for them irrespective of competence

Non-meritorious given preference in the civil service

Continuation of patron/client feudalistic behaviour where the powerful have discretionary authority over subordinates lives

“Administrative sanctions” for corrupt behaviour means that many existing civil servants have been sanctioned thus in the past

Alliances made with criminal elements to control “gatekeeper” functions

Poor service delivery standards and little development impact

Good people cannot access government services because they refuse to bribe

Poor people cannot access government services because they cannot afford bribes

SYSTEMATIC AND WHOLESALE USE OF CORRUPT PRACTICES IN INDONESIA

Core Problem

Civil Service
Salary structure, administration, and management practices systematically encourage corruption

Internal Reform Possibilities
Existing initiatives from GOI to reform civil service insufficient and not rigorously applied

External Reform Possibilities
ADB, GTZ and WB offering assistance

Career bureaucracy and closed appointment system provides opportunities for corrupt recruitment and placement

Cause

Regular existing incentives to maximize income from both legal and illegal sources

Few incentives or rewards for competent service delivery or increased development impact

Distorting and nepotistic recruitment, personal evaluation and promotion practices, linked to patronage networks

Belief in impunity from prosecution since people are very rarely punished for corrupt practices

Low basic salaries

Selling and buying of positions: investment recouped through extortion

Patronage networks allow legal and illegal supplementary allowances at discretion of patron

Arbitrary division of the budget into development and routine budget expenses, allows for corruption particularly in respect of salary supplements

Lack of professional management practices – particularly organisational structures and human resource management

Awareness of civil servants that bosses are involved in corrupt practices and are not prosecuted

Fear of retribution if corrupt practices are revealed – particularly being excluded from supplementary benefits

Routine civil service activities “projectized” wherever possible, confusing management & chances for corruption

“Gatekeeper” functions of civil servant positions used to extort illegal levies
Problem Tree for the Justice Sector
(see P. 34 for Objectives Tree and P. 48 for Program Ideas)

Effect
- Public do not expect justice and are cynical about those professing it
- The law enforcement process is accessible to the rich not the poor
- Many innocent people have to pay bribes or suffer injustice
- Lack of understanding by the public of the impact of corruption on the state
- State losses through corruption are not recovered or recovered illegally
- Public perception of the seriousness of the problem of corruption is eroded

SYSTEMATIC AND WHOLESALE USE OF CORRUPT PRACTICES IN INDONESIA

Core Problem
- Law enforcement agencies (Courts, Police/AGO) are systemically corrupt themselves and rarely prosecute and punish corruption cases
- Internal Corruption Possibilities
  - Few and ineffective reform initiatives from within the justice system
- External Corruption Possibilities
  - Difficult because justice sector completely corrupt

Cause
- Corruption institutionalized in the judiciary
  - Few corruption cases upheld
  - Legal definitions of corruption unclear
- Corruption institutionalized in the Police Force
  - It is easy to take cases to a higher court to have fair decisions overturned
  - Police bring few anti-corruption cases to court
  - Police do not have sufficient anti-corruption staff or budget
  - Police have few accountants
- Corruption institutionalized in the AGO.
  - Police positions are bought/sold and investments recovered through extortion
  - Police and AGO have unclear jurisdiction between them, do not trust each other and do not coordinate their work
  - Off-budget income partly received from extortion and other illegal means
  - Politics determines prosecution of big corruption cases
  - No local oversight of the police
  - State officials prosecution for corruption has to be approved by political leaders
Problem Tree of Private Business
(see P. 35 for Objectives Tree and P. 49 for Program Ideas)

Effects

- Investing in Indonesian firms seen as a risky business
- Investors do not know the status of their investments
- Difficult to privatize SOEs because they cannot give credible statements of accounts
- The public sees the business sector as corrupt and as supporters of corrupt government

Core Problem

- Corporate Bodies
  - Regulation of corporate bodies has always been weak, and some corporates (banks, SOEs, Cooperatives) have been corrupt

Cause

- Banks are accustomed to political direction and interference
- Cooperatives have received considerable GOI and political interference
- IBRA has allowed many corporate bodies to escape accountability and punishment
- Financial status of most SOEs is unclear
- Many SOEs do not separate their commercial/non-commercial operations
- Many SOEs used as cash cows for GOI ministries' off-budget financing
- The application of commercial laws susceptible to bribery
- Workers, partners, customers, creditors at the mercy of poor or crooked management
- Many firms and SOEs are sources of political party financing
- Many firms depend on patronage relationships with government for protection, expedition of licenses & approval of questionable business
Problem Tree for Parliament
(see P. 36 for Objectives Tree and P. 50 for Program Ideas)

Effects

Parliament provides little accountability for itself to the public
Corrupt persons are put in public office

Indonesia does not necessarily get effective and efficient legislation since it may reflect bribe acceptance

Systematic and wholesale use of corrupt practices in Indonesia

Parliament
National and local parliamentary have become accustomed to receiving payments for doing their job, especially payments for approving elected officials (money politics)

Internal Reform Possibilities
Public displeasure not yet translated into reform pressure
External Reform Possibilities
No outsiders serious about addressing corruption in Parliament

Core Problem

Legislators core tasks of passing legislation now subject to bribery
Legislators appoint corrupt officials for public office
Discussion on issues by MPs becomes signal for readiness to be bribed
Candidates for office offer bribes to get elected
GOI departments bribe legislators to pass bills
Representatives represent parties (more specifically party leaders) not constituencies

Legislators vote for benefits for themselves beyond what is considered acceptable by the public
Accountability reports by the Executive may be accompanied by bribes
There is no formal opposition in Parliaments, leaving all supervisory decisions open to bribery

No accepted and binding Code of Ethics for legislators
No oversight committees for conflict of interest issues
Government disclosure to Parliaments is limited, especially in regions

Cause

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Indonesia does not necessarily get effective and efficient legislation since it may reflect bribe acceptance
Corrupt persons are put in public office

Public lose faith in the institution of Parliament
Parliament attracts self-interested people not publicly interested people

No oversight committees for conflict of interest issues
Government disclosure to Parliaments is limited, especially in regions
Problem Tree for Political Parties
(see P. 37 for Objectives Tree and P. 51 for Program Ideas)

Effects

- Politicians seen by the public as linked to corruption
- Political parties seen by the public as corrupt institutions who distribute rewards to their followers and officers
- The public cannot link political parties to implementation of particular policies

Core Problem

- **SYSTEMATIC AND WHOLESALE USE OF CORRUPT PRACTICES IN INDONESIA**

Cause

- **Political Parties**
  - Political parties involve extortion from official and unofficial state budgets, together with “investments” from individuals or businesses who expect preferential treatment
- **Internal Reform Possibilities**
  - Political parties not seeking reform of their governance structures
  - **External Reform Possibilities**
    - Donors have few suggestions for legal funding of political parties

- **Parties linked to the government corruptly use state budgets for political purposes**
- **Political parties do not issue Manifestos and do not seek election on the basis of policies, but of personalities**
- **Businesses pay for costs of political parties and expect return on their “investments”**
- **Candidates for political office pay for their candidature and expect returns on their investment**
- **Political parties election campaigns not audited, or, if audited, audits not published**
- **Corrupt practices may be used to resolve intra-party disputes**
- **Laws on disclosure of contributions to political parties and party campaigns not observed**
- **Parties linked to the government use public off-budget income for political purposes**
- **Parties are often not unified on policy or candidates resulting in corrupt “horse-trading”**
Problem Tree for Local Government
(see P. 38 for Objectives Tree and P. 52 for Program Ideas)

Effects

Objectives of local government becoming a force for reform and equity are lost

Local people do not have oversight over APBD

Local government becomes politicized as political parties grab the available income

Regional DPRDs become a haven of corruption and lose the trust of the people

Local government does not pay attention to poor peoples needs

Local Government becomes the fiefdom of a few powerful people

The wealth of a region is stolen from the legitimate government

Taxes required for a local governments development are evaded or captured by vested interests

SYSMATIC AND WHOLESALE USE OF CORRUPT PRACTICES IN INDONESIA

Core Problems

Local Government
Although decision making is closer to the people, decentralization has both continued corrupt practices of central government and introduced new opportunities for corruption

Internal Reform Possibilities
Existing regs. not clear enough, and do not deal with money politics
External Reform Possibilities
Many external agencies sympathetic to decentralization and local autonomy

Causes

Local Government administration continues the pattern of corruption from national government

New regions are for sale

Positions are for sale

Policies and legislation are for sale

Taxes and levies may be stolen and not reach local govt.

Distorting taxes and levies introduced which give opportunities for corruption

Expansion of money politics whereby candidates for Gub. or Bupati pay bribes to get elected and pay bribes to DPRD to continue in office

The creation of the APBD results from collusion between DPRD and Pemda

DPRDs unable to make regional heads accountable for policy and practice except at vote of confidence

Regulations on accountability limit disclosure and power of DPRDs to act against poor government performance
Problem Tree of Civil Society
(see P. 39 for Objectives Tree and P. 53 for Program Ideas)

Effects
- Not all corrupt sectors of society have a “watch” CSO monitoring them
- Non-profit and social benefit CSOs find their credibility eroded
- Standards of civil society organizations behaviour compromised by corrupt opportunists
- Increasing foreign donor cynicism about NGOs
- Indonesian public not prepared to fund Indonesian development NGOs, preferring religious organisations

Core Problem
- Civil Society
  CSOs are very mixed including both those corrupt and those fighting corruption. The CSO sector does not have clear boundaries and a code of ethics

- Internal Reform Possibilities
  Strong anti-KKN CSOs but lack constituencies and mandates
- External Reform Possibilities
  Plenty of CSO funding, but with no overall strategy

Causes
- Not all CSOs have a public platform against corruption
- Government funding for CSOs grabbed by spurious GONGOs or govt. officials
- The Foundation modality used by a variety of organizations to amass income
- CSOs prepared to compromise standards of accountability in face of donor funding regulations
- Anri-corruption CSOs do not address all sectors where governance is corrupt.
- Public interest and governance reform CSOs do not have agreed codes of ethics

- Anti-corruption not a high priority for many CSOs
- Government funding for CSOs, particularly cooperatives, mixed with political patronage
- Many government departments use the foundation structure for off-budget income and expenditure
- Many traditional CSOs have yet to see their potential role in fighting corruption
- Lack of professional standards and codes of ethics to separate civil CSOs from uncivil CSOs

- CSOs which are fighting corruption do not all have a good understanding of the topic
- CSOs do not trust GOI institutions set up to fight corruption
- Unclear understanding of civil society often limiting it to NGOs: potential roles of professional associations, unions, religious and adat associations, and mass organizations on corruption reform not clarified
- Growth of “un-civil” CSOs created and funded by political parties as well as “rent a mob” for any political purpose
Problem Tree of Public Audit Institutions
(see P. 40 for Objectives Tree and P. 54 for Program Ideas)

Effect

The public loses confidence in the GOI’s ability to police itself re corruption

Not enough cases of corrupt practice receive investigative audits

Many civil servants feel that they are immune from prosecution on corruption matters

In cases where audit institutions make recommendations based on findings about corruption, this does not lead to prosecution

In many cases auditing bodies have a conflict of interest with their supervisory bodies or clients

Core Problem

Public Audit Institutions
They are under-funded, lack sufficient trained staff for investigative audits of corrupt practices, particularly in the regions

Internal Reform Possibilities
Pressure for international standard of audit performance mostly comes from foreign donors

External Reform Possibilities
Foreign donors want changes in BPK and BPKP

Causes

BPK is unable to carry out the functions of a Supreme Audit Authority

BPK is under-funded for the operational costs of the audits it undertakes

BPK requires funding from the institutions that it audits

BPK has insufficient trained investigative auditors

BPK does not have the power to enforce its recommendations – it only reports them to the DPR who can do little to follow up on them

BPK does not have the capacity to audit all government activities

BPK mainy performs compliance audits, not performance audits

BPKP is unable to ensure compliance with the recommendations it makes based on its findings

BPKP is under-funded for all the work that it has to do and requires payments from institutions it audits

BPKP reports its findings to GOI and regularly complains that recommendations are not complied with

The internal auditor per ministry (Inspector General) only carry out compliance audits

Most regional auditors, Badan Pengawasan Daerah, are not yet functioning effectively, and do not carry out performance audits

The public loses confidence in the GOI’s ability to police itself re corruption

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BPKP is an internal audit organization for the GOI, and has implicit conflict of interests

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Part 2: The Objective Trees for the Common Denominators:

- Human Resource Management
- Public Expenditure Management
- Management of the Regulatory Environment
- Attitudes and Behaviour
The Objectives Tree of Human Resource Management
(see P. 14 for Problem Tree and P. 42 for Program Ideas)

Results

Civil servants spending their time trying to serve the public and implement development.

Civil servants contributing to devpt.

Civil servants employed productively and employed

Rational distribution of civil servants in accordance with regional needs

Civil servants with clear financial and legal rights that are not at the discretion of their bosses

Corrupt practices are rare in Indonesian governance

Main Objective

Human Resource Management
A civil service geared to its needed functions and remunerated and staffed in accordance with professional human resource management principles

Internal Reform Possibilities
MENPAN, BKN, LAN interested in implementing reforms measures
External Reform Possibilities
Many foreign donors eager to help in civil service reform

Reasons

Job assignments made on the basis of fit between needs and skills

Procedures for recruitment, employment, promotion, evaluation handled professionally and without nepotism

Staffing requirements for decentralization considered and reformulated

The formal system of ranks and grades, underpins a rational allocation of human resources

Formal training relevance to the tasks required to improve productivity

Contracted personnel (honor) integrated into the formal civil service system

Performance clearly linked to either routine or development work, and wages paid in accordance with this

Re-training for the new tasks and roles of the civil service in reformasi and decentralization is provided

The composition of pay transparent and clear, and removed from any person’s discretion

Ethical training is provided and codes of ethics are enforced in the civil service

Civil servants obey their oath of office

Civil service positions do not involve financial investment which needs to be recouped

All human resource management functions are professionally managed without bribes

Entry into civil service is competitive
The Objective Tree for Public Expenditure Management
(see P. 15 for Problem Tree and P. 43 for Program Ideas)

Results

The management of staff benefits in GOI ministries is professional and rule based

Public institutions accept that the nation must have one budget

Parliament is informed of the resources of the State and able to be responsible for the nation’s finances

Main Objective

Corrupt practices are rare in Indonesian governance

Public Expenditure Management

GOI budgets and expenditures are adequately supervised and limit opportunities for corrupt behaviour.

Causes

Parliament makes sure that all sources of funds come into the official budget

There is no off-budget income to public institutions

All public institutions’ income is legal, is channeled through the Ministry of Finance, and is approved by Parliament

There are few opportunities for corrupt practices

All public sector budgets are channeled through the Ministry of Finance

Internal Reform Possibilities

Few and ineffective efforts at reform by BKN and MENPAS

External Reform Possibilities

Assistance from WB and ADB offered

Procurement for and management of public projects is handled with integrity

Bidders compete in regulated ways without collusion

Program activities have the minimum necessary management and supervisory staff

Budget lines reflect the real costs of programs

The public have agreed access to comment on draft budgets

Strong systems for financial control and financial management are in place

SOEs income is used either for its own enterprise or are contributed to the state budget

 Buyers are interested in acquiring profitable privatize SOEs

SOEs stop operating as cash cows for others and succeed as profit making businesses

The State gets good value and good productivity for its money

Tax revenue is increased in order to make up for the short fall when unofficial budgets are closed off

Parliament approves one budget which BPK audits. There is no other source of funds

There is a “Public Accounts Committee” in Parliament which oversees the government’s budgeting and accounting

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The Objective Tree for the Management of the Regulatory Environment

(see P. 16 for Problem Tree and P. 44 for Program Ideas)

(NB: LPR = Laws, Policies. Regulations)

Results

- New LPR may ignore public concerns
- New LPR do not have public buy-in
- Safeguards and oversight bodies exist to make sure that LPR are not captured by corrupt people
- LPR are set up so that opportunities for corruption are minimized
- The public accepts the costs levied
- Business costs are predictable and limited

Core Problems

Policy Making and Regulatory Environment
- LPR are well designed, managed and supervised and state capture eliminated

Causes

- Position papers for discussion are produced before enactment of new LPR
- The public or interest groups are legally allowed to participate in discussion of for new LPR
- Important matters are determined by law, not govt. regulation and decree
- LPR are re-worked to make sure that they are realistic and possible to enforce
- Existing LPR are reworked to make sure that overlapping, contradiction and discretion is minimized
- Processes exist for analyzing impact of new LPR by the DPR or the DPRDs
- There are few gaps in LPRs
- All needed LPRs have been prepared
- GOI accepts that the budget of a ministry must be sufficient for them to operate without extras
- GOI provides sufficient budget for the tasks demanded
- GOI has a process for considering the fiscal, budgetary and legal implications for new LPRs.
- Gatekeepers require payments which are authorized by the LPR
- The public knows the costs associated with LPR

Likelihood that corrupt behaviour will be built in to new institutions

Safeguards and oversight bodies exist to make sure that LPR are not captured by corrupt people

LPR examined closely to see if they are designed intentionally to allow corruption opportunities and this is blocked

The public, including business, are clear about the costs associated with LPR

Existing captured LRP are re-worked or rescinded in order to reduce opportunities for corruption

GOI has a process for considering the fiscal, budgetary and legal implications for new LPRs.
The Objective Tree for Attitudes and Behaviour
(see P. 17 for Problem Tree and P. 45 for Program Ideas)

**Results**
- Growing belief amongst Indonesians that things are improving in the battle against corruption
- Middle class anger at continuing petty corruption in service provision used to reform practices
- Religious leaders taking the lead in exposing the ethical crisis in Indonesia
- Whistle blowers or those who stand out against corruption are protected
- Media systematically educate the public about damaging effect of corruption
- Freedom of information is implemented
- "Big fish" are prosecuted

**Attitudes and Behaviour**
People are aware of the damaging effects of corruption on Indonesia’s future and are prepared to change their behaviour as a result

**Causes**
- Clear information to the public about how to report corruption
- Greater public discussion of the ways that LPR establish & underpin corruption
- Public pressure and shame is targeted at corrupt people
- Corruption is clearly defined and widely publicized
- More people and organisations of integrity exist and are publicized
- Internal Reform Possibilities
  - Strong public pressure translates into political acceptance that GOI must be serious about prosecuting corruptors
  - External Reform Possibilities
  - Foreign donors prepared to work in this area

- A new constituency based electoral system allows constituents to complain
- Much greater transparency of GOI information to the public
- Clear demonstration that the tradition of immunity & protection for public officials is over
- Corruption considered in the same way as stealing
- Society’s ethical leaders campaign against corruption

- Public media both expose corruption cases and campaign for prosecution
- Political leadership in era reformasi clarifies that corruption cannot be any longer condoned
- Whistle-blowers are protected by law
- Societies leaders use clear and unequivocal language about corruption
- Islamic teachers religious give strong guidance on corruption

- People trust institutions that are created to receive reports on corruption
- Civil servants reward structure is based on productivity
- Ethics (specifically anti – corruption) is taught and practiced in schools
- Parents teach their children the wrong of corruption
- Most civil society organizations have a strong anti KKN platform and policy

- Few codes of ethics in organisations

Increasing perception by the people that reform is starting to work.
Corrupt people are shamed by the citizens

**Corrupt practices are rare in Indonesian governance**
Part 2B: The Objectives Trees for the Governance Sectors:

- The Civil Service
- The Justice Sector
- Private Business
- Parliament
- Political Parties
- Local Government
- Civil Society
- Public Audit Institutions
Objectives Tree for Civil Service
(see P. 19 for Problem Tree and P. 47 for Program Ideas)

Results

Main Objective

Civil Service
Salary structure, administration, and management practices systematically encourage integrity

Internal Reform possibilities
GOI seriously and enthusiastically seeks to reform the civil service

External Reform Possibilities
GOI accepts and collaborates with WB, ADB and GTZ

Reasons

Clear information about entitlements given and observed

Incentives given for integrity, performance and productivity

Objective, professional, meritocratic staff practices employed

Awareness that corrupt people are caught, prosecuted, and punished

Adequate basic salaries

No extortion allowed

Clear objective regulations re benefits enforced

Clear and observed division between regular and development budget

Fees paid in line with published tariffs

Managers use professional management practices

Protection for whistleblowers

Awareness of civil servants that corrupt bosses are caught and prosecuted

Rewards go to those who deserve them

Widespread belief that rights and the law will be upheld

Corrupt practices are rare in Indonesian governance

The best people are rewarded

Those revealing corrupt practices are rewarded

Civil servants prioritize productivity and impact over income, and productivity is linked to income

Good service delivery and great development impact

Legal fees posted and observed

Poor people’s rights to government services observed

Routine civil service activities carried out through existing staff structures

Managers use professional management practices

Protection for whistleblowers

Awareness of civil servants that corrupt bosses are caught and prosecuted

Adequate basic salaries

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Clear objective regulations re benefits enforced

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Protection for whistleblowers

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Routine civil service activities carried out through existing staff structures
Objectives Tree for the Justice Sector
(see P. 20 for Problem Tree and P. 48 for Program Ideas)

Results

The Public expect justice and monitor those professing it
Public trust in law enforcement agencies is strengthened
Guilty people are prosecuted and punished in accordance with the law

The law enforcement process is equally accessible to the rich and the poor
Innocent people do not have to pay bribes
The State recovers losses from corruption

The public understands the impact of corruption on the state
The Public perceive the seriousness of the problem of corruption

Corrupt practices are rare in Indonesian governance

Main Objective

The Justice Sector
Courts, Police, AGO are free of corruption and are prepared to prosecute corruption cases, even "big fish"

Internal Reform Possibilities
Reform initiatives from within the justice system
Pressure and help offered by many aid agencies

Reasons

The Judiciary is free of corruption and prosecutes corrupt practices within the judiciary and private lawyers
The Police Force is free of corruption and prosecutes corrupt practices
The AGO is free of corruption and prosecutes corrupt practices

Many corruption cases are prosecuted
Corrupt practices are generally punished by the courts
Police bring many corruption cases to court

Corruption is defined clearly legally
Prosecution cannot be avoided through bribery
Police have sufficient anti-corruption staff and budget

An oversight structure exists for miscarriages of justice
Judgements are based on the law
Police have enough accountants and skills to trace white-collar crime

Judgements are recorded and published
Higher courts do not routinely overturn judgements of lower courts
Police positions are acquired through competitive examinations

Judges are paid competitive wages
Police budgets are only through those agreed by the DPR
An oversight structure for the Police exists

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Police have enough accountants and skills to trace white-collar crime

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Police and AGO have clear jurisdiction between them, trust each other and co-ordinate their work

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Objectives Tree of Private Business
(see P. 21 for Problem Tree and P. 49 for Program Ideas)

Results

- Investing in Indonesian firms seen as a risky business
- Stakeholders receive clear and timely financial statements from a firm
- Open and transparent audits of SOEs published
- Businesses pay their due taxes
- The public understands the value of a strong business sector operating without government interference
- The public considers the business sector pays their taxes fairly
- Stolen assets are returned to the nation and guilty people punished
- Commercial law is strictly applied
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- The public considers the business sector pays their taxes fairly
- Stolen assets are returned to the nation and guilty people punished
- Commercial law is strictly applied
- Clear separation of commercial/non-commercial operations in statement of accounts
- SOEs accounts audited and published
- Workers, partners, customers, creditors have some recognized oversight rights
- All funding of political parties publicly announced
- Firms do not depend on govt patronage

Main Objectives

Corporate Bodies
- Strong regulation of private business enforced and monitored and activities required within these regulations are implemented

Internal Reform Possibilities
- Legal ordinances introduced to underpin reform
- External Reform Possibilities
- Collaborate with FCGI, WB, ADB programs

Reasons

- Banks are protected from GOI and political direction and interference
- Banks operate in line with banking regulations
- Cooperatives are protected from GOI and political interference
- Cooperatives become organizations of integrity
- All businesses owned by IBRA and former owners of assets under IBRA are held to account for their past crimes
- Requirements for information disclosure by firms are clearly spelt out, observed and monitored
- Commercial laws are applied strictly and legally
- Workers, partners, customers, creditors have some recognized oversight rights
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Main Objective

Corrupt practices are rare in Indonesian governance

Parliament
National and local parliament representatives do not take payments for doing their job, especially payments for approving elected officials (money politics)

Internal Reform Possibilities
The pressure of public displeasure results in reform

External Reform Possibilities
Outside agencies engage with the problem of corruption in Parliament

Reasons

Legislators core task of passing legislation is carried out without bribery

Candidates for office are elected without bribes

Legislators pass bills because of their value to the nation

There is a formal opposition which challenges govt decisions

MPs do not offer themselves to be bribed

Legislators vote benefits for themselves acceptable to the public and in line with their productivity

Accountability reports by the Executive are bribe free

Representatives represent constituencies, not parties only

There is an accepted and binding Code of Ethics for legislators

There are oversight committees for conflict of interest issues

There is open govt. disclosure to Parliament

Results

Public continue to have faith in the institution of Parliament

Parliament attracts people who want to work for the public benefit

Parliament passes useful and effective legislation based on the country’s needs and which is not demonstrably based on bribes

There are structures for Parliament to account for itself to the public

Honest and committed people are put into gov’t. office

There are oversight committees for conflict of interest issues

There is open govt. disclosure to Parliament

Corrupt practices are rare in Indonesian governance

Parliament
National and local parliament representatives do not take payments for doing their job, especially payments for approving elected officials (money politics)
Objectives Tree for Political Parties
(see P. 23 for Problem Tree and P. 51 for Program Ideas)

Main Objective
Corrupt practices are rare in Indonesian governance

Reasons
- Political Parties
  Individuals and businesses give willingly to political parties at their own decision and under clear rules of disclosure. Political parties do not extort funds.
- Internal reform possibilities
  Political parties seek reform of their governance structures
  External Reform Possibilities
  Donors support electoral reform

Results
- The public knows they can hold MPs accountable for a party’s corrupt practices
- The public clearly knows what policies are linked to what parties and can hold them to that
- Politicians seen by the public as development workers
- Political parties seen by the public as committed political organizations linked to development and welfare aims for Indonesia as a whole
- The constituency elects individuals to represent them who can hold accountable in case of corrupt practices and incompetence
- Interparty disputes are resolved without bribes
- Clear and observed rules on use of GOI funds for political party purposes
- Party financing is transparent and disclosed
- All political parties announce their policies before elections and can be held to them by the electorate
- Strict rules on political contributions from business
- No buying of political office occurs
- Political parties election campaigns audited and these audits published
- Clear observance of laws on disclosure of contributions to political parties and party campaigns
Objectives Tree for Local Government
(see P. 24 for Problem Tree and P. 52 for Program Ideas)

Results

Decentralization and Local government become a force for reform and equity

Available income is not seized by political parties for their own income

Regional DPRDs are places of integrity and have the trust of the people

Local government considers the needs of poor people

Local Government reflects competitive democratic practices

Regions do not become polarized into very rich and very poor

The wealth of a region is used to build a sustainable standard of living of the citizenry of the region

Taxes are agreed which are equitable and fair and which benefit the majority of the citizens

Main Objective

Corrupt practices are rare in Indonesian governance

Local Government
Decentralization allows the electorate more participation in framing policies & practices so reducing inherited central govt. corruption & stopping new corruption

Internal Reform Possibilities
Money politics clearly identified as a problem and laws passed to limit it

External Reform Possibilities
Many external agencies assist local government reform

Causes

Available income is not seized by political parties for their own income

Local Government administrations break with the pattern of corruption inherited from national govt. and past practice

New provinces are not for sale

Positions are not for sale

Policies and laws are not for sale

New taxes and levies are assessed by the DPRD as to their likelihood of creating corruption

Governors and Bupatis are freely elected to their office without money politics

The creation of the APBD involves citizen oversight and avoids corruption opportunities being planned

There is no collusion between Pemda and DPRD in creating the APBD

DPRDs able to hold regional heads accountable for policy and practice regularly

Citizen bodies "watch" DPRDs and Pemda

The wealth of a region is used to build a sustainable standard of living of the citizenry of the region

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Citizen bodies "watch" DPRDs and Pemda
Objectives Tree of Civil Society
(see P. 25 for Problem Tree and P. 53 for Program Ideas)

Results

- Anti-corruption CSOs receive GOI and citizens' funds and contributions to fight corruption
- Foreign donors support anti-corruption CSOs wholeheartedly
- Indonesian public prepared to fund anti-corruption CSOs.
- CSOs are watching most aspects of governance
- Non-profit and social benefit CSOs have public credibility
- Public benefit CSOs are able to police their members
- Anti-corruption CSOs have public credibility

Main Objective

- Corrupt practices are rare in Indonesian governance

Reasons

- Civil Society
  - Clear codes of ethics and clear registration of CSOs separates public benefit CSOs from others. Anti-Corruption NGOs active in competently "watching" all aspects of governance
  - Internal Reform Possibilities
    - Strong anti-KKN CSOs with constituencies, mandates and professionalism

- External Reform Possibilities
  - A clear strategy for CSO funding.
  - Foreign funded CSOs and donors agree on acceptable standards of financial accounting
  - All CSOs agree to transparent disclosure of their accounts
  - Fewer CSOs created for "uncivil" purposes

- Most CSOs take a position on fighting corruption
- CSOs work in partnership with GOI to fight corruption
- Public benefit CSOs have a clear legal persona
- Foreign funded CSOs and donors agree on acceptable standards of financial accounting
- There are CSOs "watching" all areas of poor governance
- Clear Codes of Ethics accepted and agreed by public benefit CSOs

- Anti-corruption CSOs have a clear idea of their strategy and programs
- Clear separation of govt funding for public benefit CSOs and political patronage
- All CSOs agree to transparent disclosure of their accounts
- Fewer CSOs created for "uncivil" purposes

- A large variety of CSOs take a role in fighting corruption
- Non-profit and social benefit CSOs have public credibility
- Public benefit CSOs are able to police their members
- Anti-corruption CSOs have public credibility
Objective Tree of Public Audit Institutions

(see P. 26 for Problem Tree and P. 54 for Program Ideas)

Results

Main Objective

Public Audit Institutions
They have sufficient funds, sufficient trained people for all kinds of audits, including investigative audits, and are active in the regions. Their findings lead to prosecution

Internal Reform Possibilities
Pressure for improved audit performance comes from GOI

External Reform Possibilities
WB, ADB and Ausaid all plan reform assistance

Reasons

BPK is able to carry out the functions of a Supreme Audit Authority

BPK knows that’s its findings will be treated seriously and complied with

Inspectorates General sanction those they find to be corrupt

Badan Pengawasan Daerah audit local government offices effectively

The public believes that the GOI polices itself

Where audit institutions make recommendations based on findings about corruption, this leads to prosecution

Civil servants have no immunity from prosecution on corruption matters

There is no conflict of interest between auditors and their clients, and clients are not charged for audit services

All cases where corruption is suspected get investigative audits

The DPR receives, debates, and takes action on BPK’s regular reports about the corruption revealed in its audits of GOI offices

The GOI responds to BPKP findings

Inspectorates General seriously investigate corruption cases in their ministries

BPK has sufficient funds for its audit work

BPKP has sufficient resources to undertake its planned internal audits of GOI offices

BPK can only work as an internal auditor

BPK has sufficient trained investigative auditors

BPK can undertake performance audits when needed

BPKP only works as an internal auditor

BPK can audit all needed government activities

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Part 3: Program Ideas, Strategies and Assumptions

- Human Resource Management
- Public Expenditure Management
- Management of the Regulatory Environment
- Attitudes and Behaviour
Program Ideas

Human Resource Management Reform
(see P. 14 for Problem Tree and P. 28 for Objective Tree)

**Strategy:** to improve the professionalism of the civil service by applying human resource management (HRM) principles and practices

### Objectives/Results/Assumptions

<table>
<thead>
<tr>
<th>Objective</th>
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</tr>
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<tbody>
<tr>
<td><strong>Goal</strong></td>
<td>Corrupt practices are rare in Indonesian governance</td>
<td>Civil servants are paid comparable wages to the private sector</td>
</tr>
<tr>
<td><strong>Purpose</strong></td>
<td>To produce a civil service tailored to its needed functions and remunerated and staffed in accordance with HRM principles</td>
<td>Indonesia can handle the political implications of downsizing the civil service considerably</td>
</tr>
<tr>
<td><strong>Outputs/Program</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Regional governments ascertain what and how many civil servants they need and enforce this quota</td>
<td>Regions have a civil service they can afford and which is tailored to their requirements</td>
<td>There is not a prohibitive political backlash</td>
</tr>
<tr>
<td>2. Revize the echelon system so that structure and position follow function and need</td>
<td>Civil servants work within a system geared to efficiency and productivity</td>
<td>There is not a prohibitive political backlash</td>
</tr>
<tr>
<td>3. Civil servant training is re-worked to emphasise relevance to tasks that need to be done</td>
<td>All civil servants have the training that they need for the job that they have to do</td>
<td>Sufficient trainers for such new thinking exist</td>
</tr>
<tr>
<td>4. Civil service induction specifically addresses corruption and a code of ethics</td>
<td>Civil servants are clear what are the boundaries of accepted behaviour</td>
<td>Policing of infractions to the code of ethics is strongly implemented</td>
</tr>
<tr>
<td>5. Entry exams into the civil service are supervised to eradicate bribes</td>
<td>Civil servants know that they and their peers have got their positions competitively</td>
<td>Supervisory mechanisms are put in place</td>
</tr>
<tr>
<td>6. Buying/selling of civil service positions is terminated</td>
<td>Civil servants are not beholden to patrons nor forced to undertake corrupt practices to recoup their investment</td>
<td>There is not a prohibitory political backlash</td>
</tr>
</tbody>
</table>
Program Ideas
Public Expenditure Management Reform
(see P. 15 for Problem Tree and P. 29 for Objective Tree)

Strategy: to establish stronger public expenditure LPR and to make sure they are supervised (including public oversight)

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<tr>
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<td>Those who design, implement, and supervise LPR for public expenditure management are not themselves corrupt</td>
</tr>
<tr>
<td><strong>Purpose</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To make sure that GOI budgets and expenditures are adequately supervised, publicly accessible, and limit opportunities for corrupt behaviour</td>
<td></td>
<td>DPR and GOI will agree to effectively cancel off-budget finance and open up the budgeting process to the public</td>
</tr>
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<tr>
<td>1. Research and publicize the size and extent of the unofficial budget</td>
<td>The country knows the extent of the unofficial budget and the shortfall that has to be made up</td>
<td>GOI departments will reveal their secrets</td>
</tr>
<tr>
<td>2. GOI produces and DPR examines one unified budget</td>
<td>One budget agreed by DPR/DPRDs</td>
<td>DPR and GOI are convinced that this is in Indonesia’s best interests</td>
</tr>
<tr>
<td>3. Set up a Public Accounts Committee in the DPR/DPRDs</td>
<td>Public accounts committees oversee GOI budgeting and accounting in the DPR and DPRDs</td>
<td>DPR/DPRDs see this is in their own best interests The skills are available to staff it</td>
</tr>
<tr>
<td>4. Establish better procurement rules and regulations and a monitoring body to supervise their application</td>
<td>Tenders are offered, bids received, and contractors chosen with integrity and honesty</td>
<td>Vested interests do not derail the process</td>
</tr>
<tr>
<td>5. The civil service manages projects efficiently with minimum required supervisory staff and honest estimates</td>
<td>Programs achieve their objectives efficiently and cost effectively</td>
<td>Those presently benefiting from “projectization” (i.e. pimpros) do not derail the process</td>
</tr>
<tr>
<td>6. SOE managers make their enterprises profitable</td>
<td>SOEs provide income to the state either by profits or by sale to investors</td>
<td>Those using SOEs as cash cows do not derail the process</td>
</tr>
</tbody>
</table>
## Program Ideas

Reform in the Management of the Regulatory Environment

*(see P. 16 for Problem Tree and P. 30 for Objective Tree)*

**Strategy:** to improve the design, management, and supervision of the laws, policies and regulations through greater management skills and public participation

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<td>Reforms can be agreed, passed and implemented</td>
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<tr>
<td><strong>Purpose</strong></td>
<td>To improve the design, management and supervision of the process of making laws, policies, and regulations</td>
<td>GOI sees the value to Indonesia of such improvements and can overcome the venality and greed of corrupt individuals</td>
</tr>
<tr>
<td><strong>Outputs/Program</strong></td>
<td>1. Publicize the costs of the existing and agreed taxes and levies</td>
<td>The public only pay what they are legally obliged to pay</td>
</tr>
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<td>2. Set up a system to examine the budgetary and legal implications of new LPR before drafting and passing them into law</td>
<td>Only feasible LPRs will be agreed</td>
</tr>
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<td>3. Set up a system to examine the corruption possibilities of new LPRs before drafting/passing them</td>
<td>Opportunities for corruption in new LPR are minimized</td>
</tr>
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<td>4. Set up a system for the public to be involved in discussion of new LPRs (TCP3)</td>
<td>New LPRs will address public concerns</td>
</tr>
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<td>5. Set up a system to research and expose the corruption practices of existing LPRs</td>
<td>The extent of state capture will be well known</td>
</tr>
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<td>6. Rework existing LPRs that are venal and against the public good</td>
<td>Counter productive LPRs abolished or re-worked</td>
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</table>

"Gatekeepers" are supervised to ensure that they indeed charge these costs

Systems to so examine will include a wide range of stakeholders

Vested interests do not derail the process

Systems to so examine will include a wide range of stakeholders

Relevant stakeholders from the public can be identified

Researchers can be found

Vested interests will not de-rail such a process
Program Ideas
Attitudes and Behaviour Reform
(see P. 17 for Problem Tree and P. 31 for Objective Tree)

**Strategy:** to change Indonesian peoples attitudes and behaviour in respect of corruption so that they value and practice integrity, accountability, and transparency

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<td>To persuade Indonesian citizens to change their attitudes and behaviour is respect of corrupt practices</td>
<td>Indonesians rarely act corruptly</td>
<td>Enough Indonesians are seriously worried about the destructive effects of corruption</td>
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<td>1. Corruption cases are publicized by the media who also campaign for their prosecution</td>
<td>The public is well aware of the extent and depth of corruption</td>
<td>Media people are not physically attacked for doing this</td>
</tr>
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<td>2. The media systematically educate the public about the destructive effect of corruption, and what they can do about it.</td>
<td>The public is aware of the destructive effects of corruption and what they can do about it.</td>
<td>Media people are not attacked</td>
</tr>
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<td>3. Strong political leadership energizes an anti-corruption spirit</td>
<td>A national focus on fighting corruption is created</td>
<td>Political leaders consider this is in their own interests</td>
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<td>4. GOI prosecutes big fish</td>
<td>People believe no-one is immune</td>
<td>Vested interests do not de-rail this process.Judges and prosecutors can be found who will work with integrity and according to the law</td>
</tr>
<tr>
<td>5. Pass whistle blower protection laws</td>
<td>The public will reveal corrupt practices</td>
<td>Culture of secrecy in GOI will allow this to happen</td>
</tr>
<tr>
<td>6. National religious leaders promote the fight against corruption</td>
<td>Indonesians feel a religion sanctioned reason to fight corruption</td>
<td>National religious leaders command sufficient respect</td>
</tr>
<tr>
<td>7. More people refuse to pay illegal levies and publicize their stance</td>
<td>The public feel they can join a popular movement against corruption</td>
<td>Such people are not attacked</td>
</tr>
<tr>
<td>8. Both formal and informal educational materials about corruption are produced and used</td>
<td>The public has reference material to refer back to.</td>
<td>Writers can be found to produce such works</td>
</tr>
<tr>
<td>9. Clear manuals illustrating good governance and bad governance produced for key sectors</td>
<td>Clarity and reference materials exist</td>
<td>These will be used</td>
</tr>
</tbody>
</table>
Stage 3: Strategies, Program Ideas and Assumptions for the Governance Sectors

- The Civil Service
- The Justice Sector
- Private Business
- Parliament
- Political Parties
- Local Government
- Civil Society
- Public Audit Institutions
Program Ideas  
Civil Service Reform  
*(see P. 19 for Problem Tree and P. 33 for Objective Tree)*

**STRATEGY:** to work with reform minded people in the GOI, in selected ministries or departments who seriously and enthusiastically seek to reform the civil service

### Objectives/Results/Assumptions

<table>
<thead>
<tr>
<th>OBJECTIVES</th>
<th>RESULTS</th>
<th>ASSUMPTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goal</strong></td>
<td>Corrupt practices are rare in Indonesian governance</td>
<td>Islands of integrity can be developed</td>
</tr>
<tr>
<td><strong>Purpose</strong></td>
<td>To make sure that civil service salary structures, administration, and management practices in selected GOI ministries systematically encourage integrity</td>
<td>Selected reform minded agencies can be identified who want to carry out this program</td>
</tr>
<tr>
<td></td>
<td>Selected ministries or departments are operating with a low level of corruption</td>
<td>The selected ministry is not involved in illegal off-budget income and expenditure</td>
</tr>
<tr>
<td><strong>Outputs/Programs</strong></td>
<td>Civil servants salaries are at parity with the private sector</td>
<td>The national budget will allow for this</td>
</tr>
<tr>
<td></td>
<td>Civil servants entitlements are at parity with the private sector</td>
<td>The national budget will allow for this</td>
</tr>
<tr>
<td></td>
<td>The best people are recruited, employed, evaluated and promoted</td>
<td>Managers are aware of the nature of such practices</td>
</tr>
<tr>
<td></td>
<td>Widespread belief amongst employees that corrupt people will not be tolerated</td>
<td>The prosecution services perform their task with integrity</td>
</tr>
<tr>
<td></td>
<td>Those revealing corrupt practices are rewarded</td>
<td>The selected Ministry can offer such protection from malefactors</td>
</tr>
<tr>
<td></td>
<td>Legal fees are posted and observed</td>
<td>This can be monitored</td>
</tr>
<tr>
<td>1. Provide adequate basic salaries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Clear information about entitlements given to civil servants and such entitlements observed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Managers employ objectives, professional and meritocratic staff practices</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Corrupt people are caught, exposed, prosecuted and punished</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Whistle blowers are protected</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Fees collected are in line with legal and published tariffs</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Program Ideas
Judicial Sector Reform
*(see P. 20 for Problem Tree and P. 34 for Objective Tree)*

**STRATEGY:** to improve the legal understanding of corruption and the agencies resources of the justice sector such that they clean their own house and prosecute others

### Objectives/Results/Assumptions

<table>
<thead>
<tr>
<th>OBJECTIVES</th>
<th>RESULTS</th>
<th>ASSUMPTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goal</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corrupt practices are rare in Indonesian governance</td>
<td>The three parts of the justice sector have integrity and prosecute corruption cases fairly</td>
<td>Present incumbents of the three services can be persuaded to change</td>
</tr>
<tr>
<td><strong>Purpose</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To free the three agencies of the Justice sector from corrupt practices, and to get more corruption cases (including big fish) prosecuted in accordance with the law and punished</td>
<td>Prosecution and punishment of important corruption cases and increase of public confidence in the justice sector.</td>
<td>Present incumbents of the three services can be persuaded to change The MoF can replace the funds that are presently acquired through extortion</td>
</tr>
<tr>
<td><strong>Outputs/Programs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Clear legal definitions of corruption agreed and clear jurisdictions as to who prosecutes what</td>
<td>All understand the legal meaning of corruption and who isd responsible for prosecuting it.</td>
<td>The DPR is prepared to work on this</td>
</tr>
<tr>
<td>2. The AGO and the Judiciary prosecute and punish high profile corruption cases, including civil servants</td>
<td>Notoriously corrupt people seen to be punished People believe that the GOI is serious about punishing corruption</td>
<td>Political interference can be avoided</td>
</tr>
<tr>
<td>3. The Police are clear about their role in fighting corruption and have sufficient financial and human resources to carry it out</td>
<td>The police bring many corrupt actors to court.</td>
<td>The MoF has sufficient funds to replace the off-budget funds of the police from extortion The Police have competitive examinations without sales of jobs</td>
</tr>
<tr>
<td>4. Oversight structures exist for Judiciary, Police, and AGO governance to deal with improper practices</td>
<td>The public is clear to whom it can complain about corruption in the justice sector</td>
<td>The three agencies agree to this</td>
</tr>
<tr>
<td>5. The AGO are clear about their role in fighting corruption and have sufficient financial &amp; human resources to carry it out</td>
<td>The AGO bring many important corrupt cases to court</td>
<td>The MoF has sufficient funds to replace the off-budget funds of the AGO from extortion</td>
</tr>
<tr>
<td>6. Judges are paid a competitive salary and punished for corruption</td>
<td>Judges do not extort from plaintiffs</td>
<td>The MoF will provide the funding</td>
</tr>
<tr>
<td>7. Judgements from the courts are recorded and published, including minority decisions</td>
<td>Miscarriages of justice can be identified</td>
<td>The staff and resources exist to do this</td>
</tr>
</tbody>
</table>
**Program Ideas**

**Private Business Sector Reform**

*see P. 21 for Problem Tree and P. 35 for Objective Tree*

**STRATEGY:** to seek to introduce legal ordinances which will protect workers, partners, customers and creditors from crooked business owners/managers and protect business owners/managers from GOI and political party interference in their work

### Objectives/Results/Assumptions

<table>
<thead>
<tr>
<th>OBJECTIVES</th>
<th>INDICATORS OF SUCCESS</th>
<th>ASSUMPTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goal</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corrupt practices are rare in Indonesian governance</td>
<td></td>
<td>Laws can be passed and implemented</td>
</tr>
<tr>
<td><strong>Purpose</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To make sure that strong regulation of business is enforced and monitored and activities within these regulations are implemented</td>
<td>Businesses are allowed to pursue profits and customer satisfaction</td>
<td>Businesses really want a level playing field</td>
</tr>
<tr>
<td></td>
<td>Other stakeholders are protected from malfeasance</td>
<td>The Courts will fairly prosecute crooked companies</td>
</tr>
<tr>
<td><strong>Outputs/Programs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Banks, firms, cooperatives, SOEs are protected from GOI or political interference</td>
<td>Private Sector businesses are allowed to pursue profits</td>
<td>Banks, firms, cooperatives and SOEs really want a level playing field</td>
</tr>
<tr>
<td>2. All previous owners of businesses now owned by IBRA are held to account for their past crimes</td>
<td>Stolen money is returned to the nation and guilty people punished</td>
<td>IBRA applies the law and is not prevented from doing so by politicians or corporate bribes</td>
</tr>
<tr>
<td>3. SOEs are put on a business like footing or privatized</td>
<td>SOEs are profitable or sold</td>
<td>The GOI agencies which use SOEs as cash cows will allow this to happen</td>
</tr>
<tr>
<td>4. Requirements for information disclosure are clearly spelt out, observed and monitored</td>
<td>Stakeholders receive clear and timely financial statements</td>
<td>There are responsible bodies that will monitor and sanction where necessary</td>
</tr>
<tr>
<td>5. Businesses pay their due taxes</td>
<td>Government tax revenues from Indonesian businesses increases substantially</td>
<td>The tax office operates legally and without extortion</td>
</tr>
</tbody>
</table>
Program Ideas
Parliament Reform
(see P. 22 for Problem Tree and P. 36 for Objective Tree)

Strategy: to persuade Parliamentarians of the harmful impact of present corrupt behaviour in the DPR and DPRD such that they reform themselves

Objectives/Results/Assumptions

<table>
<thead>
<tr>
<th>Objective</th>
<th>Indicator of Success</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal</td>
<td>Corrupt practices are rare in Indonesian governance</td>
<td>Parliament is inclined to clean itself up</td>
</tr>
<tr>
<td>Purpose</td>
<td>To stop the corrupt practices inside Parliament (esp money politics) and make them an oversight body for others' corruption</td>
<td>Honest parliamentarians providing oversight for GOI practices</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Parliamentary representatives can wean themselves from the bribes they presently receive, and can be removed if they do not</td>
</tr>
<tr>
<td>Outputs/Program</td>
<td>1. Introduce binding codes of ethics into DPR and DPRDs</td>
<td>Parliamentarians operating within an agreed code of ethics</td>
</tr>
<tr>
<td></td>
<td>2. All benefits to Parliamentarians have to be approved by a public oversight group</td>
<td>MPs receive wages and benefits accepted by the people and have the people's respect</td>
</tr>
<tr>
<td></td>
<td>3. Payments to MPs for agreeing candidates, agreeing votes, and passing bills are outlawed and perpetrators punished (money politics)</td>
<td>MPs do the job they are paid to do by the state, and corrupt politicians are replaced</td>
</tr>
<tr>
<td></td>
<td></td>
<td>There is a supervisory body which will sanction infractions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Such a group can be formed</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The Public is prepared not to vote for them again</td>
</tr>
</tbody>
</table>
Program Ideas
Political Party Reform
(see P. 23 for Problem Tree and P. 37 for Objective Tree)

**STRATEGY:** to bring political parties within a legal and regulatory environment

### Objectives/Results/Assumptions

<table>
<thead>
<tr>
<th>OBJECTIVES</th>
<th>RESULTS</th>
<th>ASSUMPTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goal</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corrupt practices are rare in Indonesian governance</td>
<td>Political parties subscribe to ethical codes and are held to them</td>
<td>Political parties see that a reputation for integrity will win votes in a free and fair election</td>
</tr>
<tr>
<td><strong>Purpose</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To develop a system in which funds are freely given by individuals and businesses to political parties without extortion</td>
<td>Full disclosure of all political party financing</td>
<td>Political parties believe they will get enough to exist without extortion</td>
</tr>
<tr>
<td><strong>Outputs/Programs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Set up an auditing structure for political parties to use</td>
<td>All political parties audits are publicly available</td>
<td>The auditors will have an independent source of funding and no conflict of interest</td>
</tr>
<tr>
<td>2. Set up an agreed set of ethical principles and practice for the running of a political party with clear sanctions for breaking them</td>
<td>The “rules of the game” in respect of political parties are clear.</td>
<td>The political parties will accept the jurisdiction of the courts. The political parties see the advantage to themselves in such a practice</td>
</tr>
<tr>
<td>3. The constituency elect an individual to represent them who they can hold accountable for corrupt practices</td>
<td>The electorate know to whom they can complain in cases of corruption</td>
<td>The DPR/MPR are prepared to reform the present electoral system</td>
</tr>
</tbody>
</table>
Program Ideas
Local Government Reform
(see P. 24 for Problem Tree and P. 38 for Objective Tree)

**Strategy:** to involve citizens organisations in oversight functions in order to reduce corruption in local governments

### Objectives/Results/Assumptions

<table>
<thead>
<tr>
<th>Objective</th>
<th>Indicator of Success</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goal</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corrupt practices are rare in Indonesian governance</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Purpose</strong></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>To involve local people in framing the policies and practices of local governance thus reducing inherited GOI corruption plus new corruption</td>
<td>Regular citizens oversight committees operating effectively</td>
<td>Vested interests do not de-rail such an idea</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Outputs/Program</strong></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Local government researches existing corruption, publicizes and sanctions it</td>
<td>Existing corruption practices are exposed and stopped</td>
<td>Vested interests do not de-rail such ideas</td>
</tr>
<tr>
<td>2. The APBD is discussed in draft with citizens groups</td>
<td>Citizens have input into shaping the APBD</td>
<td>Citizens are able to understand the APBD</td>
</tr>
<tr>
<td>3. The DPRD sets up a structure to assess legal, budgetary and corruption implications of all new legislation</td>
<td>The DPRD knows the likelihood of new legislation being effective</td>
<td>Vested interests do not de-rail such ideas</td>
</tr>
<tr>
<td>4. DPRDs regularly provide oversight to Pemda</td>
<td>DPRDs monitor and prevent Pemda excesses</td>
<td>This is allowed in revisions to 22.25/99</td>
</tr>
<tr>
<td>5. Citizens set up “watch” organizations to monitor APBD, DPRD, and Pemda activities, and these are linked to the media, and they can compare between districts</td>
<td>Watchdog organizations keep issues in front of the peoples’ eyes</td>
<td>DPRD do not themselves collude in Pemda excesses</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Quality committee citizens can be found and are not scared away by vested interests</td>
</tr>
</tbody>
</table>
Program Ideas
Civil Society Organisations and Reform
(see P. 25 for Problem Tree and P. 39 for Objective Tree)

STRATEGY: to improve the policy environment in which anti-corruption CSOs work and help them to extend their work widely and deeply

Objectives/Results/Assumptions

<table>
<thead>
<tr>
<th>OBJECTIVES</th>
<th>RESULTS</th>
<th>ASSUMPTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goal</strong></td>
<td>Corrupt practices are rare in Indonesian governance</td>
<td>CSOs practice good governance themselves and monitor the good governance practices of other sectors.</td>
</tr>
</tbody>
</table>

| **Purpose** | To encourage the growth, quality, expansion and reach of anti-corruption CSOs, and to separate them from corrupt CSOs | Good quality CSOs "watching" all governance sectors. | Anti-corruption CSOs can agree on a code of ethics and common standards for themselves |

| **Outputs/Programs** | 1. Most CSOs in Indonesia have a public position on corruption | Public statements of CSOs | CSOs with other interests can be persuaded of the importance of corruption |
| | 2. CSOs work in partnership with GOI to fight corruption | CSOs receive GOI funds and other resources to fight corruption | The GOI is persuaded that anti-corruption CSOs are politically helpful to them |
| | 3. CSOs work in partnership with citizen organisations and businesses to fight corruption | CSOs receive business or citizen’s funds or other resources to fight corruption | Citizens and Businesses are persuaded that anti-corruption CSOs are useful to them |
| | 3. Anti-corruption CSOs have clear legal persona, and competent strategies and programs | Anti-corruption CSOs receive support for their programs | Anti-corruption CSOs are prepared to work within the legal and planning environment, and to subscribe to common codes of ethics |
| | 4. CSOs are "watching" all areas of poor governance | Every working group on good governance has CSO representatives | Depts of GOI and the Business sector are prepared to give CSOs space at the table |
**Program Ideas**  
**Public Audit Institutions Reform**  
*(see P. 26 for Problem Tree and P. 40 for Objective Tree)*

**STRATEGY:** to work with BPK, BPKP, IrJen, and Badan Pengawasan Daerah so that each is able and committed to do the job they are meant to do

### Objectives/Results/Assumptions

<table>
<thead>
<tr>
<th>OBJECTIVES</th>
<th>RESULTS</th>
<th>ASSUMPTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goal</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corrupt practices are rare in Indonesian governance</td>
<td></td>
<td>Public audit institutions are professional and have integrity</td>
</tr>
<tr>
<td><strong>Purpose</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To make sure that public audit institutions have sufficient funds and sufficient trained staff for all kinds of audits, including investigative audits</td>
<td>Audits show up findings about corruption</td>
<td>Auditors in these bodies are themselves not corrupt</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Audit institutions are prepared to show no favours</td>
</tr>
<tr>
<td><strong>Outputs/Programs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. BPK with sufficient funds and trained staff to carry out its mandate of being a Supreme Audit Authority</td>
<td>Compliance and investigative audits carried out as desired and customers not charged for this service</td>
<td>BPKP is prepared to transfer some staff and funds to BPK. The DPRD is prepared to increase the budget of BPK</td>
</tr>
<tr>
<td>2. The DPR receives, debates, and takes action on BPK’s regular reports on the corruption revealed in its audits of government offices</td>
<td>Cases brought up by the BPK are prosecuted</td>
<td>The Attorney General’s office takes direction from the DPR and investigates cases at its request</td>
</tr>
<tr>
<td>3. BPKP has sufficient funds to be the internal auditor for the GOI</td>
<td>BPKP does not have to charger clients for its services</td>
<td>The MoF is prepared to increase the budget of BPK</td>
</tr>
<tr>
<td>4. The GOI responds to BPKP findings about corruption</td>
<td>Cases brought up by BPKP are prosecuted</td>
<td>The GOI is prepared to let civil servants identified by BPKP for corruption be prosecuted.</td>
</tr>
<tr>
<td>5. IrJen seriously investigate corruption cases in their respective ministries</td>
<td>Cases brought up by the IrJen are prosecuted</td>
<td>The GOI is prepared to let civil servants identified by IrJen for corruption be prosecuted.</td>
</tr>
<tr>
<td>6. Badan Pengawasan Daerah (BPD) audits local government offices effectively</td>
<td>Cases brought up by the BPD are prosecuted</td>
<td>Local government offices accept the role of the BPD and allow them access to all accounts and records.</td>
</tr>
</tbody>
</table>
Annex 1: The Multi Pronged Strategy

Observers have compared Indonesia’s corruption with the corruption observed in countries in transition from the former Soviet Union (FSU). In such places strong central control has been replaced by the instruments of democracy (political parties in competition, decentralization of power to local governments, a free press), but there is a strong legacy of the previous system and structures that distorts the democratic intentions. An analytical tool from those studying the FSU is the division of corruption into two – State Capture and Administrative Corruption. This tool is very relevant to Indonesia.

State Capture: “the actions of individuals, groups, or firms both in the public and private sectors to influence the formation of laws, regulations, decrees and other government policies to their own advantage as a result of the illicit or non-transparent provision of private benefits to public officials”.

Thus an individual, group or firm is able to bribe the legislature, the executive or the judiciary to issue a regulation, or ruling that advantages them. Soeharto ruled that all logging companies had to pay a percentage of their income to the Forestry Council which was, in effect, income for him. Presently would be Governors and Bupatis pay substantial amounts to DPRDs to agree their candidacy so that they can receive the illicit income that goes with the job.

Administrative Corruption: “the intentional imposition of distortions in the prescribed implementation of existing laws, rules, and regulations to provide advantage to either state or non-state actors as a result of the illicit and non-transparent provision of private gains to public officials”.

Thus the Police now as in Orde Baru claim protection money from shop-keepers, under the excuse of contributions to local security funds.

The advised strategies for FSU countries has been a multi-pronged approach whereby the following measures are put into place:

- Political Accountability
- Competitive Private Sector
- Public Sector Management
- Civil Society Participation
- Institutional Restraints

These “prongs” are often shown in the form of the diagram on the following page:

Many of the “prongs” are relevant for Indonesia, and have been largely agreed in principle by the GOI - but many of them face a particular Indonesian situation or response which blocks their implementation. In many cases the reform has been agreed in principle, but distortions occur in its implementation: this is sometimes intentional as when national or local vested interests try to capture legislation or policies, and sometimes because there has been insufficient foresight or thinking through of the effects of policies or legislation.
Multi-Pronged Strategy: Addressing State Capture and Administrative Corruption

Institutional Restraints
- Independent and effective judiciary
- Legislative oversight
- Independent prosecution, enforcement

Political Accountability:
- Political competition, with credible political parties
- Transparency in party financing
- Disclosure of parliamentary votes
- Asset declaration, conflict of interest rules

Civil Society Participation
- Freedom of information
- Public hearing of draft laws
- Role for media NGOs

Competitive Private Sector
- Economic policy reform
- Competitive re-structuring of monopolies
- Regulatory simplification for entry
- Transparency in corporate governance
- Collective business associations

Public Sector Management
- Meritocratic civil service with monetized, adequate pay
- Budget management (coverage, treasury, procurement, audit)
- Tax and Customs
- Sectoral service delivery
- Decentralization with accountability

Source: “Anti-corruption in Transition – a contribution to the policy debate” by the World BANK, 1999 (and reprinted many times elsewhere)

Let us take three examples of reform that, in theory, would diminish the incidence of corruption if implemented, but which have become distorted in Indonesia such that some other way pf working is needed. They are:

- “Role for media NGOs”
- “Political competition with credible political parties”
- “Decentralization with Accountability”

Role for media NGOs: Indonesia now, post Reformasi, has a free press which frequently exposes cases of corruption. This does not, however, result in a diminution of corruption for the following reasons:

- Prosecution does not follow exposes, therefore after a period of excitement things return to status quo ante
- Exposes are limited to particular cases: the press does not look at systemic corruption, not suggest how readers can get involved in reform
- The media, even the Media NGOs, are bribable and are quite willing to take private or public money to praise or vilify. The commercial media is largely controlled by newspaper and TV station owners who are in turn linked to political power groups, and who make sure that exposes are of their political enemies, not friends.
Political competition with credible political parties: Indonesian now, post Reformasi, has political parties and has had a free and fair election in 1999. This has not resulted in a diminution of corruption either – and for the following reasons

- The electorate do not have a representative for whom they voted and to whom they can voice their complaints. They only voted for a party, and were given a party member who does not necessarily have any links to his/her constituency
- The political parties do not issue any manifesto or announce their support for any specific policy
- Regulations were announced for the financing of electoral campaigns, but were never observed, or audits published.
- Regulations for declaration of assets of civil servants were promulgated, but the body responsible has no power to prosecute those whose assets suggest corruption
- Elected members of political parties have swiftly become the target for bribery by both the Executive arm of government and by businesses – in both cases to get their plans approved by national or district Parliaments.

Decentralization with Accountability: Indonesia has enacted a massive decentralization exercise which, it was hoped, would give more voice to the people in the regions and contrast to the centrist top down policies of the Orde Baru. This has had the following negative effects:

- The local legislature (DPRD) only have limited authority to supervise or check the work of the local executive, limited to voting for or against an annual accountability speech. In many cases the executive bribes the local legislature to approve it.
- Locally powerful people or firms have bought the loyalty of both the local executive and legislature
- A substantial part of the government machinery is inherited from the center and is still controlled from the center
- The people do not have the right to discuss bills before they are made law, or the right to give their opinion on the budget.

This all suggests that we need a more specific approach that is built up from the Indonesian reality. There are a specifically Indonesian set of problems built up from both intentional blocking of reforms (though often with the appearance of supporting them) and historical or traditional structures that cannot easily accommodate reform, even if it was sincerely desired.
Annex 2: The Effects of Corruption on Indonesians and Indonesia

Loss of Financial Capital
A substantial part of Indonesia’s wealth has already been stolen by corrupt people – principally by Suharto’s family and by those who stole the BLBI funds. Because of this Indonesia does not have the money that it needs for the services it should offer to its people – health, education, welfare. Indonesia is therefore borrowing heavily from foreign sources and putting its citizens into debt for at least the two following generations.

The theft of state resources did not finish with Krismon, however, it still continues apace with huge amounts being presented as bribes to government officials, businessmen and parliamentarians.

One important part of the financial cost of corruption is that it takes away from the much needed legitimate revenue of the country from tax. Corrupt tax officials make sure that tax money comes to them, rather than the state.

The money that is needed for Indonesia to make money i.e. foreign investment into Indonesia - stays away because of the overall climate of financial impropriety and corrupt practices.

At an individual level, of course, corruption further impoverishes the poor – taking away from them the small amount of money they have.

Loss of Social Capital
Social capital is the network of relationships and trust that allows a country to continue to operate. To some extent it is the expectation that the institutions of the state will do what they are meant to do – to some extent it is the expectation that your neighbour or community member will be a resource for you.

In Indonesia the Justice system is already perverted. The people do not trust it at all and recognize that justice is a bought and sold commodity to the highest bidder. Increasingly they are looking for alternative mechanisms to resolving disputes. The public feels the same way about many of the other state institutions like the Police – increasingly they take the law into their own hands and avoid getting involved with the Police. The social fabric of the country is wearing very thin.

The public expects nothing but corrupt and venal behaviour from civil servants and manoeuvres round this by trying to establish patron/client relations.

Most people have become so used to corruption that they are unclear why it is dangerous to the state, although they know how it hurts them. Indonesians use a wide range of wry and jocular expressions for corruption, rarely employing the hard ethical language of “stealing” and “thief”.

Loss of Physical Capital
The forests of Indonesia have almost gone destroyed through some of the grossest corruption practices anywhere; rivers are everywhere being despoiled and common property rights eroded, along with hillsides and valleys.
The national infrastructure, often put up below standard through bribery, is also eroding. Roads, railways, bridges, irrigation channels, and other important parts of the economic life of the country are in great need of upkeep, but corruption feeds on new plant and new buildings, not on maintenance. In the cities the failures in water supply and garbage collection are fuelled by corruption – as is pollution.

**Loss of Human Capital**
Indonesians ability to look after themselves and their families and to add to the national wealth is diminished by corruption. Their increasing poverty has been deepened as the rich and powerful siphon off money that could be used for social services or increasing employment. Government increasingly charges for its services and its servants take a cut for themselves.

Indonesians ability to get its leaders to take a serious look at their situation is diminished by the pathetic behaviour of the DPR and DPRDs where the people who are meant to represent their interests are most interested in increasing personal income through corruption – even when it means consorting with criminals. In spite of decentralization there are few opportunities for the citizen to get participate in the processes that determine the rules by which their lives are governed – and in large part this is because the existing power holders do not want to give up any of that power which enables them to increase their own incomes.