

# **Corruption and Civil Society Organisations in Indonesia**

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## Introduction

This chapter is about civil society organisations (CSOs) in Indonesia as actors in the fight against corruption in Indonesia on the one hand and CSOs with susceptibility to corrupt practices on the other. CSOs carry out many different kinds of developmental, advocacy and welfare activities and there is a growing concern that a substantial number of them may be involving corrupt practices in carrying out these activities. On the other hand NGOs (a sub-sector of CSOs) are the leading fighters against corruption in Indonesia. This paper looks at whether there is a conflict of interest here, and to what extent it is possible that those who fight corruption are not themselves without experience of corruption.

Let us look at the three sectors of any society<sup>1</sup> – Government, Business and the Civil Society Sector - and at their purposes. Government exists to rule and to govern; Business exists to transform raw materials and to make profits; and the Civil Society Sector exists to hold the other two sectors accountable to the citizens, to enable citizens to associate, and to improve the lives of the citizens. Intuition and experience would seem to tell us that there is a great deal more likelihood of corruption being part of government and business than the civil society sector. Indonesia, however, is a country in which the practice of corruption is the norm, not the exception<sup>2</sup>. We should therefore be aware of the possibility that those who operate from high sounding principles are snared in the corruption culture as well.

To avoid confusion later on, it is important that writer and reader have a common understanding of the terms used in this chapter as they refer to Indonesia.

### **Civil Society, the Citizens' Sector, and the NGO Sector**

Generally the Citizens' Sector is also referred to as "the Civil Society Sector" or "Civil Society" and encompasses, according to the definition of CIVICUS (which is an international association of civil society organizations): *"the sphere of institutions, organisations, and individuals located between the Family, the State and the Market, in which people associate voluntarily to advance common interests"*<sup>3</sup>.

Included within this definition are a range of different kinds of Citizen Sector Organisations which in Indonesia range from traditional social organisations like "arisan", through recreational, cultural, religious and charitable organisations to a variety of organisations whose purpose is developmental and are generally referred to as "NGOs".

These last are characterised within the Indonesian NGO world as being of two kinds: “developmentalist” (meaning that they concentrate on improving peoples access to goods and services) or “political advocacy” (meaning that they concentrate on being pressure groups for changing the structures and systems of the Indonesian state to benefit the poor and powerless<sup>4</sup>.

A useful way of categorizing citizens organisations are (a) as mutual benefit organisations – which bring benefit to their members, and (b) public benefit organisations – which bring benefits to identified target groups. In Indonesia examples of mutual benefit organisations would be traditional, cultural, some religious, and mass organisations (like Muhammadiyah or NU), while examples of public benefit organisations would mostly be NGOs i.e. organisations set up by a self-identified group to support specific groups of people or causes (like the disabled, or the environment)<sup>5</sup>. In looking at corruption and civil society organisations, we will mostly be looking at NGOs, called in Indonesian “*Lembaga Swadaya Masyarakat*” or LSM – Peoples Self-Help Institutions<sup>6</sup>.

We will be looking at the possibility of corrupt behaviour in all kinds of CSOs, and, more specifically, in the NGOs which are fighting corruption.

### **Corruption**

The first edition of the TI Source Book defines corruption as “*behaviour on the part of officials in the public sector, whether politicians or civil servants, in which they improperly and unlawfully enrich themselves, or those close to them, by the misuse of public power entrusted to them*”<sup>7</sup>. The second edition of the Source Book boils the definition down to “*the misuse of entrusted power for private benefit*”<sup>8</sup>.

Neither of these definitions fits the situation of Indonesian NGOs practicing corrupt behaviour since NGOs do not have public power entrusted to them. What they do have is public and private resources entrusted to them - from the foreign donor, the corporate, and the citizen, and (occasionally) the Indonesian government sector. These resources are entrusted to them because of what the Indonesian NGOs represent themselves to be – organisations for the public good with specific programs to benefit the public or particular groups within the public.

Corruption in Indonesian NGOs, I suggest, is best defined as: “*Behaviour for personal gain, or for the benefit of another person or organisation, by people who claim to represent an independent non-profit organisation which works for the public good*”. Another definition could simply be “*a breach of trust*” inasmuch as resources are entrusted to NGOs to do what they promise to do in their public informational material.

This gives us definitions which allow us to examine NGOs pursuing various different missions, including combatting corruption in the government and corporate sectors.

## NGOs Combatting Corruption

The downfall of Suharto and the start of the *era reformasi* had, as one of its main planks, the ending of corruption, collusion and nepotism – the Indonesian acronym KKN. This was the cry of the student movement which was the vanguard of the opposition to Suharto and Habibie, and this was formalised as soon as the MPR and DPR were elected by a unanimous declaration that KKN would be eliminated. The front line institutions who would eliminate corruption were determined by the DPR to be the Courts, the Attorney General's office, the Ombudsman, the BKP, the Police, the BPKP, the TPGTPK (which was set up as an interim organisation to bring corruption cases to court), the Committee on State Officials Assets (KPKPN), and the planned Anti-Corruption Commission (which was to take the place of the TPGTPK once it was established).

It was also considered that the regional autonomy laws would reduce corruption by breaking up state corruption monopolies, and it was considered that the institutions of democratic government (Political Parties, the DPR and the DPRD) would bring greater local accountability and thus limit corruption.

The people of Indonesia (and their political representatives) seem to have been galvanised by the excessive state plundering that went on in the last years of Suharto's regime and the Habibie period, and wanted to put a stop to that in the *era reformasi*. Few institutions or people talked about the systemic and systematic corruption in the government and corporate organisations which means that (for instance):

- civil service positions are systematically bought and sold;
- the tax office extorts bribes from companies to reduce their tax burden;
- the whole state budget system is predicated upon off-budget slush funds which allow for increasing both personal income (frequently from foreign development funds) and organisational income (to make up for the budgetary shortfalls);
- patronage networks in the civil service secure officials access to illicit income at the price of their silence.

It seems in retrospect that it was the excesses of the Suharto/Habibie periods and the immensely wealthy cronies who enjoyed those excesses which were the fuel to the anti-corruption fire. Many people wanted them caught, exposed and punished. Very few had thought through the structural and systemic nature of corruption in Indonesia, and few were prepared to initiate measures (and protect those measures) thoroughly to clean the Indonesian house. There was also, of course, considerable pressure from the same immensely wealthy people who had benefitted from the Suharto era corruption to make sure that efforts to prosecute them and repossess their money came to naught.

The sad truth by the end of 2001 is that:

- the courts have been shown to be bribed and bribable,
- the AG's office has been revealed as systematically corrupt by the ADB's governance audit of it – and very varied in its pursuit of corruption cases directed to it,
- the Ombudsman Commission is unable to get action from the AG's office or the police on corruption cases they submit to them,
- the BKP is unable to get the DPR or the AG's office to take action on the evidence it presents to them
- the Police continue to be riddled with corruption from top to toe – as evidenced by the British Embassy's unpublished but widely reported document produced by a British Police Force Officer who was charged to look into possibilities of police reform
- the BPKP continue to extort bribes from government offices or businesses which use government funds in order to bury unwanted audit findings
- the TGPTPK finds itself disbanded on flimsy authority by the Supreme Court as soon as it started to bring cases against supreme court judges
- The Committee on State Officials Assets, after a slow start, has collected and published data but has no authority to require proof of the statements offered by State Officials and is regarded with some scepticism.
- Regional autonomy has created localized corruption particularly in the field of natural resource extraction
- Political parties which are expensive to run have created new corruption in the electoral process as businesses have been pressured by leading politicians to pay their costs
- DPRs and DPRD's have been bribed wholesale by governors and bupatis in order to vote for specific policies or personalities – thus proving the immense illicit income expected by Governors and Bupatis from their office.
- Since elected officials are beholden to political parties and not to constituencies their hoped for accountability to the citizens has proved illusory

The Anti-Corruption Commission is still to be established, and thus it has not yet proved itself one way or the other<sup>9</sup>.

In this whole dark, depressing picture, the NGOs are the one ray of light in that they, in conjunction with the now unfettered media, have exposed very many cases of corruption, have kept the public alive to the expanding nature of corruption in Indonesia, and have not been closed down. The oldest of these organisations is the Lembaga Bantuan Hukum (LBH) which managed to stay in existence all through the Suharto era, and mainly targetted human rights abuses. It has been very active in pointing out corruption abuses, particularly where these break the law.

There were few organisations that systematically addressed corruption issues before the start of the *era reformasi* because they would have been closed down

and rendered ineffective. Organisations instead took up specific issues like (for example) scandals at Pertamina, the Suharto ranches in West Java, the Gedung Ombu dam and its payments to displaced people, transmigration scams - but did not think of themselves as anti-corruption organisations per se – and many of the cases they illuminated were considered from a human rights perspective.

In June 1998 the LBH midwived the first new anti-corruption organisation, the Indonesian Corruption Watch, and in short order other NGOs who targetted corruption sprang up (PSHKI July 1998, MTI August 1998, IDEA 1998 – and a number of district level organisations over the period from 1998 to the present). In 2000 these formed a membership association of NGOs against corruption called GeRAK (*Gerakan Anti-Korupsi* – Movement against Corruption)<sup>10</sup>

ICW as the oldest, largest and most well established (and funded) of the anti-corruption NGOs has, to some extent, set the pattern for the others outside Jakarta. ICW focuses on investigation and advocacy concerning corruption cases which have attracted significant public attention. It has also more recently conducted research into patterns of corruption within government offices. It has not looked, however, into the systemic nature of corruption in Indonesia and how this is intrinsically bound up with salaries, benefits, budgets, and development aid.

MTI sees itself as more of a pioneer of improved practices, than a reporter of bad practices. Its aim is *“to be a pioneer in the establishment of a system based on clean and sound practices within business, government, and society at large”*. PSHKI specifically looks to the law as its niche – it wants to *“create a democratic state and society based on confidence in the law”*. The national level NGOs working against KKN have another very important role as think tanks on corruption issues. The Project to Establish the Anti-Corruption Commission, for instance, after some delay, realized the importance of having their representatives on its Steering Committee while staff or Board members of all the national anti-corruption NGOs have been part of many important initiatives, like the Anti-Corruption Court, the Steering Committee for the Partnership’s work on anti-KKN, and various donor backed initiatives.

The smaller district level anti-corruption organisations are usually staffed by ex-campus activists still driven by the anger and indignation that brought down Suharto. They look to expose egregious cases of corruption in their area and seek exposure, punishment and retribution for the cronies and Suharto favourites part of whose wealth came from corruption in their areas. Many of them have not moved from the culture of “demos” which brought down Suharto and Habibie, and few of them have addressed themselves to the complexity of the ways that corruption permeates all aspects of Indonesian life, and the difficulties of eradicating it.

They are, however, important organisations for Indonesia since they focus attention on corruption throughout the country, and keep issues in front of the people, preventing a sliding back into the apathy and resignation characterised by the Indonesian phrase “*seperti biasa*” – same as usual. They also actively monitor the new abuses of corruption, like “money politics”, corruption in local government, and bribery of judges to avoid punishing corrupt officials. They have very good relations with the local media who are always happy to expose succulent cases – but their work in stoking local indignation does not easily translate into a systematic program to limit and combat corruption as a system.<sup>11</sup>

Surprisingly, the other civil society organisations in Indonesia, who are not named specifically as “anti-corruption organisations” but whose *raison d’être* is religion or labour or agriculture or women have not, for the most part, taken up an anti-KKN platform. The huge religious organisations, like NU or Muhammadiyah, or the Catholic Church, the range of new trade unions, the range of womens organisations do not agitate about corruption, although the subject is one which must affect them inasmuch as every Indonesian is involved in either contributing to others’ or personally extorting others’ illicit income. Again, as with the DPR and the Anti-Corruption NGOs, it is the really outstanding cases of corruption that gain their attention and focus their energies, as if prosecuting these and punishing the offenders associated with these would eliminate corruption in Indonesia.

One recent new development is labour unions realizing that their own interests are served by reducing corruption in business. The Federation of Workers at State Owned Business (FSP-BUMN) have formed their members into corruption monitors, realizing that the collapse of the BUMNs as profit making businesses (and the subsequent loss of their jobs) may be a reality if the corrupt patterns of management continue as usual.

Another sub-sector of civil society that has not come out with a strong anti-corruption platform is the world of professional associations – principally because they have a vested interest in keeping corruption going. The Lawyers Association is notorious as a body that makes sure income streams are kept high for lawyers through illicit means, as have any other set of organisations that perform a gate-keeper role where their authority can be a source of income. Few professional organisations (architects, engineers, accountants etc) see that a reduction of corruption and the establishment of a level playing field in which business is not conducted at the discretion of government officials with gate-keeper functions is in their interest.

This has been an overview of NGOs fighting corruption in Indonesia. Many of them were founded by people of high moral principles, and many of them were and are driven by strong patriotic fervour to reform Indonesia following the ending of the Orde Baru. In the last two years, however (1999-2001) a huge amount of foreign funding has been offered to NGOs which want to work in the field of

“reformasi”, and this has attracted into the field (including the field of anti-corruption) more opportunist people whose motives have not been so pure. In a situation of educated unemployment, easily available foreign funding, and impunity for those practising corruption, it is not surprising that some NGOs can get involved in corrupt practices – sometimes from the best of motives. The next section looks at NGOs which have corrupt practices.

## **NGOs being Corrupt**

It is important to distinguish two different types of organisation as we look at Indonesian NGOs that are indulging in corrupt practices<sup>12</sup>.

The first type is the “pretenders” - organisations which use the cover of an NGO (which is understood to be a non-government, non-profit organisation managed for the public good) to illicitly enrich those working for the organisation or provide some other kind of benefit e.g. power, goods or services.

The second type is those “well-intentioned” - organisations which indulge in corrupt practices to benefit their organisations, but not the individuals working for the organisation.

A notable problem is that corruption is an insidious kind of virus which tends to infect its host. There is a very good chance that “the well-intentioned” NGOs may, over time, and in an atmosphere of tolerance to and impunity for corrupt people, become more like the “pretenders”.

Since most NGOs in Indonesia are very heavily dependent on foreign donor funding, and since a lot of foreign donor funding is offered to civil society organisations that claim to be working on good governance issues (including anti-KKN work) we need to look closely at the interface between NGOs and foreign funders to understand the “well-intentioned” kind of corrupt behaviour. Many NGOs claim that they cannot exist if they strictly keep to the conditions that foreign donors impose on the use of their money: they claim that they need to switch use between budget heads, provide false receipts, and other tactics we will see later in order to keep their organisations alive in the face of the donors’ bureaucratic requirements.

The difficulty in making the distinction between the two kinds of organisations is, however, that it is difficult to be sure that the organisation itself is clearly making the distinction and keeping to it. It might well be that what starts as an effort to acquire funding to support an NGO’s mission offers opportunities for personal enrichment that are not turned down.

In this NGOs act no differently from other organisations in Indonesia, and it is instructive to look at the few published examples of how creeping corruption works in the Indonesian government.

Nick Manning's research into civil service pay and benefits<sup>13</sup> illustrates that patronage networks are set up which allow civil servants to access perfectly legitimate supplements taken from development budget to add to their miserable base salaries from the revenue budget. Since, however, the person who controls the access (the *Pimpinan Proyek* (Pimpro) or Chief of Project) uses this power at his own discretion, he (or she) can control the silence of his subordinates. Once such a Pimpro accesses illicit sources of income, the legitimate channels and patronage networks that he/she has set up work equally well for corrupt purposes and are used for that purpose.

The ADB's research into the AG's office<sup>14</sup> illustrates that a huge off-budget budget ("*at least twice the size of the official budget*") is accessed by the AG's office for two purposes – that of supplementing the existing budget so that the AG's office can do its legitimate work ("*buying paper for the photo-copying machine*", "*paying for transporting prisoners to court*"); and for supplementing, illicitly, the pay scale of the AG's office staff.

In just the same way an NGO may well initiate corrupt practices with donor money in order, for example, to pay for the rent of the office, but we should not be surprised if this practice is misused to increase NGOs' staff salaries illicitly. The "blurring of the lines" is an ever present concern for NGOs which use funds corruptly (although with the best of intentions).

### **"The Pretenders"**

A substantial proportion of the organisations that proclaim themselves as NGOs in Indonesia are, in fact, what are called "*plat merah* NGOs". This means literally "red plate NGOs" and refers to the fact that government vehicles are distinguished by red number plates. The meaning, therefore, is that "red plate NGOs" are NGOs in name only: they are actually government officials masquerading as NGOs. Information from SPEKTRA, a province wide NGO in East Java, suggests that there over 50% of the NGOs are "plat merah" NGOs.

The majority of these arise when government officials are aware of programs that use government funds (often originating with foreign donor loans or grants), but where such funds are strictly targetted for the use of NGOs. Government officials then set up fake NGOs in order to access such funds, and can make sure that their fake NGOs can be the ones chosen by other government officials to implement the program. One program that is often referred to in this context is the JPS (Jaringan Pengamatan Sosial) – Social Recovery Program where funds from the World Bank are programmed through the Government but where Indonesian NGOs are designated to be the recipients of the monitoring part of the program. Many "*plat merah* NGOs" are formed to thus handle the monitoring.

Another “pretender NGO” is the organisation which has no real existence, but is simply an entrepreneurial individual who can speak “donor speak”, can write up a good proposal, and compose illusory project reports. Such a person, relying on his/her ability to hoodwink foreign donors, pockets the money, or pockets the majority of the money and carries out a small proportion of the agreed project. Since there is no difficulty in any group of people registering themselves as a “*Yayasan*” (= foundation, the usual legal cover for an NGO in Indonesia), and there is no certification process for an NGO in Indonesia, it is only the donor’s enquiries which can ascertain the true nature of such an individual.

A third kind of NGO that exists in Indonesia, which is a variant of the last, is the NGO which exists as a profit making venture for the “owners” of the NGO. They successfully access donor funds, they carry out the projects which they have contracted to do, but this is principally an income generating effort on their part, and they are driven by the profit motive, not by a social mission. They therefore indulge in all the tricks of commercial contractors, such as over-invoicing, sweetheart deals with sub-contractors and suppliers, and corrupt tendering processes. An NGO, indeed, should not have an “owner” – according to the new law passed recently by the DPR it should have a Board and staff and a non-profit distributing governance structure – but with no oversight body for NGOs, no representative professional body to regulate the sector, some NGOs will take the donors for whatever the market will bear. Since donors do not also have a forum to compare prices, it is a very unregulated situation, very susceptible to agile and amoral entrepreneurs.

Such “pretenders” violate fundamental elements of the NGO sector<sup>15</sup>. They do not have a social or developmental mission, they do not have a non-profit distributing governance structure, they do not represent mission driven people. On the contrary they are pretenders, or contractors for hire, they are interested in maximising personal income, and they represent themselves alone.

A further point is that foreign donor funds for developmental or humanitarian purposes are regarded as “fair game” by unscrupulous people. Rustam Ibrahim, of LP3ES, an old hand in the NGO field, has opined that the lax and unsupervised “flood” of money for NGOs has attracted corrupt people into the field since they can easily access illicit income.

One of the grossest examples of pretender NGOs (in a class of their own) were Suharto’s infamous foundations (e.g. Dharma Bhakti Foundation, Supersemar Foundation) which collected money (usually from businesses as an informal quid pro quo for their licence to operate) and which purported to do social and charitable work. In fact they were engines to generate income for Suharto’s enormous patronage network. In some cases (e.g. Dharma Bhakti) they did some charitable work, but it was a very small part of the whole, and the books were never audited<sup>16</sup>.

## **“The Well-intentioned”**

Those who start NGOs, as has been said before, usually come from a background of strong moral principles – they feel that something is wrong, and they want to right those wrongs. The motivation may be political, religious, or generational. They are often born from a small clique of friends or associates who decide to establish a formal organisation in order to pursue their mission. Sometimes this organisation is actually quite informal (no office, no pay, sleeping on sympathisers floors), but sometimes it is akin to a government department (titles, vehicles, organisational charts, and computers). However they set themselves up, the issues are what drive them.

What very few NGO people have is a background in management which might prepare them for some of the problems that arise from conflicts of interest, separation of powers, delegation of authority and the practice of good governance. While NGOs are poor, small and supported by their country men and women (and these two factors often go together) then corruption, collusion, and nepotism are not so important, and are controlled by the stake-holders who are involved on a daily basis. An arisan’s treasurer is under strong social pressures to be honest, and the manager of one of the trading companies of NU, for instance, will know that stealing from the organisation will not be tolerated. The issue is paramount, and all those involved will, in effect, guard the mission and the way it is pursued.

When foreign funding enters the picture, however, the situation changes dramatically. The money that the NGO uses no longer belongs to local people and is locally accountable. The money now comes from outsiders, and moreover comes with a packet of sometimes incomprehensible conditions. The chances are that the issue driven, mission driven NGO activist will want to use the money as he/she sees fit, and if the donor rules do not allow this, will have very little compunction in bending the rules. He/she will also know that the foreign donors are (a) easily fooled and (b) unlikely to employ effective sanctions.

The hoodwinking of donors in order to allow the NGO to pursue its mission in the way that it wants is very common in Indonesian NGOs. In order to understand why this happens, let us put ourselves into the shoes of an NGO manager:

To run an NGO requires finance which will pay for

- the actual program activities,
- the overheads of the organisation which need to be paid to keep the organisation alive (part of management time, rent, utilities etc)
- staff capacity building
- staff benefits (e.g. housing, pensions, health insurance)
- savings for program development

In this respect NGOs are no different from for-profit businesses, and need to be managed in ways that they will attract good staff, keep them fulfilled, allow them to be as well deployed as possible, and plan prudently for the future of the organisation. In other words an NGO manager has to think of the organisation and how it can be funded to enable it to be sustained into the future.

Unfortunately existing donor practices in Indonesia (they are not different in other parts of the world) present many problems for such an NGO manager. Donors only think in terms of projects (i.e. time limited, budget agreed, specific outputs agreed in advance) not organisations. They will, therefore, - in many cases - only pay for the actual “above the line” expenses of a project, expecting that the NGO finds all the other expenses in the bullets above from other sources.

Donors frequently say that they will not pay overheads (they do not, however, say this to for-profit contractors). An NGO manager who works in the real world with people who exist before and after projects, and who wants his or her organisation to exist beyond a project, has to find ways to spend donor funds to cover his or her real costs while only reporting fund expenditure to the donors in ways that are acceptable to the donor. In other words he/she starts to lie.

Further donor administration and bureaucracy is often not “user friendly” to the NGO who is meant to be the user of the funding. Sometimes donors have very specific things that they are prepared to fund, but these may not be in line with the mission of the NGO or what the NGO sees as the need of the target group. Sometimes donors have funds in theory available, but the processing of the proposal is so long that the real requirements for the funding in the field have changed by the time the money is ready. Sometimes donors make very specific bureaucratic requirements for its project reporting or administration which the NGO finds either irrelevant, or overly burdensome or plain unnecessary<sup>17</sup>.

For all the above reasons we have in Indonesia very many NGO practices with donor funds which are corrupt – although they are done with the intention of optimizing the work of the NGO now and in to the future. The largest and the most extensive is the over pricing of employees’ salaries. A budget is agreed with the donor to pay a staff person, for instance, Rps 2,000,000 a month, but that person is actually only paid 1,500,000 per month, and the balance is put into the overhead pool for the organisation to pay for expenditures that are essential, but which the donor refuses to countenance. This means two sets of books – one that can be shown to the donor, and one for internal use.

In the desire and need to gain income for the organisation’s operating costs, the following practices are relatively common:

- false invoicing from hotels for the cost of meetings
- false invoicing from the NGO for activities that they have not carried out

(maybe because they have chosen to do other activities with the money that seem more important to them)

- shuffling of funds between budget heads supported by false receipts
- writing of false reports documenting non-existent activities to keep the funds flowing
- taking of funds from two sources for the same activity
- taking funds for one activity and using them for another activity (particularly to bridge periods where funding has not come on stream)

### **“The Blurring of the lines”**

All these activities listed above require lying to donors consciously and intentionally. They also require double book-keeping, and gradual involvement with the kinds of practices that are the stock in trade of regularly and consciously corrupt people. NGOs may well say that their corrupt practices are for a good cause, but it is not difficult to imagine the managerial complexity of (for instance) asking a hotel to under-invoice or fake an invoice for an NGO, and make sure that those funds saved actually go into the NGO's coffers, and not into an individual's pocket.

It is very likely that corrupt practices, even in a good cause, encourage corrupt mentalities which will not blink at augmenting personal income, particularly when the society around the NGO person is doing such things all the time. Indonesia, as was written in the first paragraph of this chapter, “is a country in which the practice of corruption is the norm, not the exception”, and Indonesians are very skilful at finding opportunities for corrupt practices that earn illicit income for individuals.

Some would say that they have been practicing since the Dutch rule, others would say that Suharto set up a government structure based on patronage and corruption, taught it to many and fine tuned the necessary skills. Mohammed Hatta, in Sukarno's period, complained that Indonesia had a “culture of corruption”. It is thus not surprising that entrepreneurial (if not criminal) people see the easy pickings available from foreign funding and are tempted to acquire some of it for themselves.

Shalil Shetty, then head of ActionAid in Kenya (another country with systemic corruption deep in every part of the nation and trained from the top) when faced with complaints about corrupt NGOs, said *“Where do you think the people who run NGOs come from? They are not from the moon – they are from Kenya. No-one should be surprised when they exhibit behaviour common to many other Kenyans”*. Some NGOs are pretenders from day one, others NGOs may be born from reforming zeal, but the reforming zeal exists within the culture of the country in which those who run the NGOs live, and when that country is Indonesia, and the individual is surrounded by a culture in which corruption is pervasive, his or her resolution can be eroded, and he or she can start accepting practices which

were previously unacceptable. It is not unreasonable to expect that if Indonesian NGOs fail and become corrupt (this is excepting “NGOs” which were formed corruptly from day one), they are likely to fail in line with the kinds of corruption that are common in Indonesia<sup>18</sup>.

We have talked of the push towards corruption that comes from the availability of foreign funding – and this is the largest cause Indonesian NGOs corrupt behaviour. There are, however, other forces that operate on them.

The first is access – and NGOs find themselves in a similar position to journalists here. Advocacy NGOs want to get themselves into the forums where policy is being decided, where people with decision making power are exercising their authority. Such access may invite trade offs as government officials will request, for instance, a limit to expose stories in return for access, or in return for a juicy story about a political rival.

Another is political expediency and compromise whereby an NGO will be persuaded to be less rigorous in its advocacy work in return for support from a particular political bloc or party. And there is also the possibility that the “culture of envelopes” will operate amongst NGOs as well, whereby individual NGO activists will be bribed by government or business officials to limit their enthusiasm.

## **Features of Honest NGOs**

Many NGOs, concerned about the topics aired above, have talked about the need for an NGO Code of Ethics. The large umbrella organization YAPPIKA, has been in the forefront of this. Corruption and collusion and nepotism in the NGO world will only be eradicated if it first acknowledged, then discussed, and finally sanctioned.

NGOs are, by definition, mission driven organizations – and this mission is one of public benefit. Honest NGOs are those whose staff believes in the supremacy of the mission and constantly asks itself whether its activities are truly supporting its mission. A good NGO asks itself whether one more seminar in a capital city hotel is what is needed to advance its mission.

NGO people may be naïve in the convoluted and intricate ways of corruption. NGO leaders may be people with strong personal commitment to an issue, but who are ingenuous about the ways in which their organization is being used, or their staff may be using them. Greater understanding of the ways in which corrupt financial practices are implemented, together with strong internal procedures which guide acceptable practice are needed

The most important aspect of the good and honest NGO, however, is the extent to which the NGO is accountable to the people that it is claiming to help. Does the NGO have a way to explain itself to and consult with its target group? Is the

NGO prepared to open its books to the people in whose name it claims to be working? If the NGO is funded, at least in part, by local contributions, then such accountability is built in – when the funds come from third parties, however, (especially foreign donors), very few NGOs have set up ways to be transparent to their clients..

## **Policy Recommendations**

If there is a definite body which has the authority to issue policy directives, one feels comfortable suggesting policy recommendations. In the case of NGOs and corruption the recommendations are actually suggestions which concerned parties could consider, but for which there is at present no locus of authority, and no source of policy directives..

### **Recommendations to promote more anti-corruption NGOs**

It would be very healthy for Indonesia to have an anti-corruption movement which established branches in all kabupaten of the decentralized society so that there was a local focus for citizens concerns about corruption which could mobilize national indignation and anger if required. Analogous examples are WALHI (the movement for a clean environment) which has branches in many provinces (but certainly not in every kabupaten) and the FAO's farmers associations against pesticide use and for farmers rights (IPPHTI)<sup>19</sup>.

For such a movement to happen local resources would need to be mobilized (this would need to be seen as an Indonesian peoples movement, not a donor funded initiative – even if donors were interested in supporting this). The existing movement against corruption (GeRAK) should be urged to expand into kabupaten where it is not present. It would also be very healthy if such an anti-corruption movement was set up on a membership basis – both to build a movement, and also give it the legitimacy of a defined and active constituency.

It would be very necessary for such an expanded network to address systemic corruption, not just egregious specific cases. There needs, therefore, to be a systematic development of learning materials which would deepen understanding of the ways in which corruption works, and a cascading process of training trainers, and their training branch leaders who train members. Such training materials would have both theoretical analysis of the ways that corruption works, and specific tools (such as the “Participatory Corruption Assessment” developed recently), which would allow concerned citizens to analyze how corruption was working in their locality.

Building on such a movement, one can imagine that it would have a regular column or spot in national and local media, recognized access to relevant special commissions of the DPR and DPRD, and would receive regular consultation from relevant parts of the government machinery. If such a movement received buy in from a number of other citizens organisations (particularly mass organisations

like NU and Mohammediyah) one could imagine national campaigns with people identifying themselves as having “taken the pledge” to be clean, and to enforce cleanliness (cf campaigns in other countries against AIDS or smoking, and movements in Latin America against corruption)<sup>20</sup>

### **Recommendations to Donors**

Foreign donor community need to understand the financial realities of running an NGO (as opposed to a contracting company) and develop their regulations and conditions in ways that respond to the very real problems NGOs face.

Alan Fowler has characterised it this way: *“Money causes paperwork. Logic would suggest that the better the paper definition at the beginning, the less need there is for further reporting. This does not occur in practice because a highly detailed design generates more items on which to report. Therefore as a rule of thumb, the greater the amount of paper required to obtain a grant, the higher the administrative burden. High quality donors recognize and make few extra demands on the administrative system already in place. (An associated issue is that costs of donor specific administration are seldom met in full because official aid is generally averse to financing organisational overheads)”*<sup>21</sup>

If foreign donors clearly established norms agreed between them and the NGO sector for proposal writing, expenses to be covered, and reporting requirements, and published these clearly, there would be a great deal fewer need for, and attempts to “hoodwink the donor”

Where, however, corrupt practices are exposed that are definitely not well-intentioned efforts to protect the organisations financial sustainability, but simply venality, foreign donors should document them, expose them and proclaim them – not just to protect their own investment, but to protect the good name of the NGO sector, and to warn off others who might be that way inclined. Most foreign donors do not make such public proclamations – presumably for shame at exposing their own shortcomings – and the sector is the more vulnerable because of this.

### **Recommendation for NGOs**

The increased use of “Codes of Ethics” for NGOs is very important - which are firstly adopted and secondly observed, and with sanctions for transgressors. Without a national association of NGOs (like a Nurses Council or a doctors association) there is, however, little likelihood of this happening, and so the setting up of a professional NGO association becomes the last and most fundamental policy recommendation. The government could legislate such a body into existence, but the NGO sector has to see that it is in their own interests and work to create it.

## Summing Up

NGOs in Indonesia, in respect of corruption, can be a force for its elimination, or they can be yet one more example of organisations that systemically employ it. For some of them, which masquerade as NGOs, the case is simple, they are businesses with a fraudulent name, and we should not be surprised at the range of usual corrupt practices that businesses employ.

NGOs that are fighting corruption, however, need to have very high ethical standards, in order not to be fall into the sickness they claim to oppose. Such organisations also need to be more self-conscious than they are at present about the systemic nature of corruption in Indonesia, and the difference between working on curtailing that and bringing occasional egregious offenders to book. They need to seek partners in other NGOs and other CSOs to inspire a broader societal movement against corruption.

NGOs which are not specifically corruption fighters, have to very careful about using corrupt practices since these can easily move from corrupt practices with a good motive to corrupt practices with a selfish motive. One problem is the interface between their financing needs and the funding which they use – which comes from donors with very strict (and sometimes incomprehensible) regulations. Things could be improved considerably if their funding was free of foreign donor regulations (e.g. if there funds came from local resource mobilization) but this does not look likely in the short term. NGOs need to have clear and publicly expressed ethical standards through various forms of “Codes of Ethics”. A few associations of organisations (particularly YAPPIKA) have started to work on this, but generally this is not seen as a matter of great concern to NGOs.<sup>22</sup>

There is considerable need for more “corruption watch” NGOs – at least one in every kabupaten, but such organisations need to be funded and need to have considerable building of their capacity so that they can monitor corrupt practices in their area (as well as contribute to national corruption issues), and systematically engage local government agencies and businesses in a carrot and stick approach (i.e. moving from a low risk/high reward situation to a high risk/low reward situation): They need to persuade local people and local institutions of the value of systems of integrity and the rewards that might come from pursuing that: and the dangers of continuing with corrupt practices which they will expose – and the risks of continuing with that. Such organisations are, however, at the moment, more interested in exposing and punishing high profile corrupt individuals

## Notes

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<sup>1</sup> This analytical tool has been used by many. I came across it first in Development Dossier of IFDA (1983) where it was called “The Prince, the Merchant, and the Citizen”

<sup>2</sup> Few people or organisations are prepared to be as uncompromising as this. I take my lead from Meieros Mochtar’s paper “Corruption in Indonesia – what it is and how it works” in “Corruption – stealing from the people” by the Partnership for Governance Reform (forthcoming 2001)

<sup>3</sup> Taken from “Assessing Civil Society – Handbook for the use of the Civil Society Index” by Richard Holloway. CIVICUS. 2001.

<sup>4</sup> The terms “developmentalist” and “political advocacy” are translations of the widely used Indonesian NGO terms “*developmentalis*” and “*advokasi politis*”

<sup>5</sup> For a more detailed treatment of this subject, please see “Civil Society, Citizens’ Organisations and the Transition to Democratic Governance in Indonesia” by Richard Holloway and Kusnanto Anggoro, UNICEF Indonesia. 2000

<sup>6</sup> There has always been a problem in translating “NGOs” into Indonesian. Many people insert the English acronym into the Indonesian sentence. Others use “LSM” and this use stems from Suharto’s dislike of the term “Non Government Organisation” which for him sounded too close to “Anti-Government Organisation”. Still others use the word ORMAS (Organisasi Masyarakat) = Peoples Organisation, but this was a usage determined by Suharto’s attempt to control independent NGOs and make them part of his government controlled unions, professional associations, and trade organisations in 1984.

<sup>7</sup> The TI Source Book 1997: National Integrity Systems. Transparency International.1997

<sup>8</sup> The TI Source Book 2000: Confronting Corruption - elements of a national integrity system. Transparency International .2000

<sup>9</sup> The source of information to back up these statements is obtained most easily from the issues of the Indonesian weekly TEMPO since Suharto’s downfall. TEMPO has researched, documented, archived and published information on all the points mentioned. Since mid 2000 it has had an English language version which makes access to such information much easier for those who do not easily read Indonesian.

<sup>10</sup> MTI, assisted by AusAid has produced a survey of these organisations, called “Mapping Anti-Corruption efforts in Indonesia”. 2001. This is a more NGO oriented document, but is also in some respects an update of “A review of current initiatives of anti-corruption in Indonesia” by de Speville and Associates for the Project to Establish an Anti-Corruption Commission in Indonesia. 2000

<sup>11</sup> See Tim Lindsay: “Corruption and NGOs” in “Corruption - Stealing the Peoples Wealth” by the Partnership for Governance Reform (2001 forthcoming)

<sup>12</sup> See Richard Holloway: “NGOs – losing the moral high ground: corruption and misrepresentation” paper at the International Anti-Corruption Conference, Lima 1997

<sup>13</sup> “Pay and Patronage in the Indonesian Civil Service” by Manning and Hofman. 1998 available from the World Bank

<sup>14</sup> Governance Audit of the Attorney General’s Office. ADB, 2001

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<sup>15</sup> One of the best places to see the principles of the NGO sector set out is in the “Guidelines of Good Policy and Practice for NGOs” Commonwealth Foundation. 1995.

<sup>16</sup> The International Monetary Fund Letter of Intent in 2000 required a law to prevent this happening again. It resulted in the questionable new Yayasan Law mentioned earlier which has just been passed by the DPR (July 2001)

<sup>17</sup> The reader is invited to look at, for example, the volumes of regulations of USAID that NGOs have to be familiar with, and to comply with.

<sup>18</sup> Such kinds of corruption are well documented in the World Bank’s “Anti-Corruption Handbook” 1997, many of which examples came from Indonesia.

<sup>19</sup> The FAO inspired farmers associations are a very interesting case. They started specifically as groups to forswear over (and unhealthy) use of pesticides – and moved on to become a national association of farmers groups which was strong enough in May 2000 to carry its case for a Farmers Rights Charter to the DPR.

<sup>20</sup> The branches of the international organisation “Transparency International” in Latin America have consciously adopted the strategy of allying themselves with other mass organisations which are persuaded to introduce anti-corruption efforts in their members. So far no one has worked in this way in Indonesia.

<sup>21</sup> This quotation comes from the book “Striking a balance – a guide to enhancing the effectiveness of non-governmental organisations in international development. Alan Fowler. Earthscan. 1997 – particularly the Chapter 6 – Mobilising Financial Resources.

<sup>22</sup> In April 2000 JARI, SMERU, Ford Foundation and INSIST held a meeting called “National Reflections: CSOs’ agenda for local policies and community empowerment strategies” (Refleksi Nasional: Agenda Masyarakat Sipil menyangkut kearifan lokal dan strategi pemberdayaan komunitas) which discussed some of these points – but this is an isolated example.