



CORRUPTION, , GOOD GOVERNANCE and ECONOMIC DEVELOPMENT

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Chapter 11

Does Governance Reform in a Democratic Transition Country Reduce the Risk of Corruption? Evidence from Indonesia

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Abstract

Within the last decade, Indonesia has been sympathetically admired by commentators for the smooth running of a democratization process following the end of authoritarian regime under Suharto's administration. So far, along with the alteration of political rules of the game, the democratization process that is taking place has generated significant institutional changes, and brings a fairly major transformation in political landscape. Citizens are enjoying free liberal environment and are receiving the rights of speech and association that is guaranteed by the laws. Regular free and fair elections have been conducted for the third time for electing a president, members of senate (*Dewan Perwakilan Daerah/DPD*) and the people representative assembly (*Dewan Perwakilan Rakyat/DPR*) at both national and local levels. Free media has also been flourishing and plays an important role in scrutinizing governmental and political affairs. As well, power has been significantly distributed both vertically and horizontally: vertically, Indonesia has been carrying out a broad decentralization process where provincial and local governments are receiving a large number of authorities and

responsibilities for the provision of public services; horizontally, a number of new democratic institutions (currently there are about 40 Institutions in the form of committees and commissions) have been formed for exercising a different set of power and rotating the wheel of governance. In addition to these, military force has been sterilized from the political arena and no longer engages, at least on formal regulations, in business activities. In sum, as the World Bank (2003: i) maintains, Indonesia has been able to construct basic requirements for a strong functioning democracy.

When it comes to corruption, however, the extraordinary process of governance reform seems to have no effect. Despite the success story of many democratic accomplishments, Indonesia continuously performs poorly in dealing with corruption. In the last 10 years after democratization began, Indonesia still ranked close to the bottom, together with the most corrupt countries of the world, according to Transparency International's Corruption Perceptions Index. The score has never been far away from the score that was achieved during the authoritarian government era.

On the practical context, the appearance of corruption acts could still be easily observed in almost entire governmental buildings, especially in the places where public service is carried out. Street conversations about the way government officials maintain red-tape bureaucratic procedures in order to attract bribery, collusion between government officials and businessmen to capture public resources as in the case of illegal logging, conspiracy of judicial authorities to take illicit profit from court cases, and the way politicians exercise power to grab public budget are still in the daily reports of the Indonesian media. Due to systematic corruption, the quality of public services remains extremely poor. Devolution and decentralization of power has no meaning other than prosperity for the elites and the new power holders. Needless to mention that annually the State Auditing Agency keeps finding a huge number of irregularities in almost every government branch. In short, corruption has not only become an endemic in contemporary Indonesian politics, but also, turns into "a new ideology" where everyone seems born corrupt.

This chapter will try to examine these contrasting phenomena by explaining why the governance reform in a new emerging democratic country like Indonesia is not sufficient to curb corruption. While theoretically the implementation of good governance principles could end chronic abuses of power including corruption, evidence shows that this is

not an automatic mechanism. Instead, imprudent process of governance reform may create a fertile ground for the spread of corruption.

Keywords: Governance reform, democratic transition, democratization, corruption.

Indonesia suffers from a very poor international reputation regarding corruption, ranking near the bottom alongside the most corrupt countries in the world. It is also perceived as doing worse over time in controlling corruption. Indonesians agree. They liken corruption to a 'disease to combat, denouncing every known case'. While these perceptions may be overly influenced by the new openness of a democratic Indonesia, corruption is high and imposes severe social and economic costs. It also contributes to citizens' loss of trust in governments (World Bank, 2003b: 1).

For the last decade, Indonesia has been sympathetically admired by commentators for its smooth democratization and the reconstruction of governance arrangements following the end of the authoritarian regime. In conjunction with the transformation of the political rules of the game, the governance reform following the democratization process has reformulated formal accountability systems and caused a major transformation in the political landscape. The reform has enabled citizens to enjoy a free liberal environment while fully receiving the rights of speech and association that are guaranteed by law. Regular free and fair elections have been conducted for the third time, electing the President, members of the House of Regional Representatives (*Dewan Perwakilan Daerah/DPD*) and the Parliament (*Dewan Perwakilan Rakyat/DPR*). Media restriction was revoked, enabling them to play an important role in scrutinizing governmental and political affairs. Also, power has been significantly redistributed: a number of new independent institutions (currently there are about 40 semi-governmental institutions) have been formed for exercising different sets of power; also, Indonesia has carried out a broad decentralization process where provincial and district/city governments are receiving a number of responsibilities for the provision of public services. In addition, the military has been removed from the political arena and no longer engages, at least in formal regulations, in business activities. In sum, as the World Bank (2003b) maintains, Indonesia has been able to construct basic institutions for a strong, functioning democracy.

When it comes to the corruption issue, however, the extraordinary process of democratization and governance reform seems to have had no effect. Despite the success story of many reform accomplishments, Indonesia continuously performs poorly in dealing with the problem. After 10 years of exercising governance reform, Indonesia is still ranked close to the bottom of the most corrupt countries in the world, according to Transparency International's CPI (Corruption Perceptions Index). The index score has not been far above the score that was achieved during the authoritarian era.

In the practical context, the appearance of corrupt acts can still be easily observed at almost all government buildings, especially places where any public service is carried out. The story of government officials maintaining red-tape bureaucratic procedures in order to attract bribes, the collusion between government officials and businessmen to capture public resources, the conspiracy of judicial authorities to take illicit profits from court cases, and the way politicians exercise power to grab public budget resources remain constant topics of public conversations and media reports. Owing to systematic corruption, the quality of public services remains extremely poor. Devolution and decentralization of power only benefits the elites and the new power holders. Each year, the State Auditing Agency (BPK) keeps finding a huge number of irregularities in almost every government branch. In short, corruption has not only become endemic in contemporary Indonesian politics, but also, borrowing the words of anti-corruption activist Saldi Isra (*Media Indonesia*, 18/03/2003), it is turning into 'a new ideology' where everyone seems born to be corrupt. Given the fact that the current corruption problem is worse than during Suharto's era, it is not an exaggeration to say that corruption is an imminent and 'a significant threat to a successful political and economic transition for Indonesia' (World Bank, 2003b: 17).

This chapter seeks to describe the process of democratization in Indonesia, and the governance reform agenda following this democratization. The chapter also discusses the persistence of corruption in the new democratic environment. It argues that governance reform has not been able to develop an effective accountability mechanism and, accordingly, is not sufficient to stop corruption; on the contrary, it complicates and diversifies the problem. Similar to authoritarian actors, the new power holders

tend to utilize their political discretion as a commodity, one to be sold in exchange for illicit kickbacks.

Indonesia's Path to Democratization

Scholars explain the process of democratization differently. However, as maintained by Hara (2001: 308), they generally argue that the process is divided into four stages: the collapse of a previous authoritarian regime, transition, consolidation, and the maturing of democracy. The process usually begins with the collapse of an authoritarian regime due to strong pressure from the people and possibly the international community. Then it is followed by a transition where the regime is replaced by a more democratic government through free and fair elections. In the next stage, democracy is consolidated when democratic values have been widely accepted as the only way to organize political life in the country. Finally, a mature democracy is achieved when political practice fully conforms to democratic traditions. An ideal situation at this stage requires two reciprocal requirements: on the one hand, all democratic institutions should function according to their mandates and deliver services that meet public demands; on the other hand, citizens should be able and have opportunities to fully participate in any governmental process.

In Indonesia, regime change started with tensions based on broad public criticism in 1995, prominently led by Amien Rais, the chair of *Muhammadiyah*, against the practice of corruption committed by Suharto's circle and his government officials. During this time, along with the growth of an independent press, public criticism was fuelled by the news of corruption scandals and the unscrupulous behavior of Suharto's clique. The public generally had been disgusted by the practice of a monopolistic economy in the hands of an iron triangle: Suharto's family,ⁱ Chinese tycoonsⁱⁱ and military generals.ⁱⁱⁱ Amien Rais called for the end of KKN (collusion, corruption, and nepotism) in government administration.

Public despondency also corresponded to the fact that Suharto had been in power for a long period. Suharto took power from a civilian government following a bloody coup in 1965: he was inaugurated as a temporary President in 1966 and then full President in 1967. He maintained an effective authoritarian regime by using three pillars of power: military,

bureaucracy, and conglomerates. By manipulating elections, Suharto was repeatedly elected President in 1973, 1978, 1983, 1988, 1993, and 1998. The durability of Suharto's regime was ensured by his remarkable political skill to control subordinates by distributing patronage and manipulating conflict between them (Aspinall, 2005: 26). Holding power for almost 32 years, the public considered that Suharto was too old and incapable of sustaining his presidency. Some people called him *Pak Tua* (Mr. Elder) as he was sixty-six years old when he was re-elected president in March 1998.^{iv}

Another precondition for the democratization process was an incident on 27 July 1996. This affair was a physical attack on Megawati Sukarnoputri's Indonesian Democratic Party (*Partai Demokrasi Indonesia*, PDI) office by elements of the PDI with support from the Indonesian army.^v Following the attack, the resistance of Megawati's supporters created riots in Jakarta and other cities, leading to nationwide action and contributing to the rise of the people power movement to end Suharto's regime. Later on, the supporters of Megawati transformed themselves into a new political party named *Partai Demokrasi Indonesia Perjuangan* (PDIP) and won the first democratic election after the end of Suharto dictatorship.

In mid-1997 strong momentum for commencing democratization emerged due to an economic crisis that broke out in the middle of the year. The crisis, which stimulated the decline of Indonesian currency (Rupiah) from around 2,000 to the US dollar to over 15,000 and caused the rising price of daily basic needs, created conditions for the birth of 'people power' and a call for the resignation of President Suharto. In May 1997, a general election was conducted, followed by the formation of the People's Consultative Assembly (MPR). Despite strong public pressure to abandon Suharto, the MPR re-elected Suharto for another five-year term. Suharto was installed in the presidency on March 1998 and formed a cabinet that consisted of his close circle.^{vi} The continuity of economic crisis and nepotism in the cabinet created strong public opposition to the MPR's decision to elect Suharto. Aware that the government was unable to control the deteriorating economy and KKN, people became angry and openly demanded the resignation of Suharto. In early 1998, pioneered by university students, demonstrations started to break out in every major city demanding Suharto step down.^{vii}

Pressure from the people forced Suharto to hand-over his power to his deputy, BJ Habibie, on 21 May 1998. The immediate years following the

collapse of Soeharto were marked by efforts to unwrap the old regime, including curbing Suharto's KKN, bringing former President Soeharto and his equally corrupt cronies to court, making constitutional amendments, discontinuing the dual-function of the Army and Police, and granting autonomy to regional districts.

Under strong public pressure, Habibie's administration recorded a number of policies that fitted with public demands. He released political prisoners like academic Sri Bintang Pamungkas and labour activist Muchtar Pakpahan. He also ended restrictions on the media by removing regulations that provided authority for the government to license and control the media. Under Habibie's initiatives, Indonesia for the first time carried out what the World Bank (2003a) called a 'big bang' decentralisation process. Habibie also promised to conduct a general election to refresh the authority of government. For this initiative, Habibie's government launched a new regulation that allowed political parties to freely participate in the general election (Hadiwinata, 2003: 79).

The first internationally recognized free and fair elections for the parliament after the Suharto era was held on 7 June 1999 to elect 450 members of DPR.^{viii} As mentioned above, Megawati's PDIP won the election by gaining 153 out of 450 seats in parliament. However, because of the indirect electoral system, whereby the MPR selects the president, the winner of the parliamentary election does not necessarily win the presidential seat. The presidency went to Abdurrahman Wahid, more commonly known as Gus Dur, who successfully assembled the votes of parliamentary members from the Golkar and Islamic parties. Megawati was consigned to the position of vice-president. Gus Dur, however, only stayed in power for less than two years. Still stimulated by the anti-corruption spirit, the public was discontented with corruption cases that were allegedly committed during Gus Dur's presidency, which popularly became known as *Bulog-gate* and *Brunei-gate*.^{ix} On 29 January 2001, thousands of people conducted a mass demonstration to put pressure on the MPR to expel Gus Dur from the presidential palace. Following strong public pressure, Wahid was then dismissed by the MPR and replaced by Megawati Soekarnoputri on 23 July 2001.

Despite some positive achievements,^x Megawati's administration was marked by threats of separatism, economic instability, domestic terrorism,

and her unimpressive performance. She was repeatedly criticized by commentators for her habit of taking a nap during working hours while Indonesian people were struggling with conflicts and economic deterioration. President Megawati also had close bonds with military generals on many sensitive issues, creating rumors of the possibility of a resurgence of the military force in the political arena. Weakened by her party's disintegration, the popularity of Megawati dropped from her top position during the early days after the fall of Suharto. In October 2004, Indonesia, for the first time, conducted direct general elections to elect a president and parliament members. Megawati was defeated by Susilo Bambang Yudhoyono who became the first president to be elected directly.

Governance Reform Following Democratization

Strengthening the formal accountability system by reducing excessive government control became the central theme for governance reform during the democratic transition process in Indonesia. This is not surprising, because for over 30 years the regime effectively maintained a bureaucracy, military and police force, as well as a legal system that served the ruling elite rather than the people. The regime also did not give much power to regional government, positioning them merely as the agent of the central government. By oppression and manipulation, the government tightly controlled elections and political parties, thus representation in the parliament did not have substantial meaning because there was no real choice at the ballot box (see for example Heryanto, 1996). Combined with ignorance of formal procedures and favoring informal personal relations, excessive government control created the growth of systemic corruption (see King, 2000; Schwarz, 2000).

Governance reform has been undertaken aiming to tackle this disarray. It has brought about a series of fundamental changes in Indonesia's social, political, and economic landscape, which previously was mismanaged by Suharto. With assistance, and occasionally pressure, from donors, international agencies and CSOs, Indonesia's new democratic regimes have undertaken, at least formally, a number of reform programs for practising good governance principles. Anti-corruption, in particular, turns out to be the most important issue for driving the reform. The following is the

general description of the reform process to the extent that it relates to corruption eradication.

Constitutional Amendments for a Democratic Framework

In order to install the necessary requirements for the operation of a democratic system and fortify the accountability of the government, the Indonesian constitution has been repeatedly amended by the MPR. Amendments include strengthening the position of the parliament (DPR) by asserting that DPR members shall be elected by general elections,^{xi} providing the institution with full legislative powers and the ability to call the government to account^{xii} and impeach the president.^{xiii} Further in 2000, amendments were made to emphasize the importance of decentralization,^{xiv} recognize the importance of human rights,^{xv} and make a clear distinction between defense and security forces.^{xvi} Finally, amendments also covered a wide range of reforms in the system and institutional relations of governance. They include the modification of presidential and vice-presidential election system,^{xvii} reconstruction of the MPR structure,^{xviii} and the establishment of ‘an independent central bank’.^{xix}

The End of the Military’s Role in Business and Politics

The long extensive military role in Indonesian politics and business since the 1950s has meant that the military has been implicated strongly in much of the systemic corruption (see Muna, 2002; Crouch, 1986). Under military reform, the engagement of the military in politics and business has now been formally terminated. Although not complete, important steps have been taken to realize this goal. The repositioning of the military has involved removing the customary dual function (as ‘political’ and ‘armed’ forces) of Suharto’s era. Part of the military reform also includes the reduction of the military’s influence in formal politics, by reducing its membership in parliament from 20% to 10% in 1999. All military representation in legislatures was ended in 2004. Additionally, the military (and the police) have been set in a neutral position in elections, abandoning

traditional support for Golkar. As well as the reposition, the military also have been forced to open their activities to audit, and are disbanded from business activities. Under law 34/2004, the armed forces were required to surrender all their commercial enterprises to the government within five years (Palmier, 2006: 158). Despite refusals from conservative groups within the armed forces, some measures have been taken to ensure that their businesses be incorporated into the state's own enterprises and government's budget. In order to facilitate the transfer of military business, on 16 April 2008, the government formed a team responsible to carry out the transformation. The team was ordered to conclude the transformation by 16 October 2009 (*Republika*, 28/04/2008).

Privatization and Economic Liberalization

During Suharto's government, State Owned Enterprises (SOEs) were known as 'cashcows' for financing the regime and enriching government officials. By considering that the lessening role of the state in the economy can both improve performance and reduce corruption, Indonesian democratic government, under IMF (International Monetary Fund) policy prescriptions, started to privatize some SOEs in 1999. All the post-1998 presidents shared a common view that privatization was necessary and made numerous announcements about restructuring programmes and plans for privatization. During the first decade of democratization, around 10 to 15 SOEs were lined up for privatization annually. Based on IMF consultation, the government typically undertook privatization in the sectors of telecommunication, mining, cement, air and sea ports, toll road, steel, plantation, fertilizer, surveyor, and pharmaceutical business (Habir, Sebastian, and Williams 2002).

Devolution of Power: The Establishment of Independent Governance Agencies

In order to reduce the concentration of power within the government, one of the most significant reforms was that Indonesia undertook devolution of power through the establishment of independent institutions to exercise governmental functions that previously rested under state

authority. Typically, the institutions were formed under regulation, and their members attained their position through selection processes in the executive and legislative body. Members of the institutions are usually representatives of CSOs, professional groups, and sometimes the government. So far, Indonesia has established around 46 transitional and extra-government institutions, which are relatively independent from the government.^{xx}

Returning Sovereignty to the People: Citizens' Rights and General Elections

Along with the amendment of its constitution, Indonesia also abolished laws that contravened civil rights and created new laws considered necessary to protect the rights of citizens. The new laws, driven by the spirit of liberalization from state domination, generally express the absolute right of citizens to live without tight government restrictions. This condition stimulated the mushrooming of various organizations, representing all sections of society.

For strengthening the sovereignty of the people, laws on elections have been made to make sure that the people have the right to choose their political leaders. Since 1999 the election system had been administered by a number of different laws. Besides granting the people freedom of association, the regulations^{xxi} also provide the opportunity for scrutinizing closely every candidate running for elections. The laws position political parties as the central players in a new political system landscape, and allow the people to freely establish parties to attain political office. These conditions have created the incentive for people to form parties, leading to a flourishing of hundreds of new political parties over the last 10 years.^{xxii} The laws also stipulate a direct election system for electing the president and vice president,^{xxiii} multimember constituencies for electing DPD members,^{xxiv} and the open list system of proportional representation for electing DPR/D members.^{xxv} Moreover, these new regulations also enable the execution of relatively free and fair competition among candidates and political parties. The elections are now organized by an autonomous General Election Commission (KPU) that is independent from government intervention.

Regional Decentralization

In the same spirit of implementing democratic principles, as well as to tackle the threat of national disintegration, Indonesia introduced a decentralization policy in 1999.^{xxvi} This policy resulted in a massive transfer of power from central to regional government, making Indonesia from ‘one of the most centralized systems in the world into one of the most decentralized’ (World Bank, 2003a:1). The decentralization regulations (Laws 22/1999, revised by law 32/2004) provide the provinces, districts and cities with new powers previously held by the national government. Regional governments are now responsible for planning, financing and implementing policies in major sectors of social and political life.^{xxvii} The regulations also provide the regional councils (DPRD) with more powers to supervise and control the regional administrations.

The Unresolved Problem of Corruption

Despite the achievements in formulating basic democratic institutions and attempts to strengthen the accountability frameworks described above, Indonesia’s governance situation is still unable to deal with corruption. As Hornick (2001: 9) maintains, there is much anecdotal evidence indicating that corruption in the post-Suharto era continues to be ubiquitous — despite a formidable array of legislation prohibiting it, and notwithstanding several successful and celebrated prosecutions of corrupt officials. Although a number of reforms have tackled certain parts of the problem of corruption, the failures are evident; many signs indicate that corruption is still widespread, has become systemic, and is ingrained in the power and social structure of the country (Widjojanto, 2006: vii). Overall, accountability systems remain extremely weak, making government officials still relatively ‘untouchable’.

In fact, patterns of corruption during the Suharto regime continue during democratic transition. The way power holders sell decrees and legislation to the corporate sector, the way the bureaucrats pursue illicit kickbacks for procurements, and the way judicial officers utilize legal process for bribery are still prevalent (Rais, 2008). This can be seen, for example, in the case of BLBI (*Bantuan Likuiditas Bank Indonesia* — Liquidity

Assistance of Bank Indonesia) that is tainted by systematic corruption practice. According to auditing agencies in Indonesia, the case has created total losses for the state of around Rp138 trillion (World Bank, 2005). The case took place in the last period of Suharto's presidency and has so far not been resolved and even breeds more corruption. Despite some actions being taken, the achievement has been disappointing. Those who are responsible for tackling the case use their authority for personal benefit. Some prosecutors and judges who have handled the BLBI case have been proven several times to have made illicit deals with suspects in the case. They conducted secret meetings and received bribes from suspects to contrive the termination of an investigation or to soften the prosecution.^{xxviii}

Public sector services in particular have never retreated from making illegal charges or accepting bribes, creating inefficiency and aggravating the burden for the user of public services.^{xxix} Corruption hampers the investors who wish to apply for a business license because it takes a long time and is complicated with various charges. A report of a survey carried out in 2007 by KPPOD, a leading think-tank, notes that many regional governments maintain corrupt, costly, and overly complicated procedures for business licensing (KPPOD, 2007). Not surprisingly, the record of Indonesia's global competitiveness remains poor. According to the *World Competitiveness Yearbook*,^{xxx} Indonesia's rankings since 2002–2008 are respectively 47th in 2002, 57th in 2003, in 2004 Indonesia was not included, 60th in 2006, 51st in 2007, and 54th in 2008. These ratings positioned the country on the spot between the second-to fifth-worst of the countries measured. This fact may reflect the poor confidence of international investors to invest in business in Indonesia.

The persistence of corruption in Indonesia is shown in many international surveys, which generally indicate that corruption does not stop following democratization and governance reform. In June 2008, the World Bank Institute marked Indonesia as amongst the worst in developing countries in terms of law enforcement and controlling corruption efforts. The Institute, which combines many individual data sources into six aggregate governance indicators, shows that Indonesia generally still has a poor score in the overall governance indicators and has been doing poorly in handling corruption during the last 12 years (1996–2007). In a similar vein, the Political and Economic Risk Consultancy (PERC)

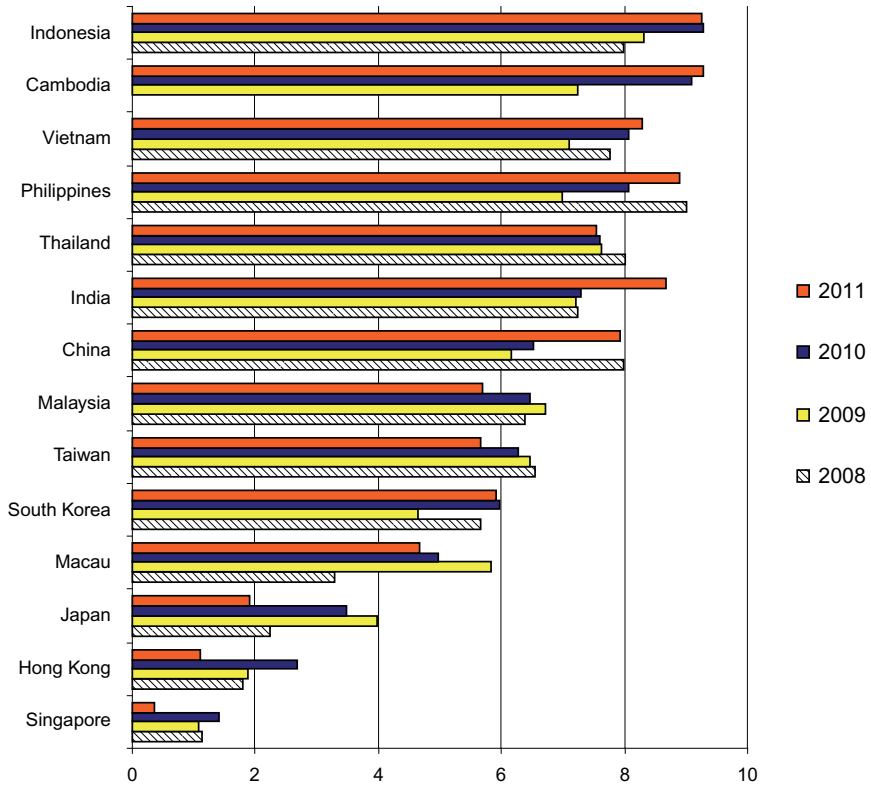


Figure 11.1 PERC's corruption mark in Asian countries (2008–2011)

Source: PERC (2008; 2009; 2010; 2011) (www.asiarisk.com).

Annual Graft Ranking consistently gives Indonesia a poor score on corruption. As Figure 11.1 shows, in 2008–2011 the institution persistently marked Indonesia as one of the most corrupt countries being surveyed. In 2011, the PERC scored Indonesia 9.25 and listed it as the most corrupt country among 14 countries surveyed in Asia. Against the records, the institution comments that ‘The absolute scores show corruption in the public and private sectors is still very high’ (*Bangkok Post* 09/04/2009) and further remarks that ‘the judiciary is one of Indonesia’s weakest and most controversial institutions, and many consider the poor enforcement of laws to be the country’s number one problem’ (AFP, 14/09/2008).

Another business consultant institution, Political Risk Services (PRS), which analyses climate for investment in hundreds of countries, also notes that widespread corruption, bureaucratic obstacles, and inadequate legal protection are the main sources of deterrence for foreign investment and economic growth in Indonesia. PRS further consistently describes that investment climate in Indonesia is undermined by the heavy practice of un-official payments. In 2007, for example, the PRS pointed out that the climate in Indonesia is generally unfriendly for foreign investors, since ‘inefficient and corrupt administrative procedures, as well as an arbitrary legal system, frequently hamper international business, adding at least 10% to the cost of doing business’ (PRS, 2007: 9).

Similar evidence is also shown by Transparency International’s Corruption Perception Index (CPI) survey (see Table 11.1). With the fluctuation of CPI scores ranging between 1.7 at the lowest and 2.6 at the highest on a 10 point scale (with higher numbers indicating lower corruption), Indonesian records show no significant improvement over the last decade. Apart from the conventional types of corruption that took place during Suharto’s era, the TI reports that political corruption has become a new trend in Indonesia’s democratic governance. According to TI, ‘one reason for this trend is the fact that political parties are not allowed to solicit their own funds to the required amount. Ministers and other holders of political office are expected to solicit funds, usually corruptly, to feed their political party’s demands’ (TI, 2008: 195).

Although the corruption indices reported in these surveys are generally based on subjective rankings by foreign business persons, domestic

Table 11.1 Corruption remains a problem: Indonesia’s CPI records

	Authoritarian period					Democratic period									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Score	2.6	2.7	2.0	1.7	1.7	1.9	1.9	1.9	2.0	2.2	2.4	2.3	2.6	2.8	2.8
Rank	45/ 54	46/ 52	80/ 85	96/ 99	85/ 90	88/ 91	96/ 102	122/ 133	133/ 146	150/ 156	130/ 163	143/ 179	126/ 180	111/ 180	110/ 176

Note: “CPI (Corruption Perception Index) score indicates the degree of public sector corruption as perceived by business people and country analysts, and ranges between 10 (highly clean) and 0 (highly corrupt)”.

Source: Annual corruption perceptions surveys of Transparency International (www.transparency.org).

surveys and investigations also articulate a similar picture. A Governance Assessment Survey by Gadjah Mada University in 2007, for example, concluded that illicit capture systematically takes place in governmental offices in all areas of the 10 provinces and 10 districts surveyed (ICW, 2008: 8). Meanwhile, audit investigations undertaken by the State Auditor Agency (BPK) in every semester also revealed that there is a constant misuse of state budgets in most government institutions during the democratic era (*Koran Sindo*, 26/01/2008). During the period of 2003–2008 the BPK has reported 210 cases of misappropriation of money-worth Rp30.18 trillion and US\$470 million (*Suara Merdeka*, 13/01/2009).^{xxxi}

Evidence of the proliferation of corruption is not only reported by surveys, observations, and investigation reports. There are also testimonies in thousands of Short Message Services (SMS) and letters delivered by ordinary people to President SBY. Since the president launched the postal address of PO BOX 0049 and the telephone line 9949 in 2004 for direct complaints from the people to the government, corruption issues always occupied the top rank of messages delivered to the president in every year (*Rakyat Merdeka*, 23/07/2007).

Although a number of anti-corruption task forces have been established, the poor performance of conventional rule-enforcing agencies such as the police, prosecutors and the courts greatly reduces the prospects for eradication. In fact, during the last four years the rule-enforcing authorities that are charged to uphold law enforcement have been the most corrupt institutions. The Global Corruption Barometer (GCB) of Transparency International revealed that police, parliament, political parties and the courts held the worst records on corruption (see Table 11.2).

This figure is also confirmed by annual reports from the National Ombudsmen Commission. In 2007, for example, 251 (29.7%) out of 846 complaints that the commission received concerned the poor performance of the police agencies, followed by 168 for regional governments, 114 for the court, and 65 for national government departments (*Antara News*, 28/12/2007). Post democratization, judicial officials generally have enjoyed a poor reputation for exploiting the law for self-enrichment. This is shown, for example, by the ongoing bulk of public reporting to 14 Indonesia-wide offices of the Indonesian Legal Aid Agency (LBH) concerning abuse

Table 11.2 The four most corrupt institutions in Indonesia

2005		2006		2007		2008	
Institution	Score/ Rank	Institution	Score/ Rank	Institution	Score/ Rank	Institution	Rank
Political Parties	4.2 (1)	Parliament	4.2 (1)	Police	4.2 (1)	Police	n.a. (1)
Parliament	4.0 (2)	Police	4.2 (2)	Parliament	4.1 (2)	Customs office	n.a. (2)
Police	2.0 (4)	Judiciary	4.2 (3)	Judiciary	4.1 (3)	Immigration	n.a. (3)
Judiciary	3.8 (3)	Political parties	4.1 (4)	Political parties	4.0 (4)	DLLAJR (Transportation authority)	n.a. (4)

Source: ICW (2008: 10) and GCB-TI Indonesia 2005–2008.

committed by law enforcement agencies and the existence of ‘court mafia’ (KPP, 2008). In a similar vein, a report from the Commission of Prosecutors in 2007 also mentions that the Commission received about 400 incoming reports from the public concerning irregularities and violations related to prosecutors, mostly in the form of extortion (*Suara Merdeka*, 19/10/2008).

A long-serving and reputable anti-corruption fighter, George Aditjondro (2001), maintains that corruption in the democratic transition era is worse than in the era of Suharto, since the uncontrollable disease has spread to numerous groups and actors. Anecdotal evidence shows that during the democratic transition corruption manifested itself in various ways and at all levels of the power structure, from the top levels of power to street-level (ordinary) bureaucrats in the lowest structure of government (Hornick, 2001). In other words, all power holders effectively utilize their authority as a commodity for personal gain. Not surprisingly, former Minister of National Development Planning, Kwik Kian Gie, suggested that in the democracy era an average of up to 40% of the national budget has been embezzled annually (*Banjarmasin Post*, 05/12/2007). In an even more pessimistic view, KPK predicted that the percentage of the budget that is abused may reach 45% of the total APBN (state budget) every year (*Sinar Harapan*, 20/04/2005).

Top officials or high-level executive branches keep extracting illicit payments from SOEs and natural resource exploration activities.^{xxxii} The players are high ranking officials including senior bureaucrats, regents/

mayors, governors, heads of national agencies, ministers, and even presidents. Owing to this type of corruption, for example, some companies have the privilege of occupying thousands of hectares of forest and conducting illegal logging without fearing punishment (Rais, 2008: 156–158). In 2008, the public was outraged over the discovery of an irregularity in a gas exploitation contract made under Megawati's administration in 2002. At the time, President Megawati appointed her husband, Taufik Kiemas, to head senior government ministers on a trip to Beijing in December 2002 to hold talks with Chinese Prime Minister Zhu Rongji and negotiate a US\$13 billion liquefied natural gas (LNG) contract for Tangguh field. The deal was suspected to be tainted with corruption since the selling price was too low and has caused potential losses to the state of Rp75 trillion. Some commentators believe that the Tangguh gas selling price is only one sixth of the normal selling price, so that the country will be disadvantaged by US\$3 billion a year and Rp75 trillion over the 25 year contract (*Kompas*, 02/09/2008).

Political corruption also increased greatly after democratization, since the parliament is now recognized as a major source of power. Lack of funding for political parties, multiple interpretations of legislation, and sudden possession of discretionary power along with the limited capacity of new politicians are cited as the primary explanations for the problem. Political corruption that is reported to involve hundreds of legislative members at national, provincial and local level leads to the public impression that their political parties support the officials involved in the cases (*Suara Merdeka*, 20/12/2007). This is shown, in the TI Global Corruption Barometer survey mentioned in Table 11.2, that consistently put the parliament and political parties among the country's most corrupt institutions. In the period between 2003 and 2006 alone 967 provincial and local parliament members were named as suspects in corruption cases (Hadiz, 2008: 2). National parliament members also seem to wait to be named as suspects of corruption. For example, throughout the first half of 2009 at least five members of the House of Representatives were arrested by KPK on various charges of corruption.^{xxxiii} Previously in 2008, there were also several DPR members who were arrested for alleged corruption.^{xxxiv}

Meanwhile, petty corruption remains unchanged. Street-level bureaucrats keep taking advantage of their daily jobs by receiving bribes,

gratuities and other benefits when providing basic public services and clemency for offences (such as avoiding traffic tickets, false custom clearance, and evading tax).^{xxxv} It is still a common practice in Indonesia that people have to pay additional fees for getting services; otherwise they will be in trouble, no matter what their condition. Bureaucrats generally impose private taxation through extortion when people and firms want to be issued with, or to retain, licenses required to undertake particular activities, or if they want to attain services to which the people and firms in question are already entitled, such as protection by the police against violence and intimidation (McLeod, 2003: 8–9). In addition, in most sectors, the system of public procurement still relies on the decisions of bureaucrats who commonly take benefit by attaining kickbacks from government contractors (Hornick, 2001: 14).

To summarize, it is clear that democratization does not necessarily reduce corruption. In fact, as will be described below, due to the decentralization of power and administration, corruption previously concentrated at the central government level has now spread into the regional government level.

The Spread of Corruption to the Regional Government Level

In general theoretical terms, decentralization is considered one of the more effective approaches to tackle corruption. Apart from creating smaller constituencies that more easily facilitate the monitoring of the performance of elected representatives and public officials, decentralization also reduces collective action problems related to political participation for supervising the government (Lederman *et al.*, 2005: 5). Decentralization enables the public to organize small groups of people to undertake dialogue with the government to question and demand service improvement. In this respect, the more decentralized the political system, the stronger are the accountability mechanisms and the lower is corruption (Nas *et al.*, 1986; Rose-Ackerman, 1999). However, when not properly designed, decentralization can also undermine the accountability of government. As supervision from the central government loosens and regional authorities often lack their own checks and balances,

regional officials have more space to maneuver for practicing corruption (Fox, 2000: 6).

Once decentralization was undertaken by Indonesia many commentators expressed optimistic expectations concerning its potential to oppose the centralized and corrupt state. It was said that decentralization would create advantages, including narrowing the gap of disparity among regions, the more participatory process of political and social development, and the weakening of vertical authority structures will improve the financing, planning and supervision of social services. Commenting on the early stage of the decentralization process, Alm *et al.* (2001: 86), for example, maintain that:

The assignment of significant new expenditure responsibilities to provincial and especially to *kota/kabupaten* governments has the potential to achieve the efficiency gains that come when a government's decisions are more responsive to the wishes of its citizens, so that public services are provided in amounts that correspond more closely to the preferences of the individuals in those jurisdictions, rather than at uniform national levels. Other potential gains include greater revenue mobilisation, because citizens may be more willing to pay local taxes to provide local public services and because regional governments may be more familiar with, and so better able to tax, local tax bases.

After several years of implementation, however, the decentralization process in Indonesia suffered from criticism that it only provided more opportunity for local elites to commit corruption. Decentralization did not make significant improvement in accountability and public services; rather, it caused the spread of corruption, increased localism and a 'politics of little emperors' (Aspinall and Fealy, 2003; Hadiz, 2004; McCarthy, 2004). The 'big bang' decentralization caused an 'anarchical' and 'chaotic' institutionalized pattern of corruption during the New Order regime (Webber, 2006: 411). Some Indonesians called the phenomenon *Efek Seratus Suharto*, the '100 Suharto Effect' (Thorburn, 2002: 623). The term describes a trend in regional corruption that multiplied corrupt rulers like Suharto. Governors and district government heads (regents/mayors), who now enjoy tremendous political power within their respective regions, have typically misused their position to enrich themselves,

their families, and other close associates; just like Suharto did during his presidency.

Decentralization allows the transfer of significant amounts of revenue to provincial and regional governments. But this has not been accompanied by a corresponding improvement in their financial management capacity, or by increased proper internal and external monitoring/supervision (DRSP, 2006: 8).^{xxxvi} In fact, there is an increasing tendency where oversight bodies at local level tend to abuse their authority, and take illicit benefits from those under their supervision (Dwiyanto, 2002b: 107). As a consequence, as Nordholt (2004: 30) argues, Indonesia's decentralization does not necessarily result in democratization, good governance and the strengthening of civil society at the regional level; instead it allows corruption, collusion and political violence that once belonged to the centralized regime to be now molded into existing patrimonial patterns at the regional level.

The Reform Deficits

While reform programs seem to be achieving impressive progress, the persistence of corruption during democratic transition raises questions about why the new institutional structure of governance does not reduce the problem. One way of examining this question is to understand that the democratic transition process is not always resistant to the influence of the system and the political configuration set up by the previous authoritarian regime. As international experience shows, 'the characteristics of the previous non-democratic regime have profound implications for the transition paths available, and the tasks different countries face when they begin their struggles to develop consolidated democracies' (Linz and Stepan, 1996: 55).^{xxxvii}

The persistence of domination of pre-democratic elites occurs partly because democratic transition was not followed by transformation of personnel in the bureaucracy, judiciary and military, or a large-scale redistribution of power in the business sector (Webber, 2006: 410), making an opportunity for the old neo-patrimonial actors to reposition themselves within the new political amphitheatre. Generally speaking, as Robison and

Hadiz (2004) argue, the old power relations in Indonesia have simply reinvented themselves since Suharto's fall rather than being transformed. Indonesia's bureaucracy, in particular, has generally not been too much different to what it was during Suharto's era. The administrative system still tends to emphasize 'rules and compliance' rather than 'incentives and performance' (Cole, 2001: 14). Even if presidents have shown willingness to deal seriously with corruption, because officers in the bureaucracy are still circumscribed by the old traditions, presidential programs will simply be opposed by bureaucrats. In this respect, on one occasion President Megawati complained about the poor performance of Indonesian bureaucracy by calling it a 'waste basket' (*keranjang sampah*), referring to its lethargic performance in responding to public demands (*Kompas*, 11/02/2002). One of her ministers, Kwik Kian Gie, on another occasion, also maintained that the bureaucracy had been contaminated by an acute corrupt mentality under the 32 years of Suharto's government (*Kompas*, 10/06/2000).

In addition, social disorder in Indonesia engineered by Suharto's government persists, hampering the functioning of the democratic mechanism in curbing corruption (Antlöv, 2002: 2; Cole, 2001). On the one hand, for over three decades, citizens were forced to choose between various patrons to channel their interests, and had been subject to the very repressive and unresponsive government. Thus citizens have little to trust the political and judicial system, and have little experience of influencing public policy. On the other hand, the massive accumulation of power and patrimonial governance system has meant that the government has been unaccustomed to the notion of accountability toward society in general. For a long period, government officials have been informally and effectively placed above the law, allowing them to exploit their authority for private benefit. Thus, the old systems, values, and behaviors have survived in the era of new democratic freedom, and are now ever more being put to the service of new political masters (Cole, 2001: 13). Despite decentralization processes, bureaucrats, in particular, have positioned themselves as a strong group with significant support bases via the use of patrimonial practices during the Suharto government. As a consequence, newly established regional and local democratic institutions have been ineffective in promoting responsive and accountable governance.

In other words, the democratic transition in Indonesia has been influenced by the widespread and deep-rooted patrimonial practices that Suharto built (3–4; Robison and Hadiz, 2004). Although the authoritarian regime has changed, the use of personal and particularistic ties still take place as the means by which civilians and elites seek to influence politics. In such circumstances, the governance system fails to operate as it should because state institutions are generally not impartial, are unpredictable, and are in disharmony with the rule of law, while the citizens (as clients) have had to utilize informal connections to obtain services, including bribery.^{xxxviii} For example, a national survey carried out by Partnership for Governance Reform Indonesia (PGRI) in 2002 shows that two thirds of its respondents stated that they have been involved in the practice of bribery, not necessarily because they were forced, but because they considered it the only efficient way to attain government services (PGRI, 2002: 22).

The persistence of corruption in Indonesia, however, is not only perpetuated by the inheritance from Suharto's government. It is also a product of incomplete democratic consolidation. As the World Bank (2003b) points out, despite the progress on governance reform discussed above, the accountability mechanism is still characterized by substandard functions on every level (see the summary in Box 1). Moreover, vested interests are too powerful, limiting the state's ability to undertake comprehensive reform in implementing a mechanism of accountability (World Bank, 2003b: vi).

As well, the transitional process, which by nature created social and political instability, allowed informal rules to thrive and provided incentives for corrupt officials and their cronies to retain power without proper monitoring. This situation is even worse due to the co-opting of Indonesia's democracy by criminal networks and drug trafficking. Many leaders of *preman* (semi-criminal) groups, who are relatively uneducated and rely on organized violence, are reported to enter politics where they hijack new political and economic structures (Wilson, 2006; Chadwick, 2006: 72–74). They have succeeded in taking hold of some key positions in the policy-making structure, but are inexperienced and have a very limited capacity to understand and carry out their jobs (World Bank, 2003b: vi).^{xxxix} So, while many scholars advocate that the key to combat corruption relies on policymakers developing strategies for addressing the problem, most

Box 1: Accountability Remains Weak: The World Bank Analysis

In 2003, the World Bank analyzed the continuance of the weakness of accountability mechanisms in the governance configuration of Indonesian democratic transition. The Bank summarized that the weaknesses were due to a number of factors, including:

- ineffectual rules enforcing agencies, because they were poorly funded, ill-equipped, and tainted with corruption;
- most politicians and policymakers have a lack in formal experience of government as they are just starting to learn their new job;
- continuations of patterns of behaviors under the New Order regime that fundamentally undermine accountability, not only at central but also, at provincial and district levels;
- strong and fragmented vested interests on state asset redistribution following the financial crisis, making the illicit state capture very difficult to be controlled;
- limitation of the media and civil society to scrutinize the government;
- deficient control of citizens over politicians and service providers;
- poor capacity of politicians in making regulations and keeping agencies in check;
- Non-transparent systems of administration.

Source: World Bank (2003b: vi).

of these new policymakers do not have adequate capacity to develop the strategies. Besides, they do not want such strategies because this would harm their own interests.

Apart from these issues, Suharto's downfall has created the loss of effective government (McLeod, 2003). The governance system that used to be controlled by a single authoritative power has disintegrated. Although the return of authoritarianism is certainly not likely, democratization has created a diversity of groups, leading to conflicting interests and agendas, and eventually eliminating unity in command. The establishment of

extra-governmental institutions, which have even less connection to one another, makes coordination among actors more difficult.

The situation is worsened by the fact that the governance reform is taken with the absence of a 'road map', a binding agenda that could lead the reform to a collective destination. After 10 years of reform programs, there is no single blue print for determining the agenda. Rather, the reform programs contain several approaches, which manifest in separate strategy documents produced by government, parliament, bureaucracy, political parties, CSOs, and international development agencies. Each has its own agenda, program and framework for putting the idea of governance reform into practice (UNDP, 2006). These actors not infrequently work independently of each other. Sometimes, the view and keenness for reform is also not uniform across agencies. Stated simply, the absence of a common agenda has created institutional fragmentation, slowing the pace of reform.

Coordination and synchronization of individual agendas have been difficult because of the complexity of power relations. Given the fact that there is no single institution that has a mandate to coordinate the governance reform program, poor coordination in terms of harmonizing authority emerges. The president is no exception. This fragmentation of power has created a situation where key political actors are not necessarily with the presidential circle, making it difficult for presidents to influence key political-governmental agencies (Cole, 2001: 16).

Furthermore, the implementation of reform has been half-hearted due to obstacles that come from elites and political parties pursuing their own interests. Overall, political parties' willingness to realize good governance is only lip service; their genuineness is doubtful as good governance might obstruct their interests (see World Bank, 2007). The attempt to combat corruption is undermined by the nature of political dynamics in the new political system. Given the fact that Indonesian elites are almost defined by the opportunities for beneficial corruption, attempts to tackle the problem will encounter major political upheaval (King, 2008). All presidents, albeit formally articulating the importance of corruption eradication and employing some measures, are unable to escape from the corruption already so pervasive in their immediate circumstances. Taken as a whole, the political arena is tainted by illicit

captures promoted by the parties that belong to, and provide political support for the presidents. Sadly, the involvement of political parties in corruption also limits the supervisory role the parliament plays to pressure presidents to work with integrity. A further important factor is that Indonesia's law enforcement agencies are hampered by a number of defective functions, making them unable to work independently to tackle corruption.

Concluding Comments

When democratization started following the fall of Suharto, the notion of governance reform to strengthen formal accountability mechanisms dominated most public forums. Yet the debate rarely pointed to its side-effects. Indeed, governance reform opened many opportunities for people to engage in governmental processes. But they are not necessarily prepared to comply with democratic principles. Thus, while governance reform can produce positive outcomes, it also creates unintended consequences, including the spread of corruption. In the New Order era corruption was committed relatively undercover by a limited number of people. But it is now a more openly and systematically committed practice. As the processes of devolution and decentralization of power deepened, the distribution pattern of corruption was also decentralized. While the initial circle of corruption centered on Suharto's circle, it has now spread to the new power centers in various state institutions and regional governments.

Moreover, the set of governance reforms has created a complex governance landscape, making corruption eradication much more difficult. Despite the domination of elite groups, there is no single element that holds the capacity to retain the power necessary for the operation of effective governance. While the government has tried to initiate several anti-corruption policies, the outcomes were not very effective. If the problem persists, it would be likely that apathy for the democratization process will grow; people may lose their faith in politicians and political parties. If the trend of popular disillusionment continues, the question might be a matter of when, and not if, an authoritarian power structure re-emerges.

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Endnotes

- i. Suharto's children in particular, have taken up direct and dominant position in business. Suharto's business empire was estimated to be worth up to US\$7 billion: his eldest daughter Siti Hardijanti Rukmana was

estimated to control assets of US\$2 billion, his second child Bambang Trihatmodjo's business was estimated to reach US\$3 billion, Hutomo Mandala Putra was reckoned to have assets worth US\$600 million, Sigit Harjojudanto was valued at US\$450 million, while the other two Suharto daughters were calculated to be worth US\$200 million and US\$100 million (Sender, 1996).

- ii. Chinese conglomerates maintained close relationships with the Suharto family and top level government officials for mutual trade. They provided cash for the regime and in return received protection for their survival. Some of them acted as mentors for Suharto's children to build their business empires. Throughout Suharto's era, Indonesia's ethnic Chinese, numbering about 3% of the population, dominated the economic sector by holding approximately 70% of the private economy. Although there is no proof on this issue, at the end of the regime 80% of the 50 largest Indonesian conglomerates were Chinese businessmen, who obtained assets of around US\$100 billion (King, 2000: 610).
- iii. Military generals became engaged in business activities due to the idea of 'extra-budgetary financing' for armed forces whereby Suharto allowed the army to secure their performance by raising funds to supplement funds from the state budget (Crouch, 1986: 274). This condition had enabled them to form a number of foundations that possessed big business companies. Yayasan Kartika Eka Paksi of the Army, Yayasan Dharmaputra of the Kostrad (Army Strategic Command), Yayasan Adhi Upaya of the Air Force, and Yayasan Bhumyamca of the Navy, to name a few, are the prominent foundations that operated Armed Forces businesses during Suharto's era. The military also had privilege to position a number of retired top military commanders on the board of state owned companies. These conditions made it possible for military personnel to broadly abuse their authority for private-individual gain. Most top and even middle-level military commanders possess luxurious properties and have accumulated wealth far beyond their official salary (Muna, 2002: 7).
- iv. Iwan Fals, a prominent artist and singer, wrote a famous and popular song entitled *Pak Tua*:
 You, who have been old, how are you; People said you just recovered, they said you were sick; Heart, kidney, and rheumatic, little bit mad; be careful Mr. Elder, please have a rest ... There is so much wind outside ... You, who have generous smile, are touching your tummy; Your fatter body views the sky; The day is just about nightfall, Mr. Elder is

sleepy; Sweet wife is waiting, please have a rest ... There is so much wind outside ... Mr. Elder, enough ... you look tired o ... yeah; Mr. Elder, enough ... we are capable to work o ... yeah; Mr. Elder ... please sleep! (cited in iwanfals.wordpress.com/2006/10/25/pak-tua, translated by the author).

- v. The attack correlated to internal conflict between PDI factions, specifically between the groups under Megawati's leadership versus Soerjadi's leadership. At the time, President Suharto disapproved of Megawati as a leader of PDI and preferred Soerjadi instead. Megawati who gained a growing political force was considered by government to threaten the stability of the regime. After several conflicts, a large clash between Soerjadi's and Megawati's supporters broke out in Jakarta on 27 July 1996.
- vi. Among others, he appointed his daughter, Siti Hardiyati Rukmana as Minister of Social Welfare, and his close friend, Bob Hasan was appointed as Minister of Industry and Trade.
- vii. As usual, the response from the regime was repression by sending troops to the streets. But this only intensified the protests. Nation-wide giant protests against Suharto's government mounted following the 'Trisakti Tragedy' on 12 May 1998, when a number of students from Trisakti University were killed in an a clash between soldiers and the students near their campus. The incident triggered massive riots and public demonstrations in Jakarta and most major cities. Day by day the situation became more out of control. On 14 May, a massive number of students and public occupied the MPR-DPR building, staying on the building site to ensure Suharto would step down. Amien Rais called the public to attend a massive public demonstration on 20 May. On that day, although in Jakarta the action was cancelled due to intimidation from the military, massive student and public demonstrations took place elsewhere, bringing Indonesia to the point of public insurrection.
- viii. At this election, there were 141 political parties registered to join the political race, but eventually after verification conducted by the KPU (electoral commission), there were only 48 political parties that could meet the requirements to participate in the election.
- ix. *Bulog-gate* refers to some vague transactions involving various government officials who appeared suspiciously corrupt involving the State Logistics Agency in 2000. *Brunei-gate* refers to a donation from the Sultan of Brunei for helping Indonesia encounter economic crisis, which was allegedly accepted by Gus Dur in his private capacity.

- x. Under Megawati's administration, for example, Indonesia improved public election mechanisms and began carrying out direct elections for president, members of parliament, governors, as well as heads of district and city. During the Megawati's presidency the KPK (Corruption Eradication Commission), as well as other independent commissions, were formed to deal with the persistent phenomenon of corruption. She was also quite successful in improving economic conditions by stabilising the value of *Rupiah* and maintaining economic growth around 2–3% (Soesastro, 2003: 9–11).
- xi. During Suharto's era, 20% of parliamentary seats were available for armed forces representatives who were appointed by the president. By this amendment, the constitution states that Indonesia is a fully democratic country.
- xii. Article 20(1) of the amended constitution, for example, mentions that the DPR holds the authority to make laws, which previously rested with the president. The DPR were also entitled with various authorities, including giving consideration and approval for the appointment of ambassadors, military chief commander, and head of the Indonesian police force. In Article 20a, the DPR is given legislative, budgeting, and oversight functions.
- xiii. By at least two thirds of a quorum meeting, the DPR could submit a dismissal proposal to the constitutional court if they considered the president violated the law, had been involved in criminal acts, or behaved disgracefully. Within ninety days, the court decides whether the accusation of the DPR against the president is legally acceptable. After receiving the decision of the court, the DPR submits the proposal to the MPR. The MPR will decide the proposal within thirty days. The dismissal decision should be made at a meeting attended by at least three quarters of its members and supported by a minimum of two thirds of members present.
- xiv. Decentralisation aims to trim down the strong power of the central government. Article 18 of the new constitution maintains that Indonesia is firstly divided into provinces, secondly subdivided into regency, and finally subdivided into municipalities. Each of these units 'shall administer and manage their own affairs'. This process is accompanied by democratic elections for governor, district head and mayor.
- xv. In Chapter Xa, especially Articles 28a–28j of the amended constitution, it is clearly expressed that all Indonesian people have an equal position

before the law, have the right to work, and have freedoms to associate, to assemble, and to express opinions.

- xvi. Note that previously the military (TNI) and police (POLRI) were managed under ABRI (Indonesian Armed Forces). In Chapter XII, the new constitution stipulates that defense and security affairs are separate domains. The separation, besides aiming to restrict military influence in the political arena, also aims to prevent the abuse of military forces for political and business interests.
- xvii. The right to elect the president no longer lies in the hands of MPR, but in the hands of the people through direct election. Article 6a of the amended constitution mentions that the people directly elect the president with the vice-president.
- xviii. The MPR is, as regulated by Chapter VIIa, now divided into two chambers: DPD (Regional Representative Council) and DPR (People Representative Council). The members of DPD represent every province, and are elected through a direct election. This is a significant step strengthening democratisation and decentralisation, because unlike old institutions in which some members were appointed by the president, all member of the MPR are now a product of a democratic process.
- xix. As mentioned on Articles 23 and 33, it is stated that the creation of an independent central bank is important in order to increase national economy and stabilise the monetary value.
- xx. These institutions include, for example, the Corruption Eradication Commission (KPK), the Judicial Commission (KY), the Independent Broadcasting Commission (KPI), the Commission to Audit the Wealth of State Officials (KPKPN), the Centre for Financial Transactions Reporting and Analyses (PPATK), the National Ombudsman Commission (KON), the General Election Commission (KPU), the General Election Supervisory Agency (Bapilu), the Attorney General Commission (KK), the National Police Commission (Kopolnas), the Business Competition Supervision Committee (KPPU), and the like.
- xxi. Namely Law 12/2003 (revised by Law 10/2008) on general elections, Law No. 23/2003 on presidential and vice-presidential elections, and Law No. 31/2002 (revised by Law 2/2008) on Political Parties.
- xxii. In 1999, there were 141 political parties that intended to participate in the election, but only 48 qualified to participate. In 2004, there were 50 political parties, 24 of them qualified. In 2009, there were 69 political parties and 34 qualified; 18 of the 34 were new political parties that for the first time follows the election.

- xxiii. Since 2004, Indonesia has had a direct election for electing the president and vice-president. A party or a coalition of political parties needs to attain at least 3% of the total seats in the DPR to participate in the presidential election, or at least 5% of the total registered voters in the DPR election. Similar to the presidential election, governors, regents or mayors are also elected through direct elections.
- xxiv. DPD is a new institution in the Indonesian political landscape, established to accommodate the interests of provinces in the national government. The institution has a number of mandates including submitting draft laws to the DPR in the areas of: regional autonomy; relations between central and provincial/regional governments; formation, separation, and merging of regions; management of natural resources and other economic resources; and the financial balance between centre and provincial/regional governments. The council also has rights for giving advices to the DPR concerning: the formulation of draft budget and expenditure bills; policies on taxes, education, and religion; and the selection of members of the State Audit Agency. The members of DPD are elected through multimember constituency and Single Non Transferable Votes (SNTV) where each province is considered a single electorate region. The participants are individuals, and voters have to vote for one candidate. Numbers of seat for each province are four, determined by the highest votes achieved by the candidates.
- xxv. Being considered in a weak position to supervise the government, DPR was reborn as a new institution with major renovations subsequent to democratisation. As discussed previously, the amendment of the Indonesian constitution has reshaped the position and function of the DPR as a full legislative body. The institution, which in the New Order era functioned merely as a rubber stamp, now emerges with a number of new authorities and powers. There is also a significant shift in its membership form. The 550 DPR members are elected through proportional open list system on every electoral boundary that is equivalent with province or sub-province. In this system, every voter elects one party or one candidate from the party list, or both. At the provincial and district level, the members provincial and local parliaments (DPRD) are also elected through a proportional open list system, under which every voter elects one party and one candidate from the electoral party list. At the provincial level, electorate boundaries are formed as equivalent to a district or incorporation of two districts, electing about 35 to 100 parliament members, depending on the population of each province. At the

district level, electoral boundaries are formed in parallel with sub-district, for electing about 20 to 45 parliament members, depending on the population of each district.

- xxvi. In 1998–1999, independence movements were on the go in Aceh, Papua, Riau, and East Timor. This was followed by the occurrence of other potentially destabilizing events in 2000–2001 when inter-ethnic and inter-religious conflicts broke out under odd circumstances in the Maluku, Papua, Sulawesi, and Kalimantan. The continuing violence and threat of violence underscored the need for stability, and this became a dominant premise in formulating and implementing the decentralisation process.
- xxvii. Currently, the general feature of the decentralisation situation under Law 32/2004, which is defined further by GR No. 38/2007, stipulates that regional governments hold authority over all governmental sectors, with the exception of 7 sectors that remain the authority of the centre government: foreign policy; defense; security; judiciary; monetary and fiscal policy; religion; and ‘other roles’ including policy on macro national development planning and monitoring, fiscal distribution, state administrative system, national economic institutions, human resources, exploration of resources, strategic technology, conservation, and national standardization.
- xxviii. In 2008, a scandal involving the team leader of prosecutors probe for BLBI, Urip Tri Gunawan, was revealed by the KPK after his conversation via telephone was tapped. Urip was caught red handed for receiving a bribe of US\$60,000 from Artalyta Suryani known as an accomplice of conglomerate Syamsul Nursalim. Following a series of investigations, it was suspected that some senior officials of AGO had been involved in the conspiracy. They included the Deputy Attorney General on Special Crime, Kemas Yahya Rahman, and Deputy Attorney General from the state and civil administration, Untung Udji Santoso (*Kompas*, 15/06/2008; *Suara Merdeka*, 27/09/2008).
- xxix. This is not surprising. Despite democratisation, the salaries of civil servants in Indonesia remain low. In a comparative research of bureaucratic corruption in Southeast ASEAN countries, Palmier (1985: 271–272) has identified that low salaries of civil servant as one of the important grounds of, corruption, along with opportunities (which depended on the extent of involvement of civil servants in the administration or control of lucrative activities) and policing (the probability of detection and punishment).

- xxx. The WCY was first publicized by the International Institute for Management Development (IMD) in 1989 and has been cited as a respected global reference for ranking and analyzing the competitiveness of industrialized and emerging countries utilizing four factors: Economic Performance, Government Efficiency, Business Efficiency, and Infrastructure.
- xxxi. For instance, in the first semester of 2005, BPK discovered that there was a total of Rp4.3 trillion of the budget missing. The number rose in the second semester up to Rp7.8 trillion. In 2006, the trend continued to reach Rp7.9 trillion in the first semester and Rp14.6 trillion in the second semester. In 2007, BPK found 36,009 cases of financial abuse with a sum of potential loss of Rp6,692 trillion in two semesters.
- xxxii. Similar to the authoritarian era, State Owned Enterprises (SOEs) in Indonesia are still noted for being an important source of corruption. Owing to the practice of being money machines for the bureaucracy and ruling parties, only a few Indonesian SOEs can be deemed healthy. SOEs generally are subordinated under technical departments and controlled by politicians. Not surprisingly, recruitment is rarely based on ability but often on political lobbying (*Asia Times*, 25/01/2006).
- xxxiii. In March, KPK arrested Saleh Djasit (member from Golkar Party) related the case of fire extinguishers procurement when he was serving as Governor of Riau. A month later, KPK also arrested Al-Amin Nur Nasution (member from United Development Party) on allegation of bribery cases in the process of diversion of forest function in Bintan district. A week after the arrest Al-Amin, KPK arrested Hamka Yandhu (Golkar Party) and Anthoni Zeidra Abidin (Golkar Party), who were held concerning the flow of bribery funds from Bank Indonesia. Then KPK arrested Sarjan Tahir (Democratic Party) in May related to the case of diversion of the functions mangrove forests in Banyuasin, South Sumatra. Finally, KPK also arrested Bulyan Royan (Reform Star Party), at the end of June. Bulyan got caught red-handed when he was receiving US\$66,000 and €5,500 suspected as bribery from a company that won a patrol boat procurement bidding at the Department of Transportation. He allegedly helped the company to win the tender in the Directorate General of Sea Transportation at the Transportation Ministry earlier this year when he was a member of Commission V DPR for transportation. Disclosure of cases that further exacerbate the face of the DPR does not appear to stop here.

- xxxiv. For example at the end of July 2008, KPK arrested Hamka Yandhu for an accusation of receiving bribes from the Bank Indonesia as a kickback for appointing the Bank's board of directors. He then testified that 52 members of the House Commission IX period of 1999–2004, including people who later became ministers like Paskah Suzetta (later became the Minister of National Development and head of Bappenas) and MS Kaban (became the Minister of Forestry), were involved in the scandal.
- xxxv. Many surveys on the topics of public service in Indonesia post-democratisation including, for example, Asfar (2001); Ardiyanto (2002); Afadlal (2003); Dwiyanto (2005); and DRSP (2006; 2008) generally point out that all areas of public service delivery such as health services, official documents, mortgages registration, water service, telephone and electricity services, and exit permits are tainted with corruption practices.
- xxxvi. Unclear regulations in particular have been blamed for the anarchic process of decentralisation. Since 1999 numerous laws and regulations have been formulated. However, the provision of legal drafting has on the whole not been satisfactory. The description of roles and responsibilities, planning and management, and coordination among institutions vertically and horizontally has not been clear and has frequently created confusion. The decentralisation regulations contain a significant number of complications, including: imprecise language, and inconsistent definitions; contradictions between legal instruments (including with the constitution), and use of lower-level legislation to 'correct' perceived problems in higher legislation; stipulations that fail to regulate; repetition of rather than simple reference to other legislations; too large a reliance on follow-up regulations on key issues; late preparation of implementing regulations; and use of elucidation section to introduce concepts or to regulate (DRSP, 2006: 8). Not surprisingly, this poor legal framework has created ambiguities and led to widespread opportunity for corruption.
- xxxvii. In Russia and Eastern European countries, for example, some research reveals that neo-patrimonial practices survive within the framework of a democracy, and the old systems of patron–client relationships have re-invented themselves during democratic transition (see Lynch 2005; Moran 2001). In these countries, democratisation is marked by the difficulty of removing pre-transition elites who continue to exercise significant influence over political and economic power, and resist any

- reform initiative directed to deprive their privileges (Kryshtanovskaya and White, 2003: 200–222; Hankiss, 2002: 243–259).
- xxxviii. Such a situation also takes place in some transitional countries (see for example Rose, 1998; Chadwick, 2006).
- xxxix. For example, a survey on the capacity of DPRD members for the period of 1999–2004 conducted in several districts of East Java reveals that as many as 53.3% of the members could not mention five public issues in their district. At the same time, their reason to attain the job was driven by economic motivation to obtain a salary rather than a political motive to represent the people's interest (Kurniawan and Puspitosari, 2006).