PARTNERSHIP FOR
GOVERNANCE REFORM
in Indonesia

A National Survey of Corruption in Indonesia

FINAL REPORT
December 2001

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FOREWORD

The Partnership for Governance Reform in Indonesia is pleased to offer A National Survey of Corruption in Indonesia as one of the cross-cutting programs undertaken by the Partnership that underlies the Partnership's commitment to governance reform in Indonesia.

As a cooperative coalition of government, civil society, private sector and Indonesia's international development partners, the Partnership brings together all these elements to facilitate and support governance reform in Indonesia. The Partnership encourages dialogue and networking amongst those in government and society who are committed to governance reform by supporting efforts through developing ideas, strategies and programs of action which can be assisted by the international community.

The Partnership has two cross-cutting programs – decentralization and Anti-KKN (the Indonesian acronym for corruption, collusion and nepotism), which work through one of two structures of the Partnership – the Facility (to foster dialogue and analysis on governance issues), or the Trust Fund (to disburse funds to Indonesian organizations active in governance reform).

A National Survey of Corruption in Indonesia is part of the Facility's work: it confirms some of what is already known about corruption in Indonesia; presents some new observations on peoples' behavior towards corruption; as well as refutes some common misperceptions on the causes of corruption. The empirical findings form an objective basis for informed dialogue leading to policy recommendations and implementation strategies. In this case, the Partnership convened a Select Steering Committee to review the findings of the survey and suggest relevant policy actions to reduce corruption in Indonesia.

This national study is the first of its kind in Indonesia, though similar such studies have been conducted in many other countries with help from the World Bank. A National Survey of Corruption in Indonesia is the first of the Partnership's contribution to the fight against corruption and governance reform in Indonesia. On behalf of the Partnership, I would like to acknowledge and thank all who participated and helped with the study, and express my support for the continuation and realization of this seminal work into policies and action in the years to come.

Erna Witoelar
Co-Chairperson
The Partnership for Governance Reform in Indonesia

ACKNOWLEDGEMENTS

EXECUTIVE SUMMARY

A.   Introduction

The Partnership for Governance Reform (the Partnership) is a collaboration between Indonesia and the international community which aims to push and support a governance reform agenda over ten defined sectors of work that include anti-corruption as its priority.

The underlying problem of corruption in Indonesia at the macro level stems from the "capture" of a substantial number of the policies and implementing rules and regulations of different laws by vested interests in the New Order. The long-standing collusion between business enterprises and government officials has resulted in a distorted economy that favors private economic interests over the broader public good. The situation is compounded by the patterns of non-transparent and illegitimate practices that sustain the culture of corruption. In the civil service, employees are commonly allowed to mix their public roles with private interests. Sources of income for individual employees are unregulated and often arbitrarily determined through a patronage system that is linked to a culture of silence underpinning such patronage. And while reasonable anti-corruption laws do exist, the judiciary is often bribed into compromising the prosecution of those accused when cases of corruption are prosecuted.

The Partnership envisions contributing to and supporting national anti-corruption efforts that have the participation of all segments of Indonesian society through the following objectives:

- Supporting the development of a national anti-corruption program
- Formulating a coordinated structure for donor support
- Producing anti-corruption resource and information materials in collaboration with partners

The role of the Partnership is to facilitate an Indonesian approach to controlling corruption by working at the grass roots, political and bureaucratic, and legal-judicial level. The Partnership will do this by working with select Indonesian advisors in the different areas.

B.   Background

The Anti-Corruption Study was initiated in October 2000 with the goal of providing inputs for productive policy discussion based on broad participation in explicit strategies and concrete action plans. The Anti-Corruption Study in Indonesia consisted of two parts:

- Commissioning 15 research papers on different topics on corruption in Indonesia.
- Conducting a national survey on corruption for three groups of respondents – business enterprises, households, and public officials.

The national survey was completed in March 2001 and the fifteen papers were completed by May 2001. There was a peer review of the Papers and a specially-formed Select Steering Committee (SSC) reviewed the results of the Survey and participated in three workshops to formulate the policy recommendations and implementation strategy for a national anti-corruption program. The SSC consisted of eight members including three former ministers, one former judge, two lawyers and two businesspersons. They were as follows:

- Prof. Dr. Sunaryati Hartono
- Prof. Dr. Satrio B. Joedono
- Dr. Nono Anwar Makarim
- Mr. Pri Notowidigdo
- Mr. Heru Prasetyo
- Prof. Dr. Emil Salim
- Prof. Dr. Juwono Sudarsono
- Mr. Frans Winarta

C.   Survey and Sampling Methodology

The survey instrument was a semi-structured questionnaire containing a range of questions regarding perceptions of corruption and actual experiences with corruption that were tailored to the different respondent groups. The questionnaires were administered to three types of respondents – households, business enterprises and public officials in 14 provinces as face-to-face interviews with the respondents in their homes or offices. The survey was conducted by the market research firm Insight.

The total sample size was 2,300 respondents consisting of 650 public officials, 1,250 households and 400 business enterprises. Each category of respondent was selected based on a range of different criteria in order to develop fair representation of the population.

- Household respondents were between 18 to 55 years old representing 14 provinces.
- For business enterprises, the sample was based on companies in seven industry sectors and eight cities.
- The public officials sample was selected from eight regulatory agencies, seven infrastructure departments, and four welfare service agencies for 28 different government units that were considered to have more relevance to the context of the study.

D.   Public Sector Corruption

Corruption in the public sector is regarded as very common by approximately 75% of all respondents. It is considered the most serious social problem by household respondents ahead of unemployment and the poor state of the economy. Approximately 65% of households also reported actually experiencing corruption involving public officials. Respondents were asked to rank a list of 35 public

institutions in terms of integrity from the least to the most honest. There was close consensus between the business enterprises and household respondents, while the scores of the public officials were generally higher than the other two groups of respondents, suggesting some underreporting on the part of public officials.

Figure D(i)   Perceived Integrity of Public Institutions

Institution	Public Official	Business Enterprise	Household
Mosque, Church, Temple	4.6	4.2	4.3
Post Office	4.1	3.6	3.6
News Media	3.6	3.3	3.6
NGO	3.5	3.4	3.4
Labor Union	3.5	3.4	3.4
Telephone Service Provider	3.7	3.2	3.2
The Armed Forces	3.6	3.2	3.2
Ministry of Health	3.6	3.2	3.2
Ministry of Education	3.6	3.2	3.2
Water Service Provider	3.5	3.1	3.1
Civil Registration	3.5	3.0	3.1
Ministry of Agriculture	3.5	3.0	3.0
Electricity Provider	3.4	3.0	3.1
Ministry of Poverty Alleviation	3.4	3.0	2.9
Ministry of Transport. and Telecom	3.2	3.0	2.8
State budget authority	3.2	2.7	2.5
District/Village administration	3.0	2.9	2.7
Provincial Government	3.2	2.7	2.6
Municipal Government	3.2	2.6	2.6
Ministry of Trade and Commerce	3.2	2.6	2.6
Members of Parliament	3.2	2.6	2.6
Indonesian Bank Restructuring	3.0	2.6	2.6
Political party	3.0	2.6	2.6
Immigration	3.1	2.5	2.7
Ministry of Forestry	3.0	2.6	2.6
Office of Council of Ministers	3.1	2.5	2.6
Bank Indonesia	3.0	2.5	2.4
Ministry of Justice	2.9	2.5	2.5
Ministry of Public Works	3.0	2.4	2.4
Police excluding traffic police	2.9	2.4	2.4
Tax authority	2.9	2.2	2.4
Office of Prosecutor	2.8	2.3	2.4
Judiciary	2.8	2.3	2.3
Customs authority	2.8	2.2	2.3
Traffic Police	2.6	2.1	2.2

Integrity (1=Very Corrupt, ..., 5=Very Honest)   corruption_public_institutions.xls

The *traffic police, customs authority and the judiciary* were ranked the most corrupt institutions, while the news media, post office and religious institutions (mosques, churches and temples) were considered the least corrupt. Mean scores were computed which ranged from a low of 2.13 for the traffic police to a high of 4.55 for religious organizations. Related to the perceived integrity of the institution was the performance rating of the institution. Those ranked the least honest or most corrupt were also perceived to be the least efficient in terms of delivery of the public service, indicating a positive relationship between integrity and performance.

Among public officials, it was reported that almost half (48%) were estimated to be receiving unofficial payments. Among households, for those government departments where there was at least one contact and a bribe made with the contact, the average number of bribes paid appeared to increase with the frequency of contact.

Corruption extracts a high cost from society with approximately 1% of household income and 5% of company revenue spent on unofficial payments monthly. Higher income households proportionately pay more in bribes than lower income households, and also disproportionately more of their monthly household income on unofficial payments. Corruption increases the overall costs of doing business but with unequal impact. The survey results showed that small-sized businesses allocated a larger percentage of their sales towards unofficial payments than medium and large sized enterprises. Companies that paid more in bribes on procurement contracts (from 6% to more than 10%) did significantly more business with the government than companies that did not pay bribes or paid in smaller amounts.

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

Figure D(ii)   Reasons Not to Invest in Indonesia
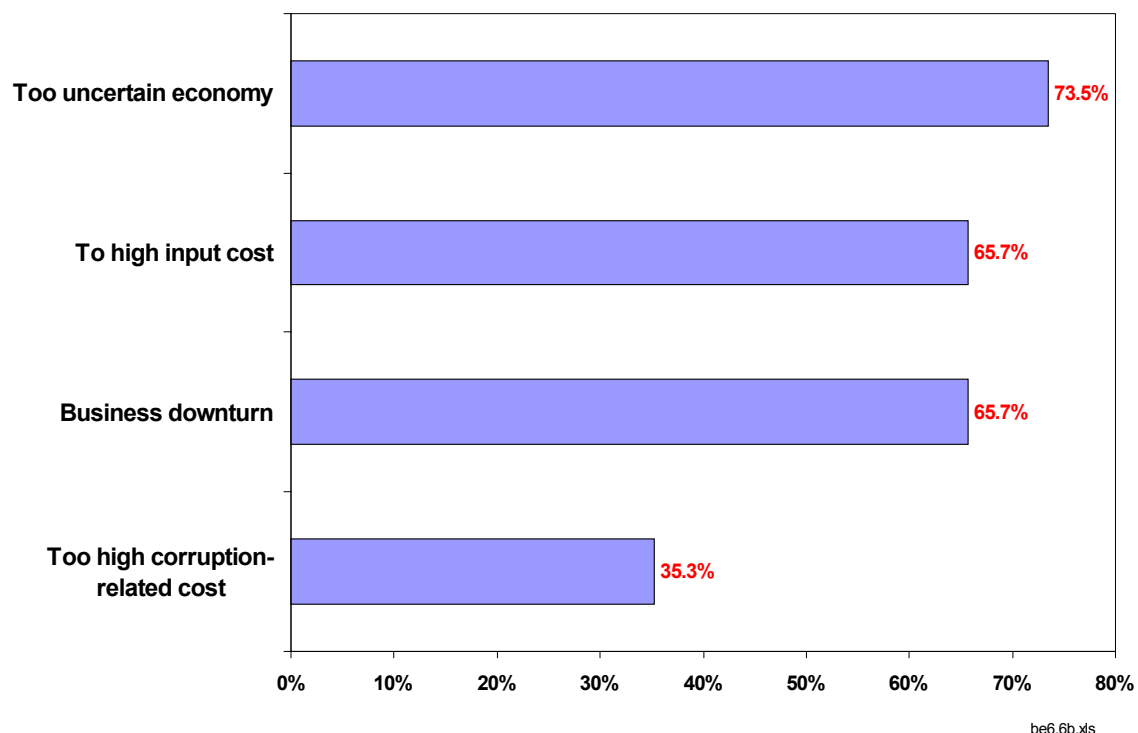
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The cost of corruption on businesses can be further seen from the price companies were willing to pay to eliminate corruption. More than half of the business enterprise respondents (56%) were willing to pay additional taxes if corruption could be eliminated, and of those willing to do so, more than half were willing to pay more than 5% of company revenues towards eliminating unofficial payments.

The national survey provided an indirect estimate of the potential size of tax revenue lost through corruption based on the willingness of companies to pay for the elimination of corruption. This is an indication of the fiscal cost of corruption to the state budget. Corruption presently acts as an implicit tax on businesses that could instead contribute to the state as tax revenues if corruption could be eliminated. Corruption within public institutions thus not only distorts the budget, but also results in a significant loss of public funds. Almost one-quarter of the ministries surveyed reported some budgetary diversion in the past year. The results also indicated that these public institutions had to pay in order to receive their budget allocations. The diversion of funds reduces the amount of resources available to the agency administering the public service, thus lowering the quality of the public service.

Figure D(iii)   Percentage of Budget Diverted by Ministry

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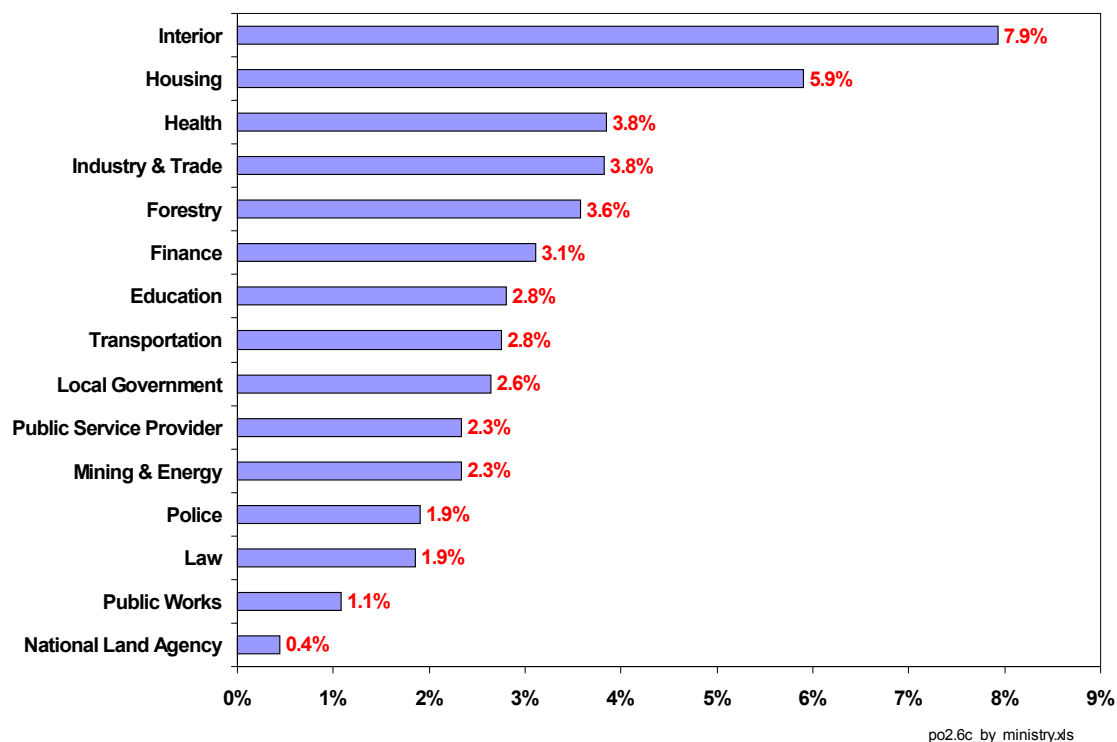
E.   Corruption in the Legal System

The Indonesian legal system is generally not regarded in a positive light. The Indonesian police, prosecution and judiciary were regarded among the most corrupt public institutions. Judges and prosecutors were consistently ranked among the least honest, just above the traffic police and customs.

Business enterprises in particular held harsher opinions of the courts with 10% more business respondents viewing the courts as untrustworthy compared to household respondents. Similarly, businesses clearly viewed the courts as biased towards "the rich and powerful" (48%) over households who were more evenly split in opinion (34% for the rich and powerful versus 39% for everyone). This difference in opinion can be explained by more businesses having actual experience with the courts (27%) over the average household (7%). The negative business view of the legal system was further shown in the amount of the bribe payment. Businesses paid proportionally more in bribes of between Rp 1 to 5 million while the majority of households paid less than Rp 1 million.

Table E(i)   Amount of Unofficial Payment in Courts

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

Business enterprises ranked high unofficial costs as the most significant obstacle to using the courts (44%) while households cited "judges would make unfair decisions" (42%) instead. But when results were aggregated, the top reasons given as obstacles to the court system were process related issues including the lengthy time required, the lack of enforceability of decisions, and judicial impartiality.

Figure E(ii)   Obstacles to Using the Courts
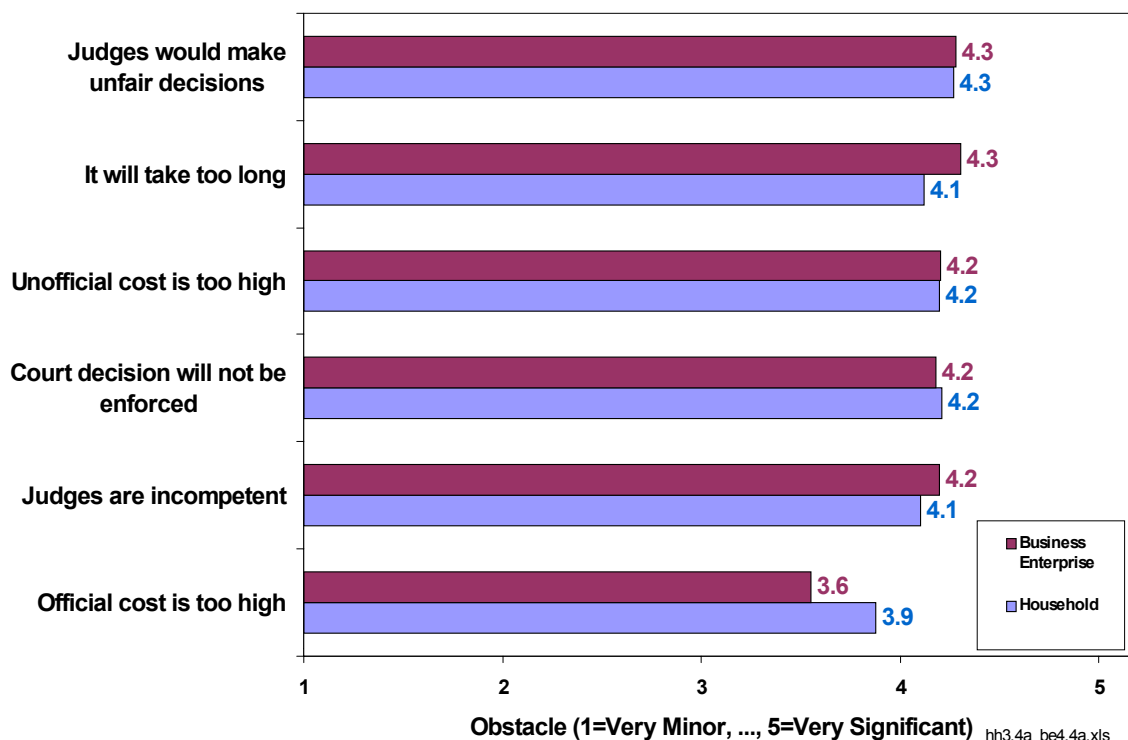
In spite of the lack of confidence in the legal system, the public's expectations of its functions and outcomes clearly demand a better performance from the police, prosecution and courts:

- Approximately 75% of all respondents want all corruption cases pursued.
- Approximately 87% of all respondents want convicted corruptors punished with jail time and asset seizure (56%), additional public shaming (30%), death sentence (1%) or life imprisonment (<1%).

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

F.   Public Attitudes and Corruption

Public attitudes appear to be firmly against corruption with the majority of respondents (approximately 70%) regarding corruption as a serious social problem, likened to "a disease to combat, denouncing every known case". However, in reality, when asked what their behavior would be in different corrupt situations, almost a third of respondents viewed corruption as "something normal and paid up" or actually "felt relieved and paid up", or accepted money and gifts.   The situations ranged from bribing a policeman to marking up contracts to accepting money for votes.   In the survey, "normal" carried the connotations as something "habitual" as well as "acceptable"; therefore the interpretation of "normal" by the respondents did not necessarily mean approval or condoning of the behavior.

Table F(i)   Payment of Bribes

SITUATION	NORMAL	NOT NORMAL	PAY UP	DO NOT PAY
Bribe Lurah	61.9%	37.4%	75.1%	24.2%
Bribe Police	46.6%	52.0%	58.7%	40.0%
Bribe Judge	22.2%	74.7%	26.8%	70.1%

The differences in responses not only give a sense of the extent of corruption in terms of the percentage of people who do pay up regardless of whether they agree with the behavior; but also provide a popular definition of corruption based on the perceptions of the different social groups. The patterns of responses in these three scenarios suggest that there is a loose understanding as to what constitutes corruption in the eyes of the Indonesian people. It would appear, at least at one level, that the lower the rank of the public servant (village chief and traffic police), the less the behavior is defined as corrupt; though other factors such as the amount of bribe involved or the inconvenience of the official process probably impact such a decision. A clear opinion expressed through the survey though is that judicial corruption is not acceptable to the Indonesian public.

Accepting a bribe is the flipside of paying a bribe in that both involve the same value compromise. But this was where the discrepancy between public attitudes and behavior was most marked. Respondents were asked for their views in two situations

where they were offered gifts and money, instead of having to pay for something. There appeared to be a perceptual differentiation between gifts and money, with non-monetary bribes such as material gifts not considered as bribes per se. While more than half of the respondents would not accept money to vote as instructed, this still left more than two-thirds of the respondents "at risk" – that is, susceptible to influence and money politics.

Table F(ii)   Acceptance of Bribes

SITUATION	ACCEPT	DO NOT ACCEPT	DON'T KNOW
Offered Gift from Supplier	81.1%	16.4%	2.5%
Offered Money for Votes	43.7%	54.1%	2.3%

The differences in responses to these two scenarios suggest that the Indonesian political consciousness can distinguish between what are socially unacceptable practices in different scenarios. While this is a subtle distinction, it underscores the difficulty in refining or redefining public attitudes towards the more culturally sensitive aspects of corruption. Thus, whilst Indonesians do not approve of corruption and perceive it as harmful to society, they nonetheless become drawn into it due to a sense of powerlessness and a lack of experience in engaging in corrective action to effect change. This powerlessness and inexperience in dealing with corruption in society can be further understood through the low reporting of corruption cases and the reasons for not reporting corruption cases.

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

The reasons for non-reporting given by respondents who did not report their observations of corruption reflect the lack of public confidence in the existing system. Public officials in particular, gave responses for not reporting corruption that were critical of the legal process. Responses by business enterprises combined the household view of lack of knowledge (27%) and fear (25%) with the public official view of procedural difficulty (22%) as the three main reasons.

Figure F(iii)   Reasons for Not Reporting Corruption
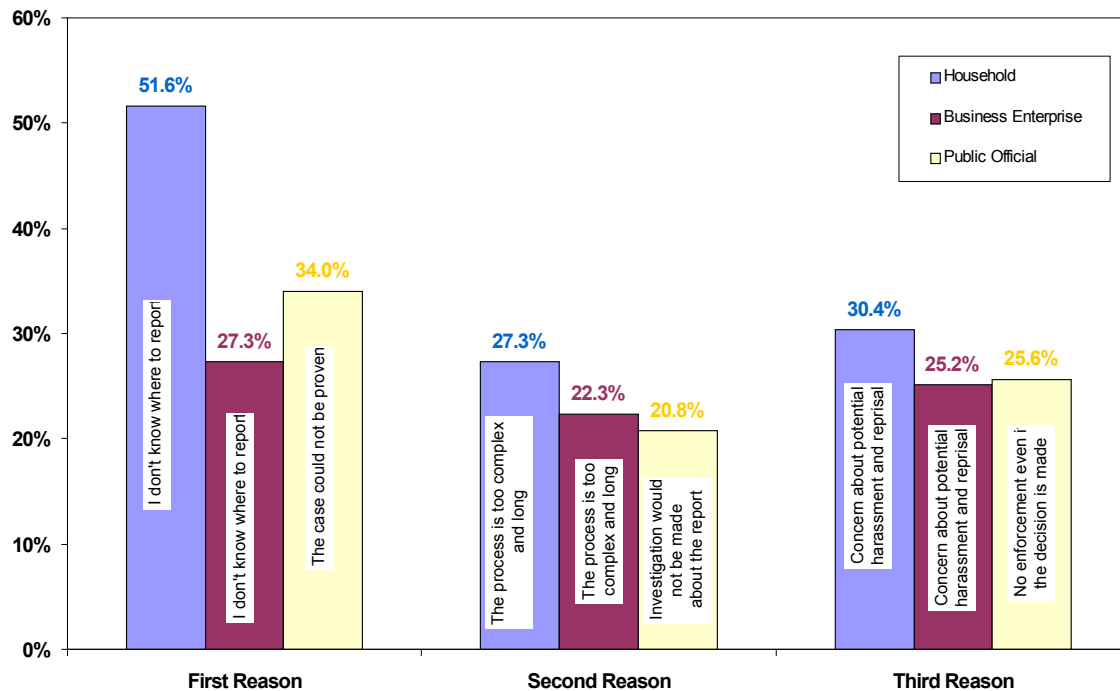
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G.   Causes of Corruption

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

Figure G(i)   Public Opinion on the Causes of Corruption

causes_corruption.xls
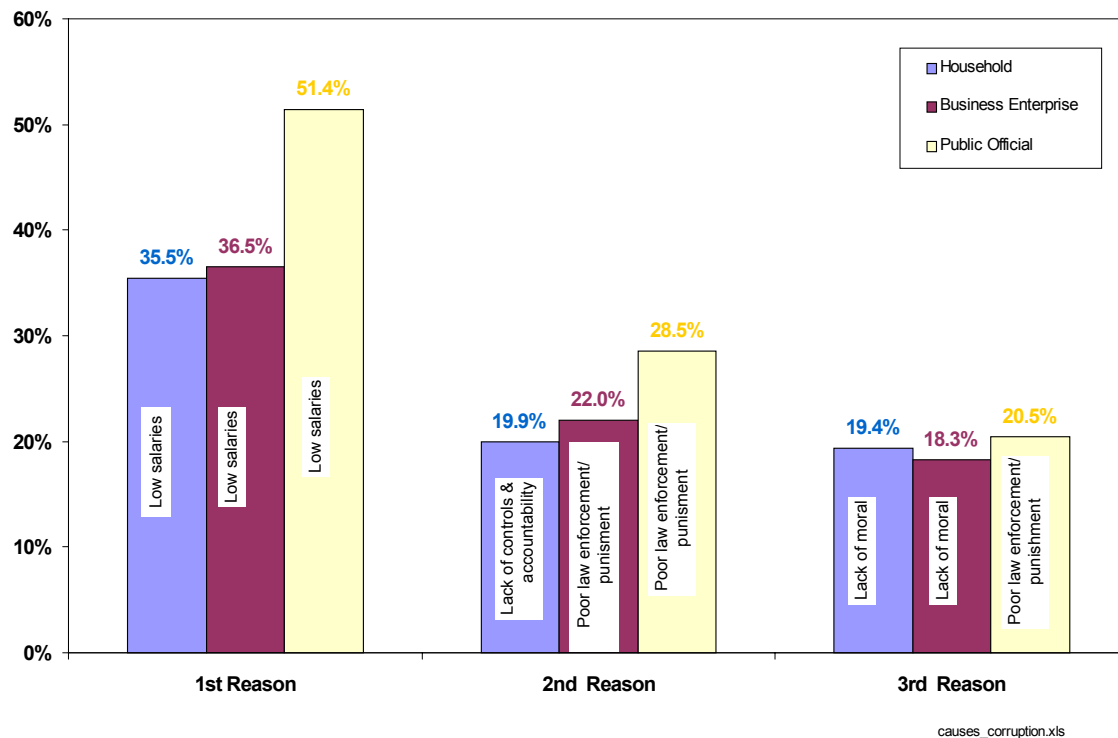
While low salaries as a perceived cause of corruption may be the most widely held belief, the validity of this relationship is still the subject of debate. It is argued that corruption among public officials is determined more by the institutional environment than merely insufficient compensation. Hence, it was important to empirically test the premise of low salaries, as well as the other popular beliefs that low morality and lack of controls cause corruption. Using the responses from the public officials in the survey, a composite measure of the level of corruption – the corruption index – was constructed using five measures of corruption. The corruption index was used as the dependent variable, against which the concepts of salary, individual values, and lack of control were tested.

No clear patterns were found in terms of the amount of corruption and base monthly salary, additional monthly income and annual benefits of public officials. However, by clustering the responses from the three measures of compensation from the survey into low, medium and high income levels, a weak but significant relationship was found showing higher corruption with lower income.

Another common perception is that corruption is caused by the individual's lack of morality. The diagnostic study also attempted to test the question of whether corrupt behavior could be explained by individual values underlying such attitudinal responses. Public institutions that were perceived to be oriented towards serving citizens and committed to fighting corruption had lower levels of corruption; as were organizations that regarded even small scale corruption as a practice that should be eliminated. Thus while it may be convenient to view corruption as an individual failing, the survey results found a highly significant relationship between lower bribery levels and strong anti-corruption organizational values.

The survey found both the strong presence of formal rules and their effective implementation to be associated with lower levels of corruption. However, the same trend was not found between the use of disciplinary actions and corruption. The importance of both adequate rules and adequate enforcement are thus emphasized: *"Civil servants can be held accountable only in those areas where there are clear rules – whether formal or customary – and will be held accountable only when there are reasonable arrangements for enforcing them."* World Bank, *Indonesia Civil Service Review*: July 1999, p. 15.

In order to be useful for policy making, it was important for the survey results to provide an empirical basis for selecting priority areas for reform. The three popular causes of corruption – low salary, lack of enforcement and lack of morality – were analyzed together with performance, personnel, procurement and budget management indices through a regression model using the corruption index as the dependent variable and controlling for individual social characteristics of respondents. The social characteristics used as controls for the regression model included (i) income level (low, medium, high), (ii) age (35 and younger, 36 - 40, 41 - 45, 46 and older), (iii) gender, (iv) education level (high school and below, diploma, bachelor degree and above), and (v) years working in the organization. Results found only four indices to be strongly related and statistically significant.

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

CORRUPTION FACTOR	STATISTICAL SIGNIFICANCE	RANK
Quality Budget Management	Very Significant	1
Anti-Corruption Organizational Orientation	Very Significant	2
Quality Personnel Management	Very Significant	3
Quality Procurement Management	Significant	4
Quality Performance Evaluation	Not Significant	–
Public Official Income	Not Significant	–
Educational Level	Not Significant	–
Length of Service	Not Significant	–
Age	Not Significant	–
Gender	Not Significant	–

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

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

CORRUPTION FACTOR	STATISTICAL SIGNIFICANCE	RANK
Management Practices	Very Significant	1
Discretion	Very Significant	2
Implementation of Rules	Significant	3
Presence of Written Rules	Not Significant	–
Disciplinary Actions	Not Significant	–
Public Official Income	Not Significant	–
Educational Level	Not Significant	–
Length of Service	Not Significant	–
Age	Not Significant	–
Gender	Not Significant	–

The above empirical findings point to the organizational characteristics of public institutions as causes of corruption over individual employment aspects such as salary and performance. *In particular, quality management practices in procurement, budget, and personnel processes backed up by strong anti-corruption organizational orientation, limited discretion, and the implementation of rules were found to be significantly related to lower levels of corruption in public institutions.* Conversely, weak system controls for budget and contract procurement, and ambiguous organizational orientation and personnel management appear to allow for corruption to occur in public institutions.

H.   Policy Implications

The findings from the national survey raised numerous questions about social perceptions of corruption, as well as the extent, costs and causes of corruption particularly in the public sector and the legal system.

First, the findings suggest that while corruption is widely known to be part of the Indonesian reality, it is not approved of and is considered a serious social problem. The survey respondents' overall pessimistic view on the state of corruption in society calls for an urgent anti-corruption action plan to address this major social problem. This is further supported by the findings on the extent of corruption in society. Public sector corruption is particularly widespread, with approximately two-thirds of households experiencing public sector corruption and half of all public officials estimated to be taking bribes. Almost a quarter of departmental budgets and procurement contracts are vulnerable to corruption, and more than three-quarters of businesses routinely pay bribes in the course of business. The survey also identified five government institutions most in need for such urgent reform based on public perceptions of their integrity. These were the traffic police, customs, judiciary, prosecutors, and the tax office. Corruption has a clear impact on the public budget and the costs of doing business in Indonesia. Corruption reduces not only the quality of public service but also the credibility of the public institution. More importantly, the high cost of corruption discourages business investment.

But the public does not appear to be well-informed about corruption as the popular beliefs on the causes of corruption were not borne out by the data. Higher pay,

greater rule enforcement and individual moral values were not related to lower levels of corruption, but rather organizational characteristics of public institutions with quality management practices in procurement, budget, and personnel processes. These were reinforced by strong anti-corruption organizational orientation, limited discretion, and the implementation of rules.

The survey findings also suggest a discrepancy between attitudes towards corruption and actual behavior in corruption situations, as well as an inconsistency between attitudes and actual reporting of corruption. Households in particular appear powerless against corruption with more than 85% of households not knowing where to report cases of corruption. Even where channels exist, the perception is that they are lengthy and cumbersome and lacking in outcome. The sense of frustration and powerlessness in fighting corruption underlie the harsh and somewhat unrealistic view that all corruption cases should be investigated. There is a clear preference for retributive outcomes over reconciliatory outcomes, but the public institutions responsible for the pursuit of corruption cases are clearly not in the position to do so. Both the prosecutor's office and the judiciary are not well-regarded in terms of integrity and performance. Instead, the survey respondents support and place hope in an anti-corruption commission, as well as the mass media and religious institutions in fighting corruption.

Twenty-one separate issues were raised from the national survey results, and the Select Steering Committee (SSC) chose a total of 15 priorities from that list of 21 issues. They then classified them into short, medium, and long-term time frames at the first SSC workshop meeting in May 2001. The time frames do not mean that no action is to be taken on long-term issues; but rather that the outcome of strategic action can only be expected within the specified time frame.

The short term priorities centered around understanding the causes of corruption, identifying methods to control corruption, developing accurate public information and education on corruption, and supporting and strengthening the anti-corruption commission and boosting prosecutorial and judicial institutional capacity to fight corruption.

The medium term priorities focused on reconciling public attitudes and actual behavior in corrupt situations, reducing procurement fraud, increasing the certainty of delivery of public services, understanding the system and process differences between corrupt and non-corrupt public institutions, as well as continuing to support prosecutorial and judicial institutional capacity building.

The long term priorities reiterated the short and medium term goals of developing accurate public information and education on corruption, improving the certainty of delivery of public services, and reconciling public attitudes and actual behavior. Added to the above were reducing the loss of public funds from budgetary diversions and involving the mass media and religious institutions in the fight against corruption.

I.   Framework for an Anti-Corruption Program

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

Table I(i)   Anti-Corruption Building Blocks

| Control & Enforcement |
| Laws / Rules / Ethics Regulations |
| Process / System / Plan |
| People / Human Resources |

- **Control and enforcement** are the most immediate and urgently required elements to an anti-corruption program in Indonesia as the weak and ineffective implementation of anti-corruption laws and supporting regulations have resulted in rampant abuses of the political and economic systems with numerous violators unaccounted for and unpunished.

- **Laws/regulations/rules and ethics** for anti-corruption are contained in Laws No. 28 and 31 Year 1999. There are also various professional codes of conduct and ethics as well as disciplinary procedures for different sectors of industry and government.

- **Processes/plans/systems** are needed to reduce arbitrary decision-making and opportunities for corruption. A weakness in the present system of government is the wide discretionary control available to different departments which function separately and distinctly from each other.

- **People/human resources** underpin the entire anti-corruption program as the most important, but the hardest and longest to achieve component as it involves value change and empowerment. In order to reduce or minimize corruption, Indonesian society not only needs to internalize the beliefs and attitudes that reject corruption; but also be equipped with the proper skills, competencies, and capabilities that can be externalized into effective anti-corruption behavior.

J. Proposals for an Anti-Corruption Program

With the key issues identified from the findings from the national survey, the Select Steering Committee developed 24 policy recommendations along the combined lines of the four-tier framework and classified them under short, medium and long term time frames in a second SSC workshop in June 2001. These were refined by an expanded SSC to incorporate corrective and immediate action that needed to be taken with respect to each policy recommendation in two more workshops held in August and November 2001 respectively.

The final outcome was a set of 17 policy recommendations with the following components:

- Objectives expressed as desired outcomes to be achieved within specified time frames
- Actions to achieve the outcomes
- Methods corresponding to the actions
- Possible leaders to lead the reform efforts

The recommendations and implementation steps were clustered around three core reform areas namely:

- Civil Service Reform
- Legal Sector Reform
- Civic Education and Others (Banking Sector Reform, Political Sector Reform, Regional Reform)

These are detailed in a separate document "Suggestions for an Anti-KKN Program".

K. Conclusion

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

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

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

A.   INTRODUCTION

A1.0   The Partnership for Governance Reform (the Partnership) is collaboration between Indonesia and the international community which aims to push and support a governance reform agenda. Support for the Partnership comes from The World Bank, United Nations Development Program (UNDP) and the Asian Development Bank (ADB) as the founder members of the Partnership, as well as from a wide range of bilateral donor countries.

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

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

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

A2.1   At the macro level, a substantial number of the policies and implementing rules and regulations of different laws were "captured" by vested interests in the New Order (who were usually cronies of then-President Soeharto), resulting in the corruption of numerous policies. Although reasonable anti-corruption laws do exist, they are limited and not systematically enforced or discriminately enforced (for example, against political opponents of the prevailing leadership). When cases of corruption are prosecuted, the judiciary is often bribed into compromising the prosecution of those accused. The systemic nature of corruption is largely ignored except in rhetoric.

A2.2   After more than three decades of this kind of "state capture" that have distorted laws and policies, corruption has become entrenched and society has largely been forced to accept the consequences of corruption.   There is an absence of a shaming culture concerning corruption, as well as misperceptions and misunderstandings of the harmful impact of corruption to the country's political, economic and social development (by discouraging investment, impoverishing the treasury, and accepting bad governance practices, for example).

A2.3   Despite efforts by anti-corruption individuals and organizations in government, business, and civil society, there is widespread cynicism that corruption is an endemic feature of Indonesia and Indonesians. There are few documented or well-known examples of truly clean organizations or individuals that have been untouched by corruption over the years.

A2.4   The long-standing collusion between business enterprises and government officials has resulted in a distorted economy that favors private economic interests over the broader public good. The situation

is compounded by the patterns of non-transparent and illegitimate practices that sustain the culture of corruption.

A2.5   In the civil service, employees are commonly allowed to mix their public roles with private interests. Sources of income for individual employees are unregulated and often arbitrarily determined through a patronage system that is linked to a culture of silence underpinning such patronage. This environment encourages and supports corruption.

A2.6   Anti-corruption organizations and other reformists are generally limited in financial and technical resources and therefore address themselves more to individual cases rather than to combating the systematic and structural practices of corruption.

A3.0   Against this backdrop, the Partnership envisions being able to contribute to a national anti-corruption program that has the participation of all segments of Indonesian society. More specifically, the Anti-Corruption Program has the following objectives:

A3.1   *A national anti-corruption action plan*
The Partnership will contribute to the development of a national anti-corruption action plan through an in-depth study of corruption consisting of research papers and a national survey of corruption perceptions. The policy recommendations and implementation strategy will be developed with close advice from a high level steering committee and socialized widely throughout the country through national and regional workshops, dialogue and campaigns so as to build up consensus and acquire Indonesian ownership to the action plan from government, business and civil society.

A3.2   *A coordinated structure for donor support*
Donor support will be based upon the anti-corruption action plan together with more transparent exposure of corruption offenses involving donor funding.

A3.3   *Resource and informational materials*
These will be produced in collaboration with a range of different groups to support their efforts to change corrupt practices systematically within their environments that are consistent with the anti-corruption action plan. These materials could include sections on (a) the harm caused by existing corrupt practices; (b) alternative and preferable practices; (c) ways to achieve such practices and (d) the resource organizations available to provide assistance. These materials would be targeted to government departments, private businesses, non-government organizations (NGOs), village organizations, and other interested parties.

A4.0   Strategically, the role of the Partnership is to facilitate an Indonesian approach to controlling corruption by working at three levels:

- Grass roots – to support public mobilization and socialization of corruption issues
- Politics and bureaucracy – to demand for legislative and regulatory reform
- Legal and judicial – to provide tools to expose and control corruption

The Partnership will do this by working with Indonesian committees in different thematic areas. The Partnership will concentrate on helping to build citizen pressure, as well as working with private and public sector initiatives at both the national and regional levels.

B.   BACKGROUND

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

Governance Success = KI + LE + CA where
KI = knowledge and information i.e. rigorous data analysis
LE = leadership i.e. political will
CA = collective action i.e. consensus based on broad participation

The Governance Diagnostic Study thus provides for the knowledge and information which can be used to simultaneously pressure the political leadership and encourage the necessary collective action to implement change and improve governance.

B2.0   In Indonesia, the Partnership for Governance Reform (the Partnership) has undertaken the Anti-Corruption Study as part of its Anti-Corruption Program consisting of two parts:

- Commissioning 15 research papers on different topics on corruption in Indonesia.[2]
- Conducting a national survey on corruption perceptions for three groups of respondents – business enterprises, households, and public officials.

B3.0   The national survey was completed in March 2001 and the fifteen papers were completed by May 2001. A specially-formed Select Steering Committee (SSC) was set up in May 2001[3] consisting of eight members including three former ministers, one former judge, two lawyers and two businesspersons. They were as follows:

- Prof. Dr. Sunaryati Hartono
- Prof. Dr. Satrio B. Joedono
- Dr. Nono Anwar Makarim
- Mr. Pri Notowidigdo
- Mr. Heru Prasetyo
- Prof. Dr. Emil Salim
- Prof. Dr. Juwono Sudarsono
- Mr. Frans Winarta

B4.0   The Select Steering Committee reviewed the preliminary results of the survey and guided the Partnership in the preparation of this Final Report on A National Survey of Corruption in Indonesia. Members participated in four half-day workshops (two workshops with expanded groups) to formulate the policy recommendations and implementation strategies based on the survey results for a national anti-corruption action plan. This Final Report is the result of both

quantitative statistical analyses of the survey data coupled with a review process by the Select Steering Committee.

B4.0   The types of corruption covered by both the research papers and the national survey span three broad categories of corruption that include the following:

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

The research papers, being qualitative in nature, discuss examples of grand corruption and state capture through case studies, while the national survey is a quantitative study of the different aspects of petty, bureaucratic corruption. The research papers will be published by the Aksara Foundation in December 2001. Figure B1 shows some of the different types of corruption reported from the survey.

Figure B1   Types of Corruption

Category	Percentage
% of public officials reporting purchasing of positions within public institution	30%
% of public officials reporting payment of bribes to receive budget allocation	14%
% of public officials reporting actual spending different from allocated budget due to misuse	12%
% of public officials reporting unofficial payments in procurement contracts	22%
% of businesses reporting unofficial payments in procurement contracts	52%
% of public officials reporting frequency of bribes from foreign firms seeking service from public institution	11%
% of public officials reporting frequency of bribes from domestic firms seeking service from public institution	22%
% of public officials reporting frequency of bribes from households seeking service from public institution	20%
% of households reporting payment of bribe when seeking service from public institution	22%

0%   10%   20%   30%   40%   50%   60%

ENDNOTES TO SECTION B

1   Countries where governance studies are underway include Albania, Georgia, Latvia, Bolivia, Ecuador, Cambodia, Argentina, Thailand, Russia, Slovakia, Romania, Benin, Nigeria and others. Reports, papers, and survey instruments from these projects can be downloaded from http://www.worldbank.org/wbi/governance

2   The 15 paper topics commissioned included (i) presidential corruption; (ii) economic costs of corruption; (iii) legal, policy and institutional framework of corruption; (iv) corruption and the military; (v) corruption in the legal system; (vi) corruption in the public sector; (vii) corruption in the private sector; (viii) corruption in state-owned enterprises; (ix) corruption in the banking system; (x) corruption and foreign aid; (xi) corruption in non-government organizations; (xii) corruption and society; (xiii) corruption and politics; (xiv) the mechanics and causes of corruption; and (xv) reflections on corruption.

3   Sixteen individuals from government, business, law and civil society were invited to participate in the SSC. Nine agreed to serve on the committee and eight attended two separate meetings held in May and June 2001. Two other meetings were held in August and October 2001 with an expanded group to formulate the policy recommendations and implementation strategies.

4   See Mark Schacter and Anwar Shah, "Anti-corruption Programs: Look Before You Leap." Paper prepared for the International Conference on Corruption, Seoul, South Korea, December 2000.

C.   SURVEY & SAMPLING METHODOLOGY

C1.0   Five survey firms were briefed on the content and scope of the survey and invited to submit proposals for the project. Three proposals were submitted and the survey firm Insight was selected based on a combination of factors including past work experience, organizational capacity, technical ability, project understanding and ability to take guidance, as well as project costs, client feedback and level of professionalism.[1]

C2.0   The survey instrument was developed through a process of written inputs and culminated with a series of focus group discussions on each of the questionnaires for business enterprises, households and public officials respectively.   The semi-structured questionnaires contained a range of questions regarding the quality of public services, the functioning of the court system, the regulatory environment, the internal organizational environment, corruption and governance items and respondent profile questions. The questionnaires were administered in the field as face-to-face interviews with the respondents in their homes or offices.[2]

C3.0   The main limitations of the survey were (1) the small sample size (<1% of the total population); and (2) the potential compromised validity of responses because of the fixed response categories. The small sample size was managed through proportional representation of the sample in all three categories of respondents (See C4.0). The use of face-to-face interviews helped to offset the problem of low response rates in survey research, and the use of multi-factor analysis helped to uncover valid relationships in the data set that might be normally obscured through simple relationships.

C4.0   The total sample size was 2,300 respondents consisting of 650 public officials, 1,250 households and 400 business enterprises. Each category of respondent was selected based on a range of different criteria in order to develop fair representation of the population.[3]

> C4.1   Household respondents were between 18 to 55 years old, representing 14 provinces.[4]
>
> C4.2   For business enterprises, the sample was based on companies in seven industry sectors and eight cities[5].
>
> C4.3   The public officials sample was selected from eight regulatory agencies, seven infrastructure departments, and four welfare service agencies for 28 different government units that were considered to have most relevance to the context of the study.[6]

Table C(i)   Distribution of Select Sample Characteristics

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

ENDNOTES TO SECTION C

1 Summarized from internal correspondence from S. Teggemann dated 15 November 2000.
2 The questionnaires for the three categories of respondents for households, businesses and public officials are available from the Partnership and can be downloaded from the Partnership website www.kemitraan.org beginning January 2002.
3 Details of the sampling methodology are contained in Appendix A.
4 The fourteen provinces were (i) Sumatra (North, Riau, Lampung); (ii) Java (Jakarta, West, Central, Yogyakarta, East); (iii) Bali; (iv) Nusa Tenggara Barat; (v) Kalimantan (West, South); (vi) Sulawesi (North, South).
5 The seven industries included (i) agriculture; (ii) mining; (iii) manufacturing; (iv) construction; (v) trade and restaurants; (vi)transportation; (vii) financial institutions. The eight cities were (i) Jabotabek (Greater Jakarta); (ii) Surabaya; (iii) Bandung; (iv) Semarang; (v) Medan; (vi) Denpasar; (vii) Batam; (viii) Ujung Pandang.
6 The eight regulatory agencies included (i) Department for Industry and Trade; (ii) Department for Laws and Regulations; (iii) Land Registration Body; (iv) Department of Finance (tax, customs, and budget); (v) Department for Internal Affairs; (vi) Department for Mining & Energy (vii) Department for Forestry & Plantations; (viii) Department of Communications. The seven infrastructure departments included (i) public works; (ii) electricity; (iii) telephone; (iv) drinking water supply; (v) railroads; (vi) sea transport; and (vii) local public transportation. The welfare agencies were (i) healthcare and hospital services; (ii) education and school administration; (iii) police (traffic and crimes); (iv) local courts (court judge, court clerk, prosecutor and lawyer).
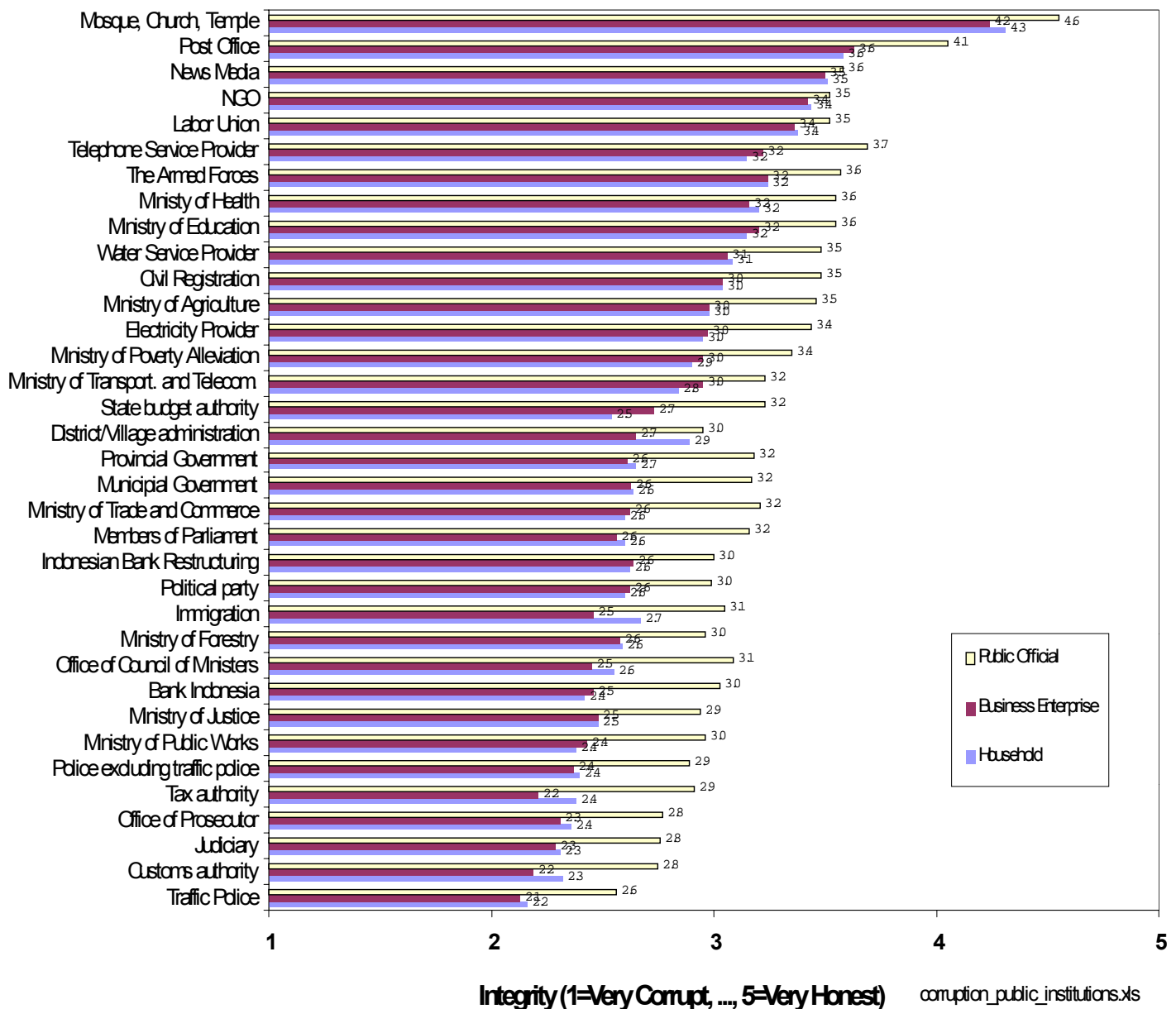
D. CORRUPTION IN THE PUBLIC SECTOR

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

D1.0 Perception of public institutions

D1.1 Corruption in the public sector is regarded as very common by approximately 75% of all respondents. It is considered the most serious social problem by household respondents ahead of unemployment and the poor state of the economy.[1] Approximately 65% of households reported actually experiencing corruption involving public officials. Businesses, however, did not regard corruption as seriously as households, listing instead financing problems, exchange rate instability, and political uncertainty. Public officials in the survey were not specifically asked this question, though other surveys[2] report that the majority of public officials also consider corruption in the public sector a serious problem.

D1.2. Respondents were asked to rank a list of 35 public institutions in terms of integrity from the least to the most honest on a scale of 1 through 5. There was close consensus between the business enterprises and household respondents, while the scores of the public officials were generally higher than the other two groups of respondents, suggesting some underreporting on the part of public officials.

D1.3 The *traffic police, customs authority and the judiciary* were ranked the most corrupt institutions, while the news media, post office and religious institutions (mosques, churches and temples) were considered the least corrupt. Mean scores were computed which ranged from a low of 2.13 for the traffic police to a high of 4.55 for religious institutions.

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Figure D1   Perceived Integrity of Public Institutions

Integrity (1=Very Corrupt, ..., 5=Very Honest)   corruption_public_institutions.xls

D1.4   Related to the perceived integrity of the institution was the performance rating of the institution. Those ranked the least honest or most corrupt were also perceived to be the least efficient in terms of delivery of the public service, indicating a positive relationship between integrity and performance. This result supports findings from other studies that show low performance levels are perceived to be related to high levels of perceived corruption.[3]

Figure D2   Relationship between Integrity and Performance of Public Institutions
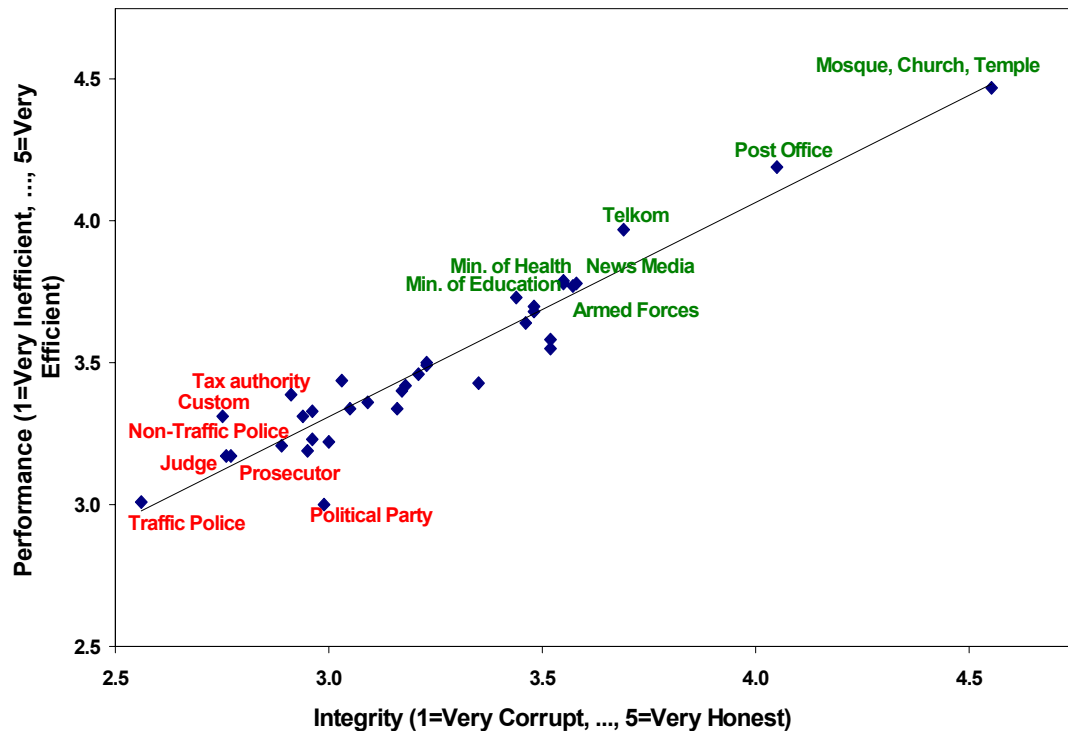
D2.0   Extent of public sector corruption

D2.1   For the purpose of this study, the general World Bank definition of corruption as the "use of public office for private gain" is applicable. This definition of public sector corruption encompasses, among others, (a) payments for faster services; (b) purchase of preferential treatment in procurement; and (c) petty bribery for jobs.[4] The national survey covered these aspects of corruption through a number of different questions.

D2.2   The four public institutions where corruption was considered to be most common among the public officials in the survey are shown in Table D(i).
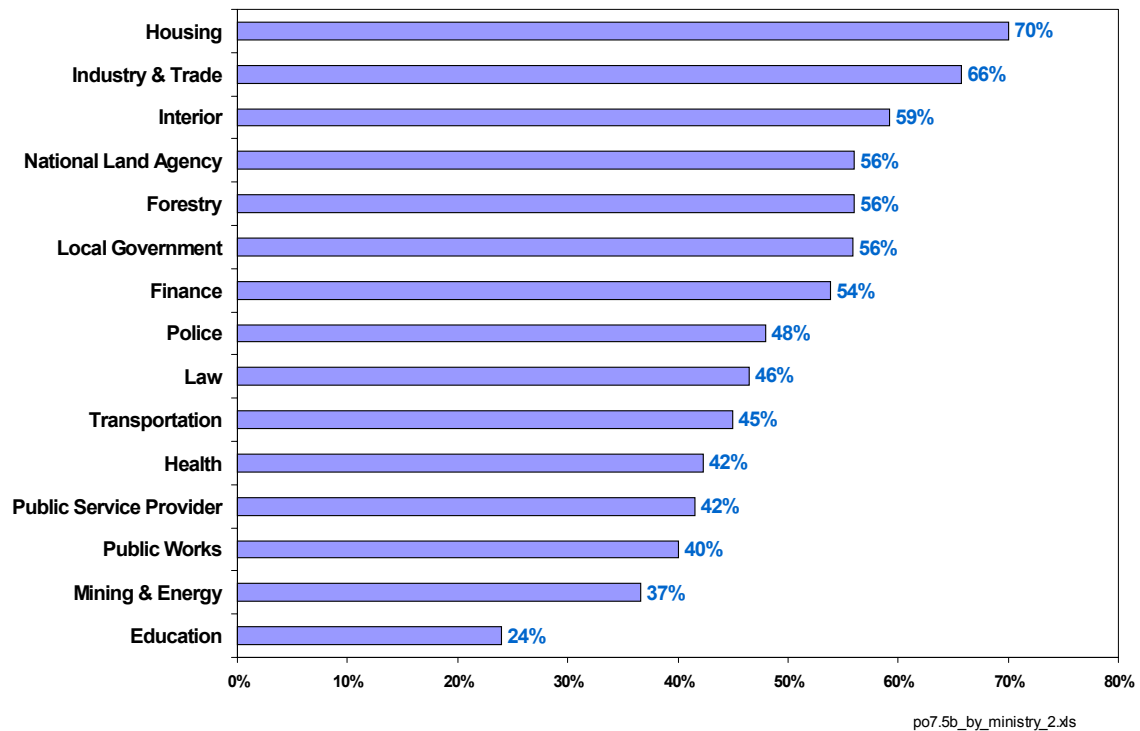
Table D(i)   Public Institutions where Corruption is perceived to be Most Prevalent

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

D2.3   Furthermore, public officials reported that almost half (48%) were estimated to be receiving unofficial payments. The four

abovementioned ministries ranked among the top, in addition to the Housing Department which had the largest proportion of public officials reportedly receiving unofficial payments (70%).

Figure D3   Percentage of Public Officials Perceived to be Receiving Unofficial Payments based on Self-Report by Public Officials

po7.5b_by_ministry_2.xls

D2.4   From a households' perspective, for those government departments where there was at least one contact and a bribe made with the contact, the average number of bribes for a few select public institutions[5] were as follows:

Table D(ii)   Average Number of Bribes Paid

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

The results suggest that the number of bribes paid increased with the frequency of contact with the public institution, though the reliability of

such a conclusion is tempered by the large number of missing cases in the responses (See Endnotes 4 and 5) as the public institutions where bribes were paid most frequently were the post office (12.5x), state-owned hospitals (4.6x), and the electricity service (3.8x). However, these services also had large percentages of missing cases (98.7%, 85.1% and 92.4% respectively). Moreover, previous results indicated that the postal service was considered one of the least corrupt and more efficient of the public institutions (See Section D1.3).

D3.0   Consequences of public sector corruption

   D3.1   The cost of corruption to society

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

Figure D4   Amount of Monthly Unofficial Payments by Monthly Household Income Level
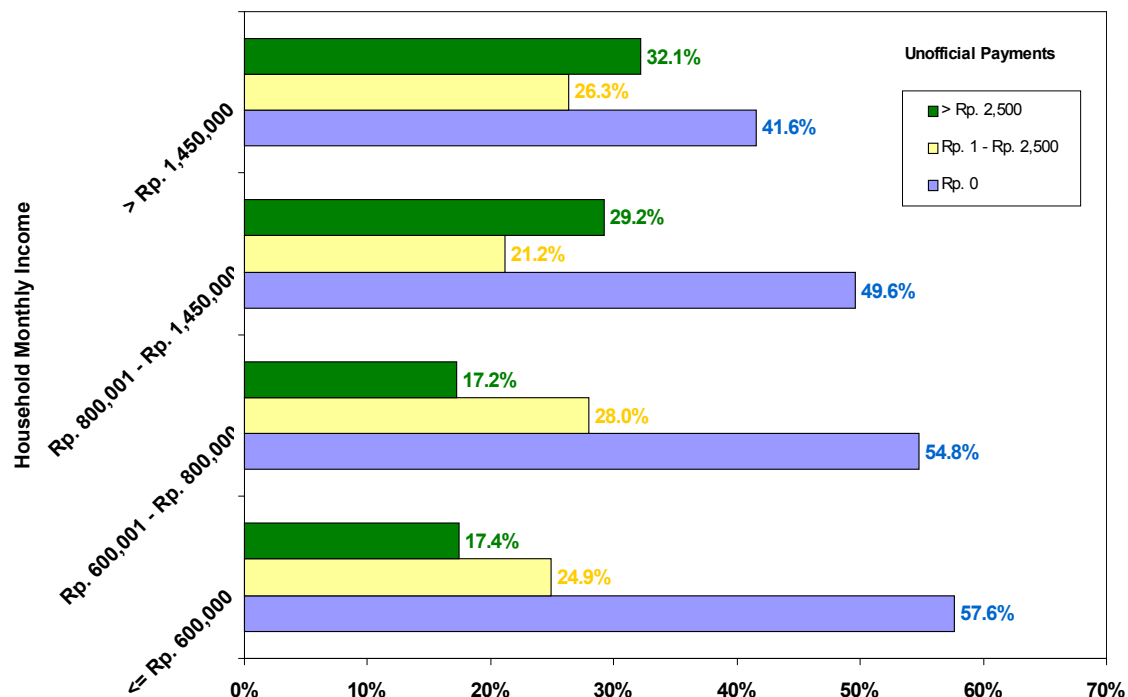
      3.1.2   Furthermore, the range in the amount of bribes paid can be substantial. Based on the frequency of contact and making unofficial payments as in Table D(ii) (See Section D2.4 above), the amount of reported bribes paid ranged as follows:

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

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

D3.2   The cost of corruption to business

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

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

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

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

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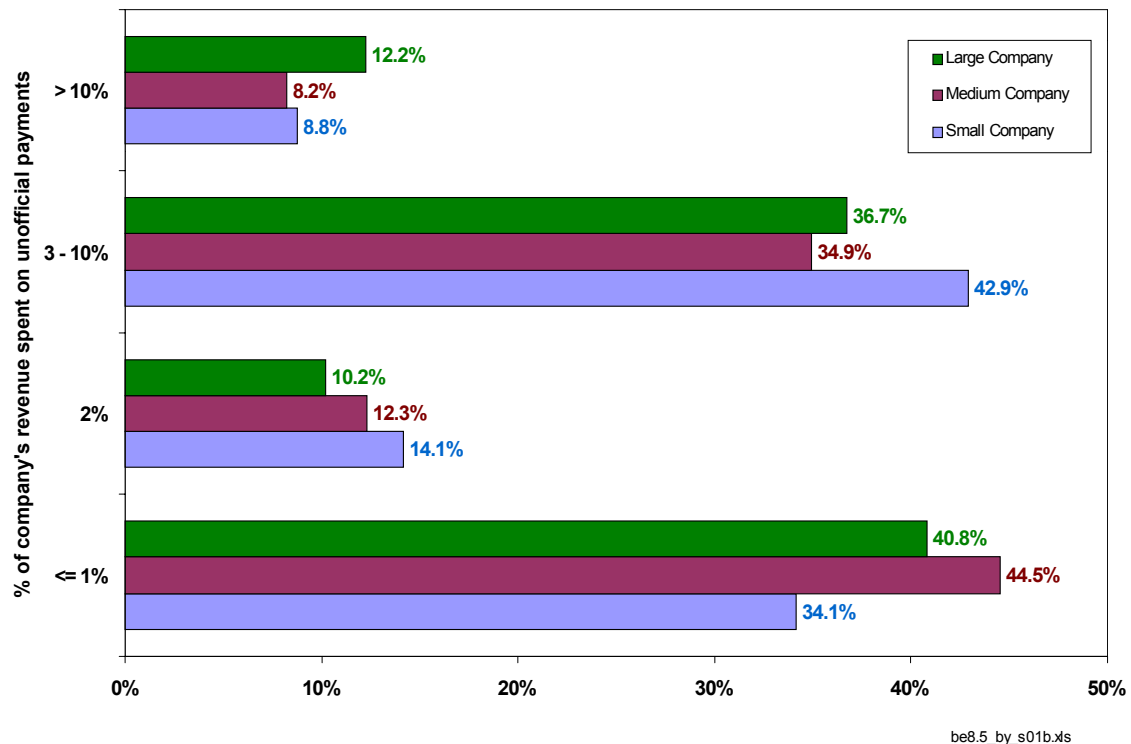

D3.2.3 The survey results also showed companies that paid more in bribes on procurement contracts (from 6% to more than 10%) did significantly more business with the government than companies that did not pay bribes or paid in smaller amounts. So rather than winning contracts based on a criterion of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

**Figure D6a   Impact of Bribery on Doing Business with the Government**
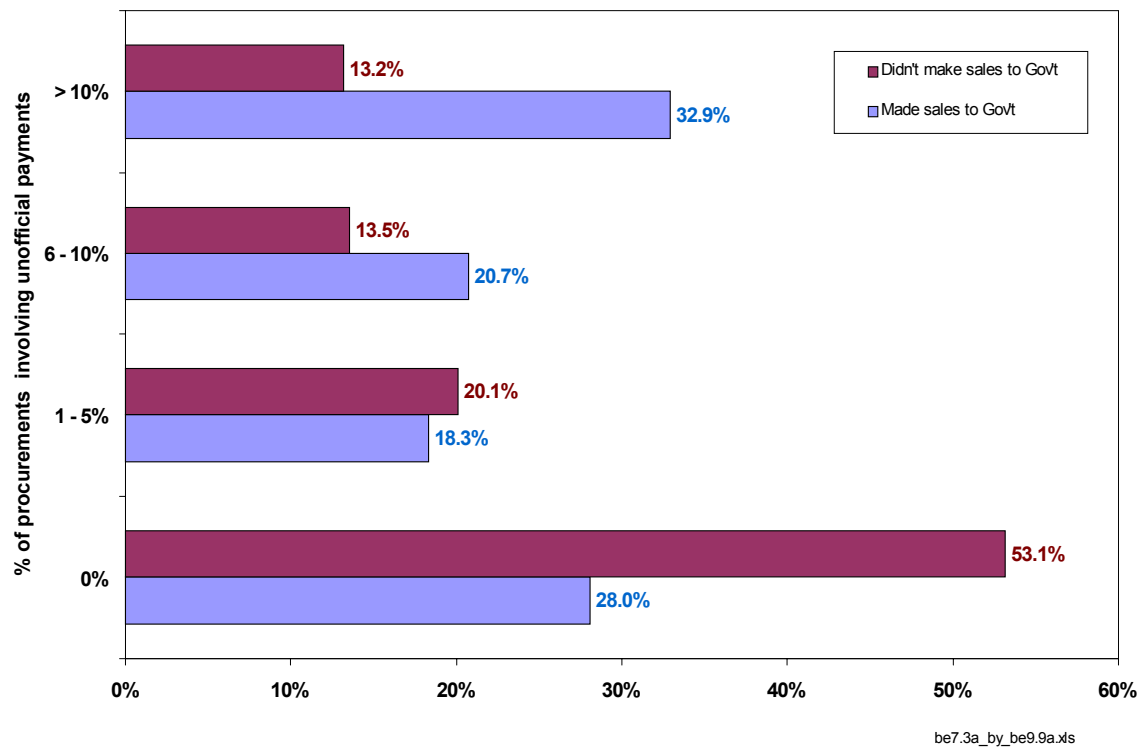
D3.2.4 This point is further illustrated in Figure D6b. Companies that reported offering more than 10% of the contract value in bribes had a larger percentage of sales revenue from government contracts.

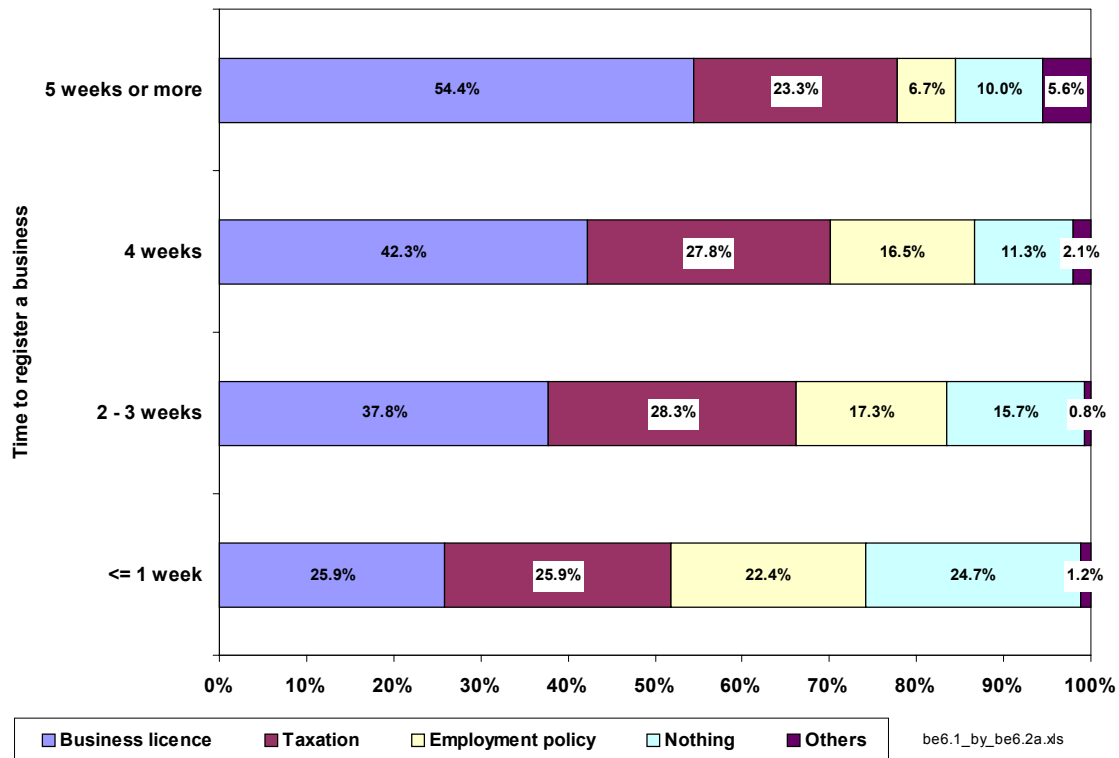## Figure D6b   Impact of Bribery on Doing Business with the Government
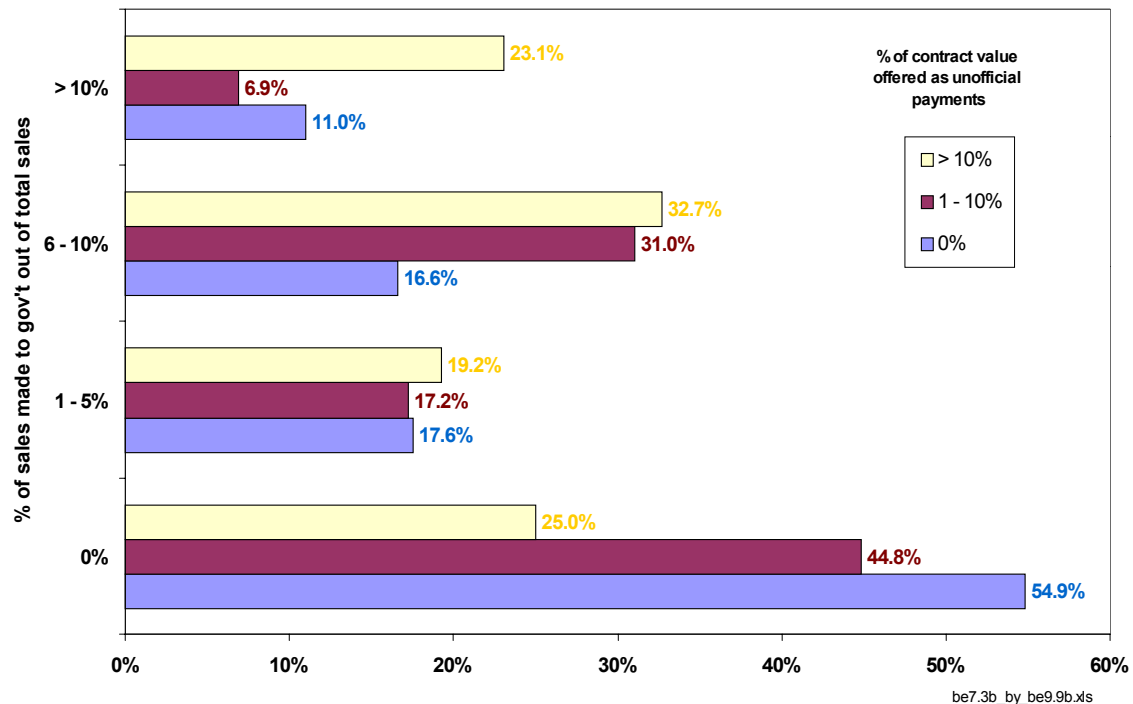
D3.2.5 Corruption appears to also discourage business investment. Approximately 35% of business enterprises reported not making investments because of the high cost related to corruption. So while corruption was not the main reason not to make an investment, corruption certainly does not help to promote investment.

Figure D7   Reasons Not to Invest in Indonesia

be6.6b.xls
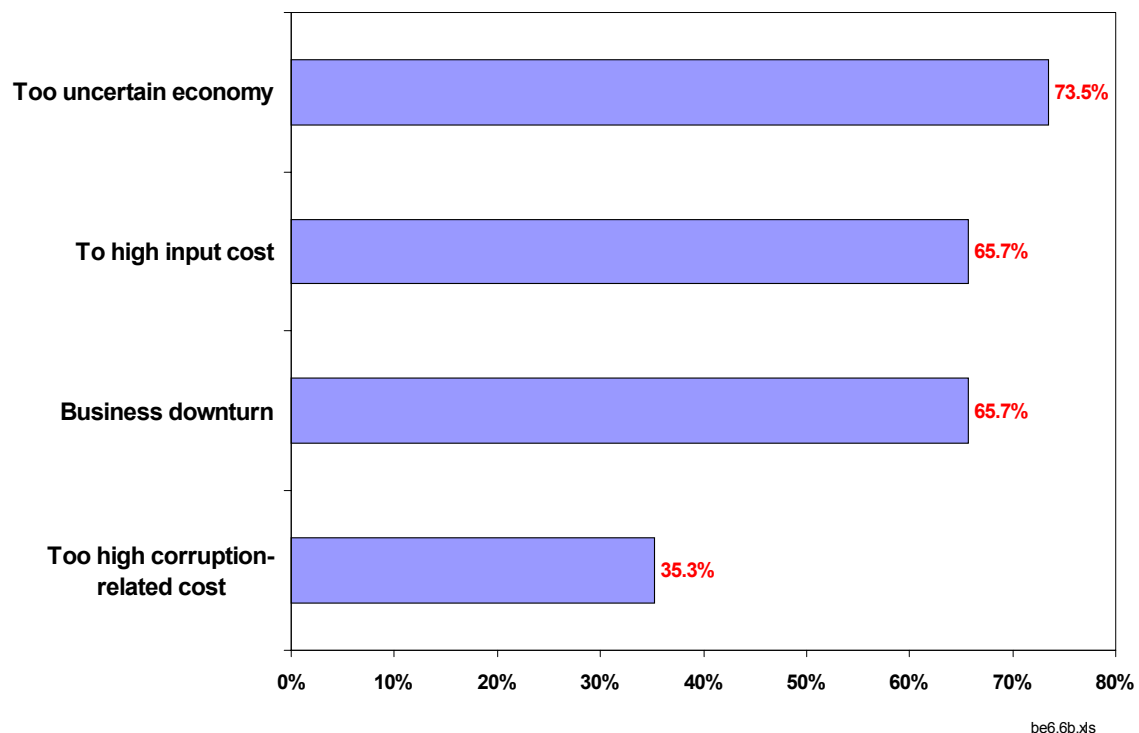
D3.2.6 Although economic uncertainty was the main reason not to invest, indirect corruption costs are also generated by bureaucratic red tape (such as the time required for business registration and the amount spent on using facilitators). A local businessman noted that "…under-the-table payments go hand in hand with the official procedures …"(The Jakarta Post, 3 August 2001) Thus, complicated official procedures for business licensing, for example, that are exacerbated by various hidden costs further act as disincentives for investment. The survey results illustrate this point.

D3.2.7 Approximately 40% of all business respondents mentioned business licenses and taxation (26.6%) as the government requirements that were most difficult to meet. In assessing the impact of such requirements by the time required to register a business, the national survey found that more than half (54.4%) of the businesses that needed five or more weeks to obtain business registrations regarded business licensing as the most difficult government regulation.

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

	Business licence	Taxation	Employment policy	Nothing	Others
5 weeks or more	54.4%	23.3%	6.7%	10.0%	5.6%
4 weeks	42.3%	27.8%	16.5%	11.3%	2.1%
2 - 3 weeks	37.8%	28.3%	17.3%	15.7%	0.8%
<= 1 week	25.9%	25.9%	22.4%	24.7%	1.2%

be6.1_by_be6.2a.xls

D3.2.8 The cost of corruption on businesses can be further seen from the price companies were willing to pay to eliminate corruption. More than half of the business enterprise respondents (56%) reported they were willing to pay additional taxes if corruption could be eliminated; and of those willing to do so, more than half said they were willing to pay more than 5% of company revenues towards eliminating unofficial payments.

D3.3   The cost of corruption to the state

D3.3.1 "Tax revenue losses from fraud, evasion, and smuggling sanctioned by local officials also drain funds from the state treasury."[7] The national survey provided an indirect estimate of the potential size of tax revenue lost through corruption based on the willingness of companies to pay for the elimination of corruption. This is an indication of the fiscal cost of corruption to the state budget. Corruption currently acts as an implicit "tax" on businesses that could instead contribute to the state as tax revenues if corruption could be eliminated. And judging from the amount that companies said they were willing to pay in additional taxes – from 5% up to 10% of revenue for some companies – this could be a significant source of revenue for the state.

D3.3.2 Corruption within public institutions not only distorts the budget, but also results in a significant loss of public funds. Public officials were asked how much of their department budgets had been diverted in the past two years due to "fraud, irregular diversion of funds, or any other abuse of public office". Almost one-quarter of the ministries surveyed reported some budgetary diversion. From Figure D9, between 2% to 4% was generally reported as being diverted, but in the Ministry of Housing and Ministry of Interior, from 6% to 8% were reportedly diverted. The reported amounts were not overly large, but the cumulative effect of all the 2%s and 3%s being diverted would add up to a substantial amount.

D3.3.3 Almost half of the public officials reported budgetary diversions at the Interior Ministry, while approximately one-third pointed to diversion of the budget at the Department of Industry and Trade, the Department of Forestry and the Housing Ministry. The results also indicated that these public institutions had to pay in order to receive their budget allocations.

Figure D9   Percentage of Budget Diverted by Ministry

po2.6c_by_ministry.xls
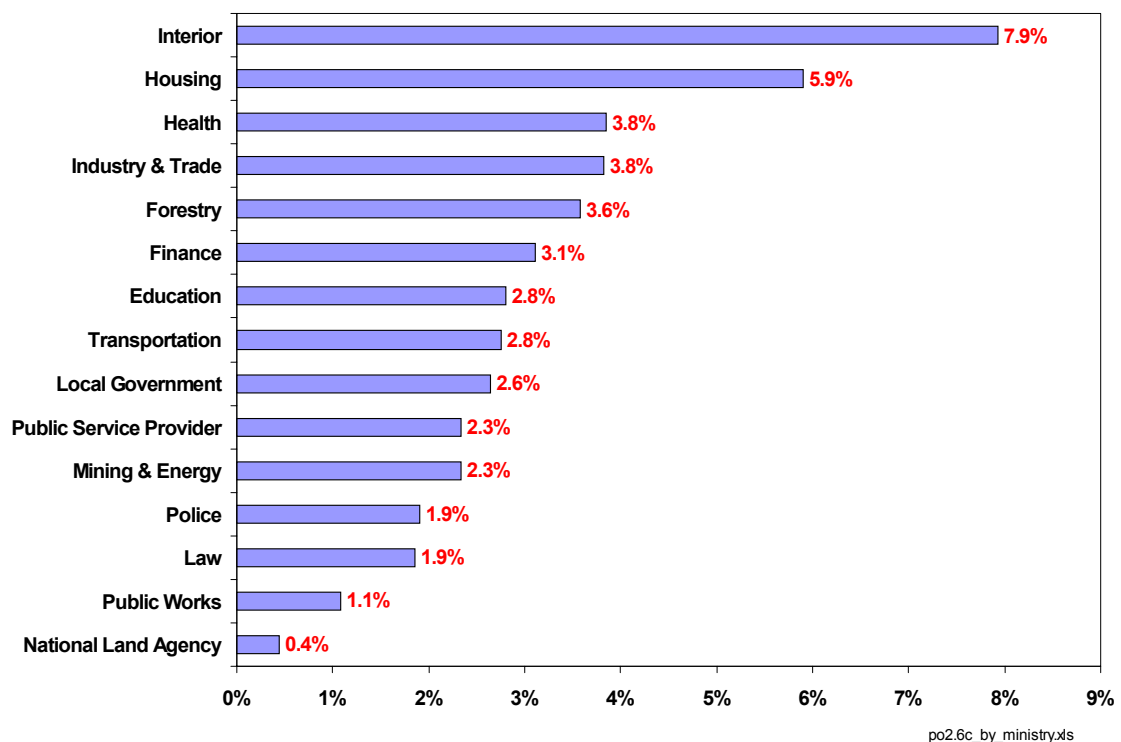
D3.3.4 The diversion of funds reduces the amount of resources available to the agency administering the public service, thereby lowering the quality of the public service. At a macro level, "the diversion of public funds into private pockets inevitably reduces the state's ability to provide public goods, such as education, environmental protection, and research and development."[8] At a

micro level, corruption does not increase the certainty that the service will be rendered. More than half (56%) of business respondents could not say that making unofficial payments actually guaranteed a service or resolved a problem. Corruption undoubtedly reduces the effectiveness of public sector organizations.[9]

D3.3.5 Corruption therefore entails both direct costs as well as indirect costs from the loss of existing state funds as well as the loss of potential state revenue. The 5% that companies reported as paying every month in bribes, and the 5% that they reportedly were willing to pay in additional taxes could be considered as lost revenue to the state. If the 5% that is reported as being paid, and the 5% that would be paid were to be legitimately collected, the amounts of additional revenue to the state could be substantial.

ENDNOTES TO SECTION D

1   Among household respondents, corruption was ranked as the most serious social problem from a list of 15 other social problems including unemployment, inflation, and political instability, the bad state of the economy, the poor quality of health care, and the poor quality of education.
2   See   http://www1.worldbank.org/publicsector/civilservice/countries/indonesia/index.htm   for results from the survey of public officials in Indonesia.
3   *Op. cit.*
4   *Op. cit.*
5   The missing values on these questions were too large (ranging from 24.3% to 98.2%) to allow for direct reporting of results, as it was unclear from the results whether the missing cases implied there was no need for contact and therefore no contact was made; or whether the missing cases were omissions or some other form of coding error. Since at least a quarter of the responses were missing, the reporting of results was limited to where there was at least one contact made with the public institution and at least one bribe paid. The percentage of non-missing cases was calculated by dividing the number of cases where there was at least one bribe paid into the number of cases where there was at least one contact made with the public institution.
6   Minxin Pei, "Will China become another Indonesia?" Foreign Policy, Washington, Fall 1999.
7   Minxin Pei, "Will China become another Indonesia?" *op.cit.*
8   Minxin Pei, "Will China become another Indonesia?" *op.cit.*
9   Minxin Pei, "Will China become another Indonesia?" *op.cit.*

E.   CORRUPTION IN THE LEGAL SYSTEM[1]

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

E1.0   Perception of the legal system

E1.1   As a separate entity within the public sector, the legal system plays a vital component in the fight against corruption. From previous discussion, it seemed that the entire legal system was regarded as among the least honest and least efficient of public institutions. (See related Section D1.3) The Indonesian judiciary and prosecution were ranked among the most corrupt, just above the traffic police, while the regular police and Ministry of Justice fared only slightly better.

Table E(i)   Mean Scores of Legal System Components based on Perceived Honesty and Efficiency

| INSITITUTION	HOUSEHOLD Mean Score	BUSINESS Mean Score	PUBLIC OFFICIALS Mean Score
LOWEST: Traffic Police	2.16	2.13	2.56
Judiciary	2.31	2.29	2.76
Office of the Prosecutor	2.36	2.31	2.77
Police excluding traffic police	2.40	2.37	2.89
Ministry of Justice	2.48	2.48	2.94
HIGHEST: Mosque, Church, Temple	4.31	4.24	4.55

E1.2   The legal system in general was not regarded in a positive light. Business enterprises in particular held harsher opinions of the courts with 10% more business respondents viewing the courts as untrustworthy compared to household respondents. More households viewed the courts as "deserving all the trust" (24%) compared to businesses (13%). Proportionally more businesses (70%) gave a lower rating of 3 and below when asked to rank the trustworthiness of courts compared to households (60%).

Figure E1   Pubic Attitudes towards the Courts: Trustworthiness

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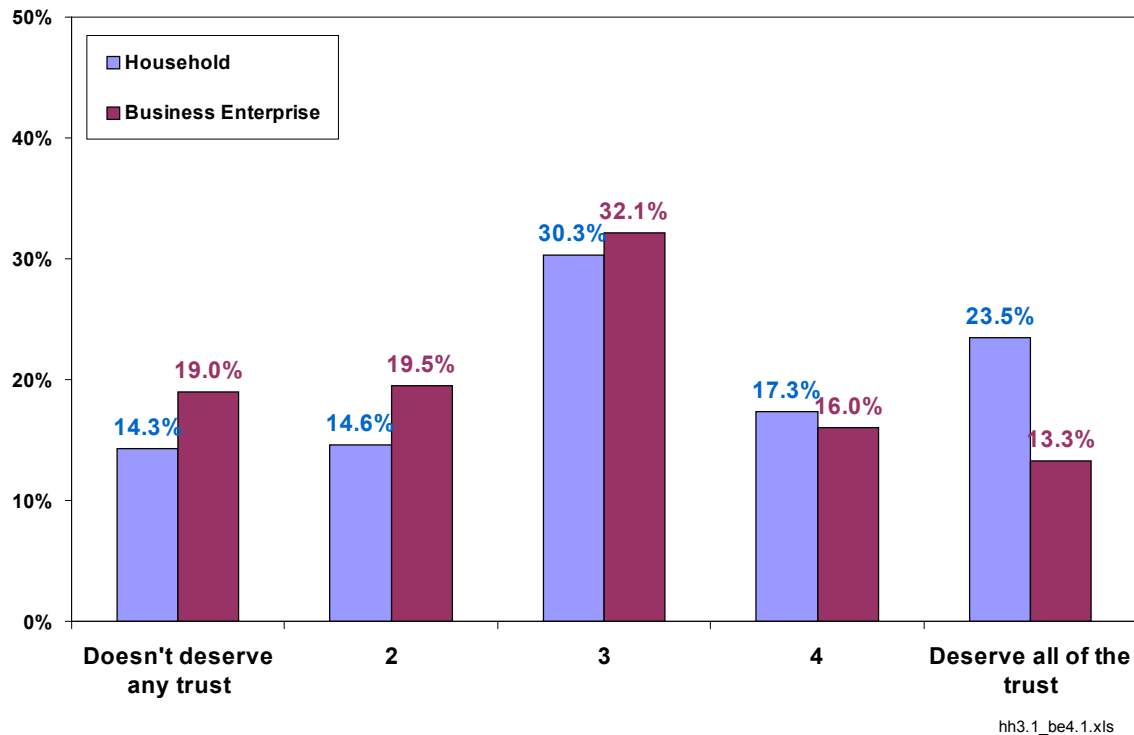
E1.3   When respondents were asked whether they thought the courts were only for the rich and powerful, or whether they were for everyone, business respondents were equally divided at both ends with about 26% saying that the courts were for some only and about 25% also saying that the courts were for all.   Households were more split in opinion with 20% saying courts were for the rich and powerful versus 39% saying the courts were for everyone. Some of the difference in opinion can be explained by more businesses having actual experience with the courts (27%) over the average household (7%). (See related Section E2.0.) So while the overall perception of the legal system was negative in terms of performance and integrity, the view was more mixed between households and businesses when it came to how the legal system (in this case the courts) should be.

Figure E2   Pubic Attitudes towards the Courts: For some or all
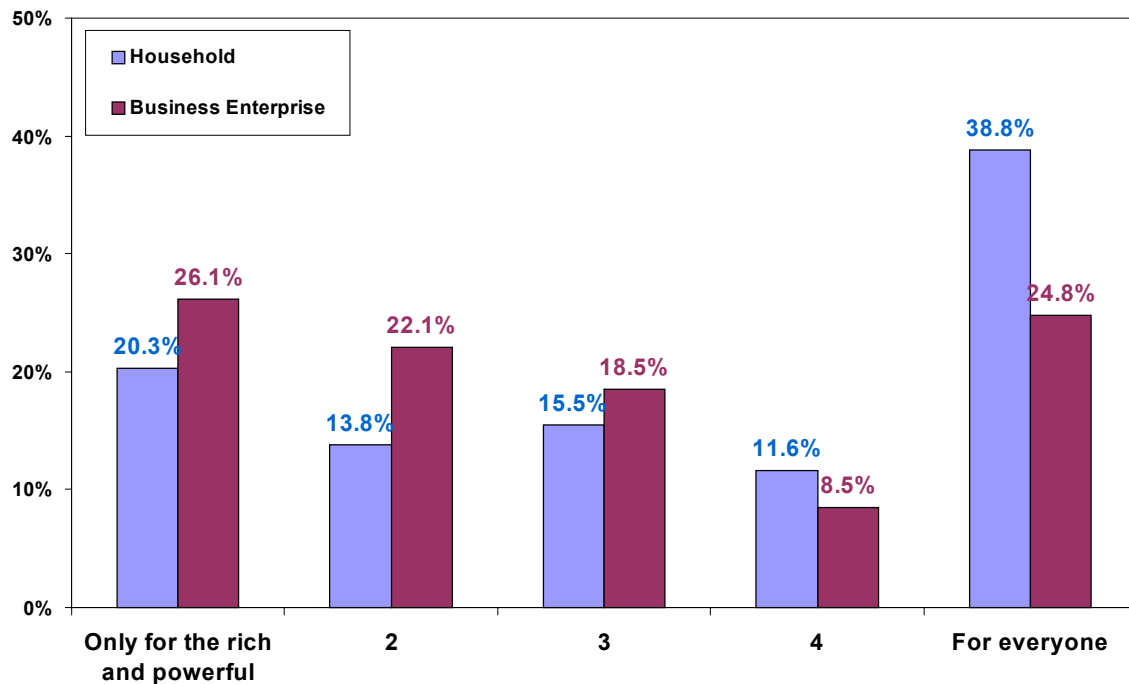
hh3.1_be4.1.xls

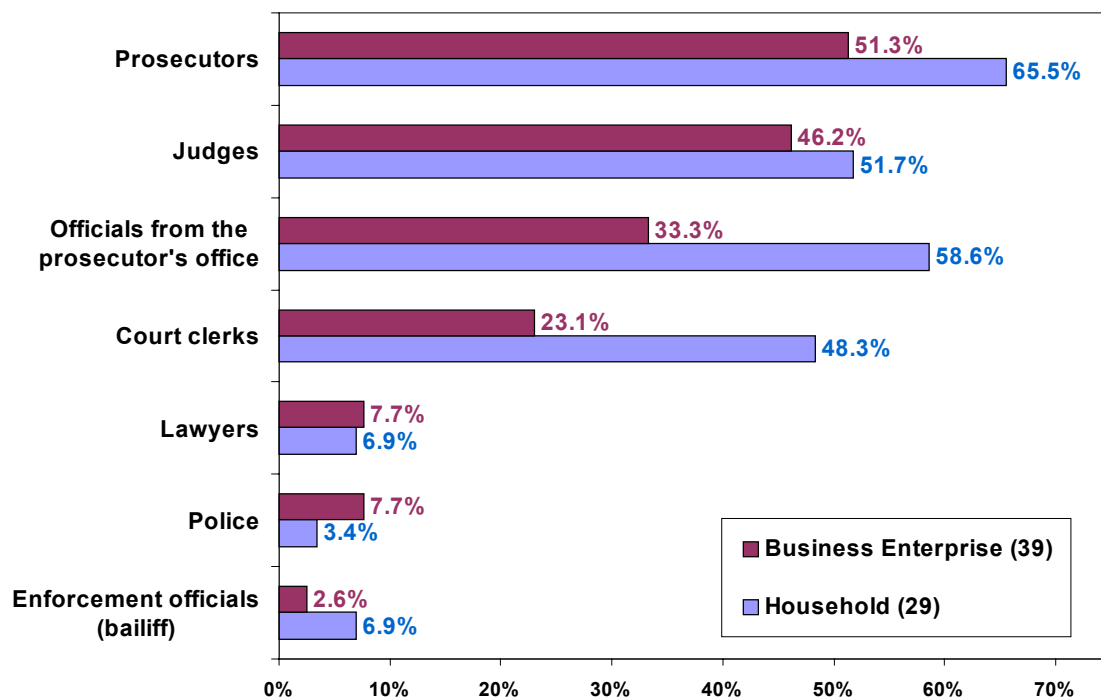E2.0   Nature of corruption in the legal system

E2.1   Respondents who had actual dealings with the courts were asked about their experiences. Of the households and businesses that had recent experience with the court system, more than one-third of the respondents (35%) indicated that some form of unofficial payment was expected. Businesses reported paying proportionally more in bribes of between Rp 1 to 5 million while the majority of households reported paying less than Rp 1 million.

Table E(ii)   Percentage with Court Experience Reporting Payment of Bribes

	HOUSEHOLD	BUSINESS
Use of courts in past 5 years	6.9% (86)	26.8% (107)
Paid bribe	33.7% (29)	37.1% (39)
Amount of bribe (Rp)		
Less than 1 million	56%	31%
1 to 5 million	33%	49%
More than 5 million	11%	20%
Amount of bribe (Rp)		
Minimum	15,000	100,000
Mean	2.3 million	35.1 million
Median	600,000	1.0 million
Maximum	15.0 million	900.0 million

E2.2   The survey results also revealed the main recipients of the bribes in the legal system. Prosecutors, judges and staff from the prosecutor's offices were the main recipients of bribes. Households also had to pay bribes to the court clerks in addition to the other three. Households reported paying prosecutors (66%) and staff from the prosecutor's office (59%) more than businesses, which made more unofficial payments to prosecutors (51%) and judges (46%). But as Figure E3 shows, corruption is present in all the components of the legal system as unofficial payments were reported made to all the different parties listed.

Figure E3   Main Recipients of Unofficial Payments in the Legal System


hh3.3c_be4.3d.xls

E3.0   Consequences of corruption in the legal system

E3.1   A measure of the public's trust in the legal system and its efficacy is seen from the usage of the courts as a form of dispute resolution. Household and business respondents were asked about the methods used to settle disputes in the past five years, the results of which are shown in Figure E4. Courts showed low levels of usage by households at less than 10%. Households were more likely to use informal means such as family members and friends, as well as their neighborhood and religious leaders to settle disputes. Businesses were more likely to use formal methods in addition to informal methods to resolve disputes. Most turned to the police, the usual point of first contact in the legal system, for assistance (46.4%). More than a quarter of businesses reported using the courts and business associations, while less than 20% used formal mediators and lawyers. But a substantial portion of

businesses still used informal means including family and friends (41.1%) and neighborhood and religious leaders (27.5%).

Figure E4   Methods of Dispute Resolution Used

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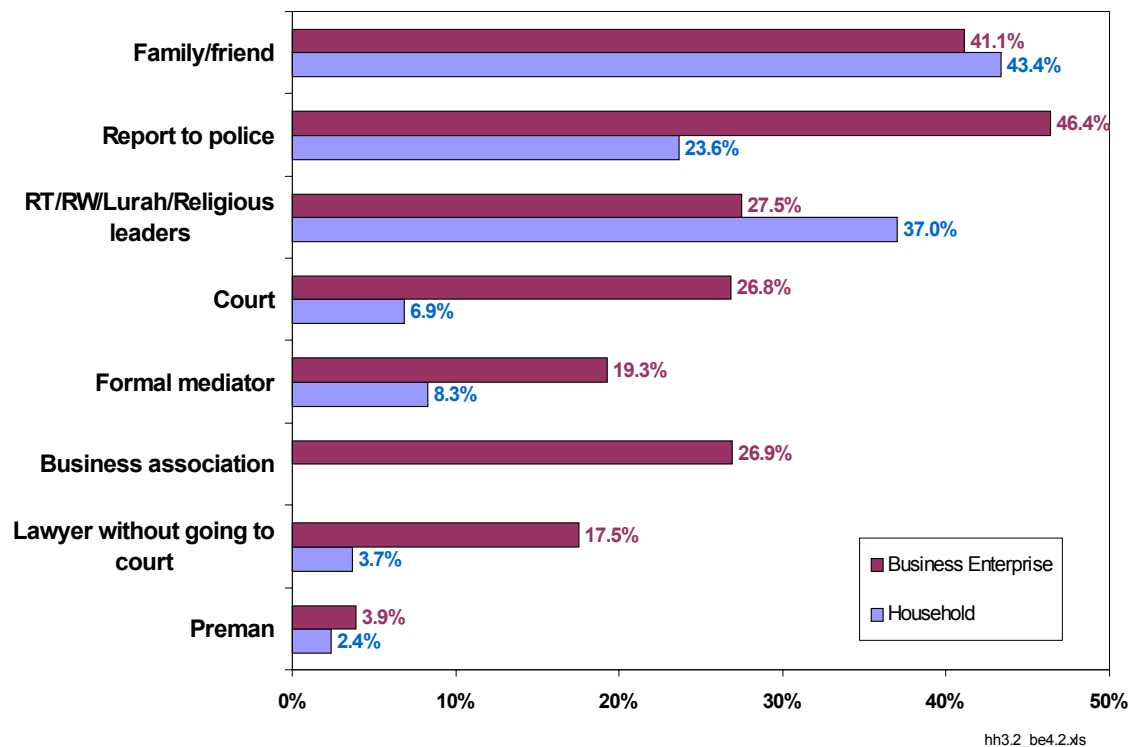
E3.2   It is unclear from the foregoing results if the lack of trust and credibility in the legal system are directly related to corruption. Business enterprises ranked the high unofficial costs as the most significant obstacle to using the courts (44%) while households cited "judges would make unfair decisions" (42%) instead. But when results were aggregated, the top reasons given as obstacles to the court system were process related issues, including the lengthy time required, (46.4%) the lack of enforceability of decisions, and judicial impartiality. What the results do show are the consistency of responses with all the choices (except for the high official costs) being regarded as very significant obstacles by households and businesses alike, indicating that the courts are not regarded as either accessible or credible.

Figure E5   Obstacles to Using the Courts

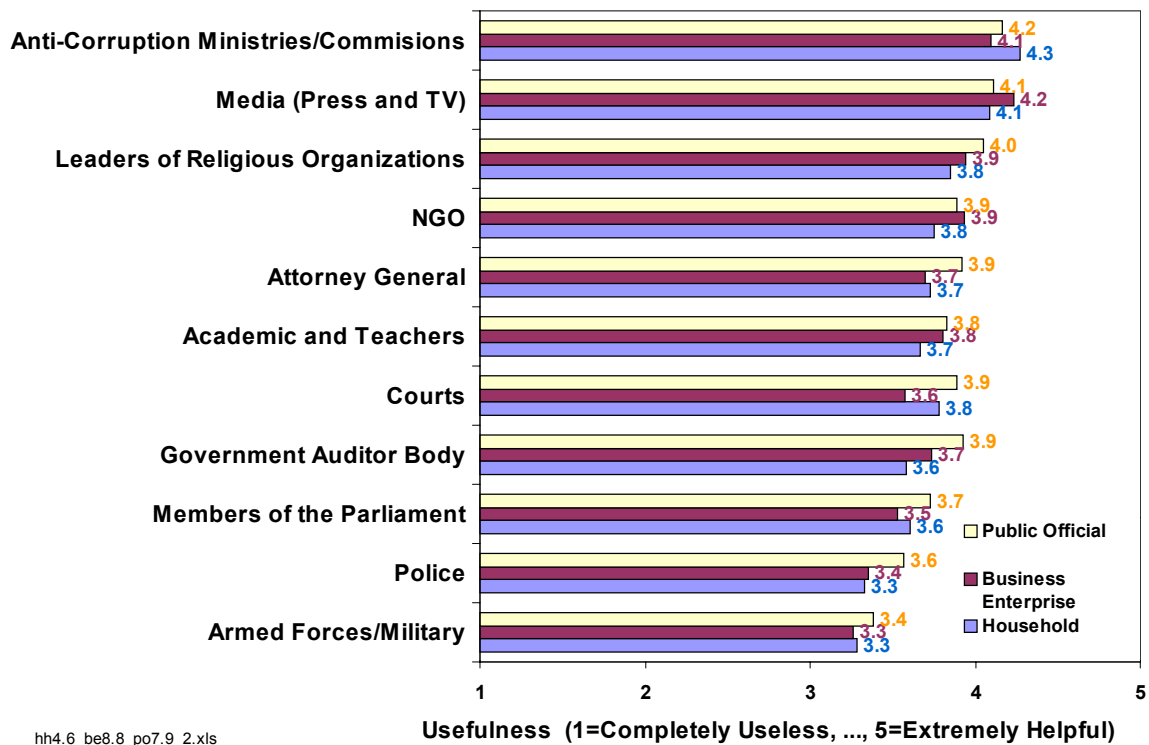Obstacle (1=Very Minor, ..., 5=Very Significant)   hh3.4a_be4.4a.xls
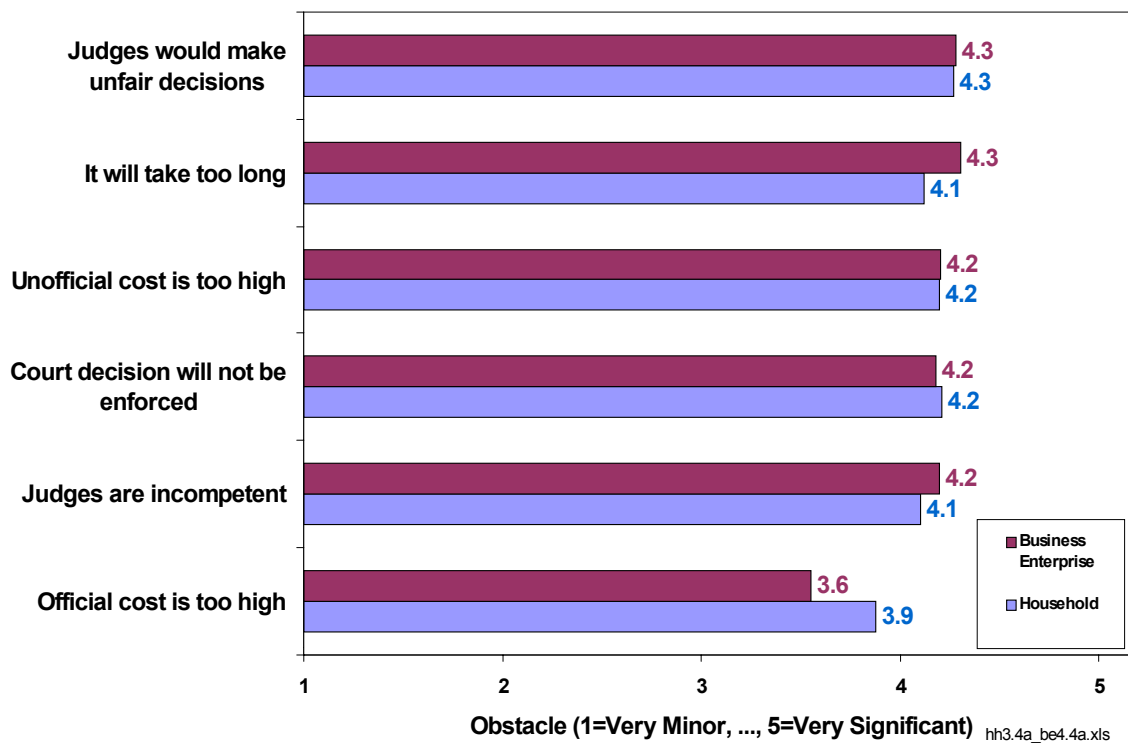
E3.3   Although the unofficial costs may not be the most significant obstacle to using the courts, other weaknesses in the overall legal system render it largely inaccessible to the average citizen and ineffective in enforcing the rule of law in society. Pei's (1999) description of the situation in China bears strong resemblance to Indonesia:[2]

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

E3.4   The generally negative public perception of the legal system is particularly problematic given that the police, prosecution and judiciary are the institutions responsible for the detection, prosecution and punishment of corruption cases. The loss of public confidence in the ability and integrity of the legal system was further reflected in their low scores for "usefulness in combating corruption". The police, courts and attorney general were ranked below the anti-corruption commission, the media, religious institutions, and non-government organizations as useful institutions in fighting corruption – all of which are outside the legal system.

Figure E6   Useful Institutions in Fighting Corruption

Useful Institutions in Fighting Corruption

Institution	Public Official	Business Enterprise	Household
Anti-Corruption Ministries/Commisions	4.2	4.1	4.3
Media (Press and TV)	4.1	4.2	4.1
Leaders of Religious Organizations	4.0	3.9	3.8
NGO	3.9	3.9	3.8
Attorney General	3.9	3.7	3.7
Academic and Teachers	3.8	3.8	3.7
Courts	3.9	3.6	3.8
Government Auditor Body	3.9	3.7	3.6
Members of the Parliament	3.7	3.5	3.6
Police	3.6	3.4	3.3
Armed Forces/Military	3.4	3.3	3.3

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Usefulness (1=Completely Useless, ..., 5=Extremely Helpful)

E3.5   Although the overall perception of the legal system is unfavorable, it is also clear from the survey results that the public still regard the legal system as vital in the fight against corruption. The individual rankings of the attorney general, courts and police, while below other institutions, were relatively high with scores of 3 and above out of 5, indicating that the legal system is needed and irreplaceable as the main body to combat corruption.

ENDNOTES TO SECTION E

1   The legal system normally refers to the police, prosecution, courts and corrections but is used more specifically in this context to mean the judges, court clerks, prosecutors and prosecutors' staff.

2   Minxin Pei, "Will China become another Indonesia?" Foreign Policy, Washington, Fall 1999.

PARTNERSHIP FOR
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in Indonesia

F.   PUBLIC ATTITUDES AND BEHAVIOUR TOWARDS CORRUPTION

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

F1.0   Public attitudes appear to be firmly against corruption with the majority of respondents (approximately 70%) regarding corruption as a serious social problem, likened to "a disease to combat, denouncing every known case". Less than 5% felt that corruption was something natural and part of daily life.

Figure F1   Public Attitudes towards Corruption

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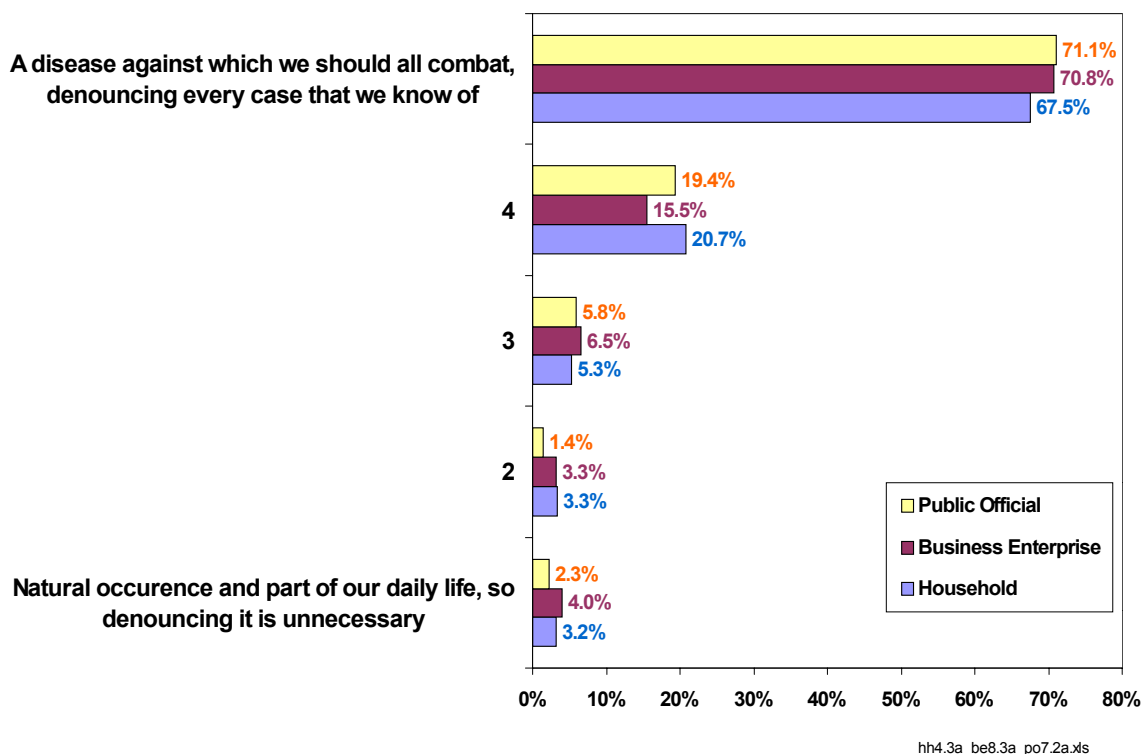
F2.0   But there appears to be a difference between what people say and what they do. When asked what their behavior would be in different corrupt situations, almost a third of respondents viewed corruption as "something normal and paid up" or actually "felt relieved and paid up", or accepted money and gifts. In the survey, the Indonesian words "biasa" and "wajar" were used for "normal", which mean something common or usual. Therefore, "normal" in this sense does not necessarily imply approval or condoning of the behavior, only that it is a habitual occurrence.

F2.1   The situations ranged from bribing a policeman to marking up contracts to accepting money for votes. Select responses to situations for each response group (household, businesses and public officials) are presented below separated into two response categories:

- Those who accept the situation as normal versus those who do not[1]

- Those who pay up in the situation and those who do not[2]

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

F2.1.1 In a common scenario involving the payment of a bribe to the lurah (village chief) to speed up the issuance of identity cards, more than half of the respondents regarded paying to accelerate the delivery of a service as something "normal" in this case, and three-quarters would pay up to obtain the service.

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

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

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

F2.1.2 Another typical situation was the payment of a bribe to a police officer to avoid a traffic ticket. Here, less than half of the respondents regarded the situation as "normal", but more than half indicated they would pay up.

Table F(ii)   Payment of Bribe to Police Officer

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

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

F2.1.3 The responses for a situation involving the bribing of a judge were more internally consistent. The majority of respondents did not consider paying for justice as "normal" (75%), nor would they pay in this case (70%).

Table F(iii)   Payment of Bribe to a Judge

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

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

F2.1.4 The patterns of responses in these three scenarios suggest that there is a loose understanding as to what constitutes corruption. It would appear that the more "common" the situation – paying for an ID card, paying for a traffic violation – the more "normal" the situation was considered. Or the lower the rank of the public servant (village chief and traffic police), the less the behavior is defined as corrupt. But when the scenario involved bribing a high ranking public official (judge), respondents were more unanimous in calling it "not normal" and also consistent in not paying up.

F2.2 Respondents were further asked for their actions in corrupt situations specific to their social group.

Table F(iv)   Corrupt Situations Specific to Social Group

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

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

F2.2.1 Although less than half of households considered having to pay to guarantee school enrollment for their children as not normal (46%), almost three-quarters actually did pay up (71%).

F2.2.2 Businesses were almost equally divided between those who regarded mark-ups as normal and those who did not, indicating a lack of consensus in what is considered ethical business practices. However,

10% more businesses indicated they would actually mark-up to win the contract.

F2.2.3 The responses for public officials had the highest proportion of "don't knows" for their scenario. The results were also less consistent than that of households and businesses. While a larger proportion regarded the request for unbudgeted funds as normal (49%), slightly more indicated they would not release the funds (51%).

F2.2.4 These results and the foregoing suggest that there are instances when corruption is not considered "normal", such as bribing a teacher to gain entrance into a school and marking up a contract; but more respondents nevertheless felt they had to "pay up". So while a substantial portion of respondents perhaps did not morally accept the situation as "normal", there was a certain resignation in resisting engaging in corrupt behavior. Therefore, in spite of what people think about corruption, the survey results show that a significant portion of people do engage in corrupt behavior.

F2.3 Accepting a bribe is the flipside of paying a bribe. And this was where the discrepancy between public attitudes and behavior was most marked. Respondents were asked for their views in two situations where they were offered gifts and money, instead of having to pay for something. In the case of the Idul Fitri (the celebration at the end of the Moslem fasting month) gift from a supplier, the overwhelming majority of respondents indicated they would accept the gift. The proportion of respondents accepting money for votes dropped significantly, but around 40% still accepted the money. Tables F(v) and F(vi) show the results of these questions.

Table F(v)   Accepting Gift from Supplier

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

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

Table F(vi)   Accepting Money for Votes

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

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

F2.3.1 The difference in response to these two scenarios suggest that accepting Idul Fitri gifts is viewed less as an act of corruption than vote selling, and that the Indonesian political consciousness can distinguish between what are socially acceptable and unacceptable practices. This underscores the difficulty in refining or redefining public attitudes towards the more culturally sensitive aspects of corruption. Furthermore, the accept category does not mean that all respondents here would change their vote. In fact, less than 2% of businesses and public officials, and less than 5% of households indicated that they would vote as instructed. But the risk remains that political choices for almost half of the respondents could be compromised through money politics.

F2.3.2 Thus, whilst Indonesians do not approve of corruption and perceive it as harmful to society, they nonetheless at times do not or cannot resist it due to a sense of powerlessness or a lack of experience in engaging in corrective action to effect change, as well as insufficient external support to resist corruption. This powerlessness and inexperience in dealing with corruption in society can be further understood through the low reporting of corruption cases and the reasons for not reporting corruption cases.

F3.0 Approximately 40% of the respondents reported observing a case of corruption, but less than 10% of the cases were reported as almost three-quarters of respondents (approximately 71%) did not know how and where to report such cases. This is especially true for household respondents who had not only the highest non-reporting (98%) but also the largest percentage of not knowing where to report (87%). More than half the household respondents who did not report corruption cases claimed first that they did not know where to report (52%), but they were also discouraged from reporting by the long and complex process (27%) and their concerns for potential harassment and reprisals (30%).
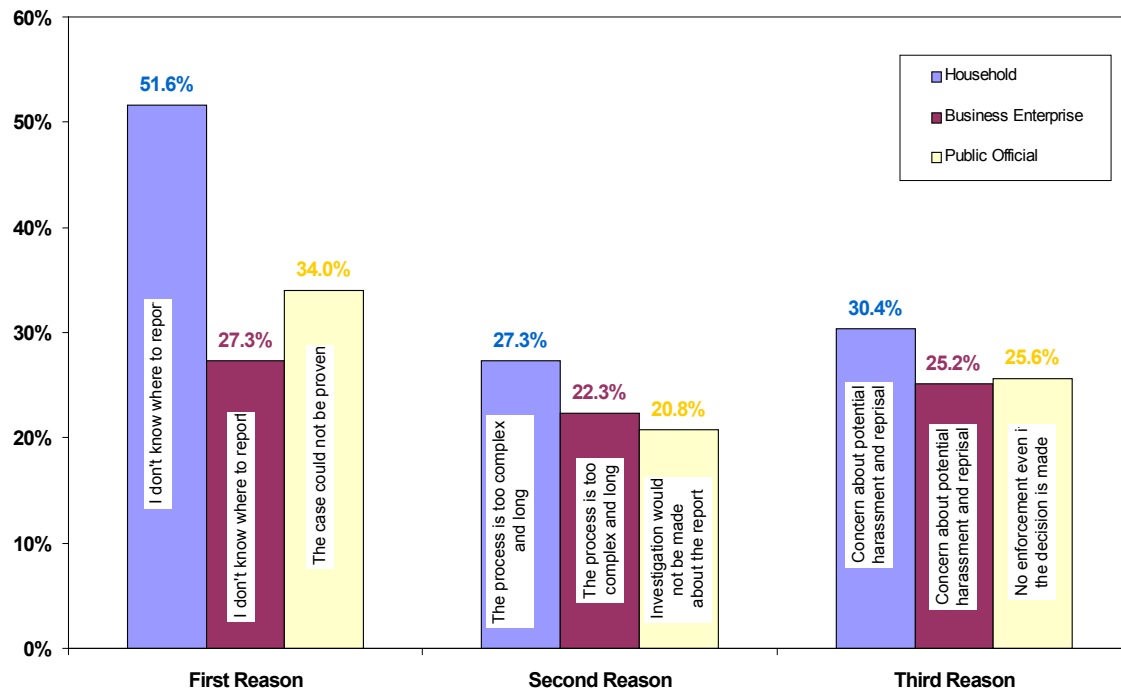
Table F(vii)   Public Reporting of Corruption

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

F4.0 The reasons for non-reporting given by respondents who did not report their observations of corruption reflect the lack of public confidence in the existing system. Public officials in particular, gave responses for not reporting corruption that were critical of the legal process – the case could not be proven (34%), no investigation would be made of the report (21%) and no enforcement

would be made even if detected (26%) as the three main reasons for non-reporting. Responses by business enterprises combined the household view of lack of knowledge (27%) and fear (25%) with the public official view of procedural difficulty (22%) as the three main reasons.

Figure F2   Reasons for Not Reporting Corruption

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

   F5.1   56% of all business enterprise respondents indicated a willingness to pay additional taxes equivalent to approximately 5% of revenues to eliminate corruption. (See related Section D3.0)

   F5.2   72% of household and public official respondents indicated punishment for corruptors according to the law as their first course of action in fighting corruption if they were in a position of responsibility.

F6.0   In spite of the lack of confidence in the legal system (See related Section E3.0), the public's expectations for justice clearly demand a better performance from the police, prosecution and courts.

   F6.1   Approximately 75% of all respondents want all corruption cases pursued. Businesses were more practical, with 17% saying that only large cases should be pursued. Only about 10% of respondents held the view that the past should be forgotten.

Figure F3   Which Corruption Cases Should be Pursued

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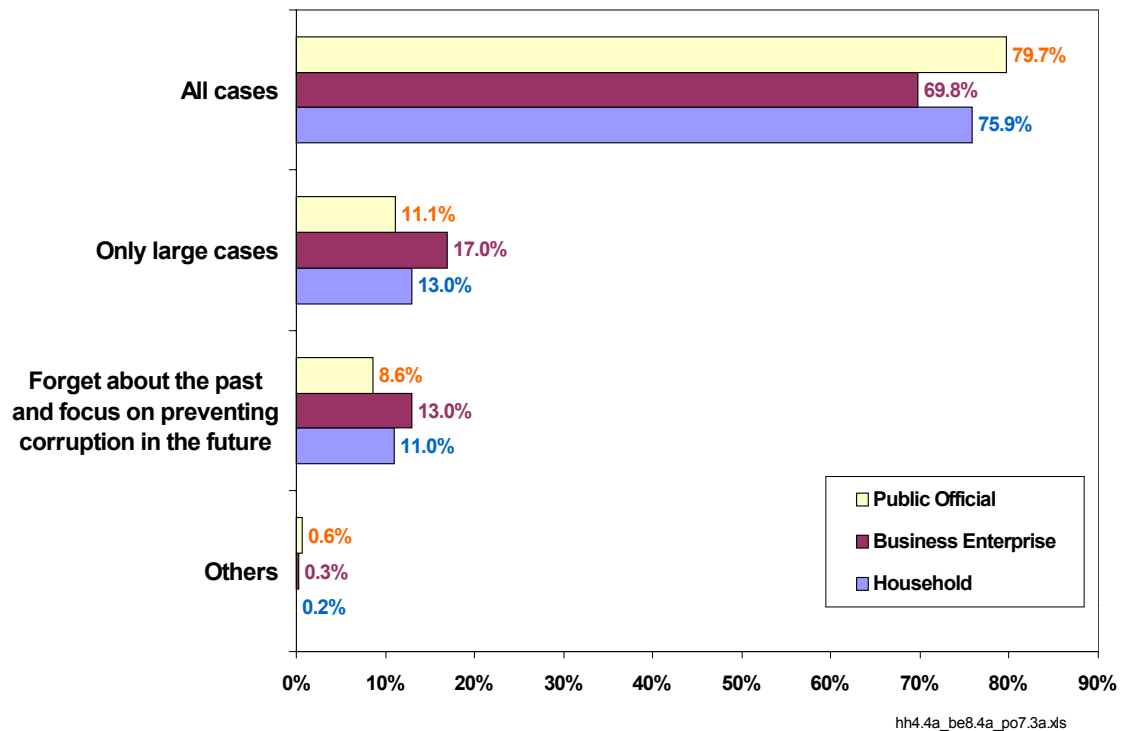
F6.2   Similarly with the outcome of corruption cases, the majority of respondents wanted harsh punishment for the convicted corruptors. Approximately 87% of all respondents want convicted corruptors punished with jail time and asset seizure (56%). Public officials were most strongly in favor of this outcome.   More than one-third of respondents (though less public officials) wanted additional public shaming of the convicted (30%), and about 10% felt that returning the money for amnesty was sufficient. Approximately 1% of respondents wanted the death sentence (1%) or life imprisonment (<1%) for convicted corruptors.

F6.3   The public preference for a punitive outcome for all corruption cases is a severe and unrealistic view to handling such cases, but it underlies the frustration and powerlessness of the people in dealing with corruption in society. (See related Section F3.0) Irregardless of whether survey respondents were realistic about the numbers and outcomes for corruption cases, it is unmistakably clear that the public wants something done about corruption.

Figure F4   Desired Outcome for Convicted Corruptors
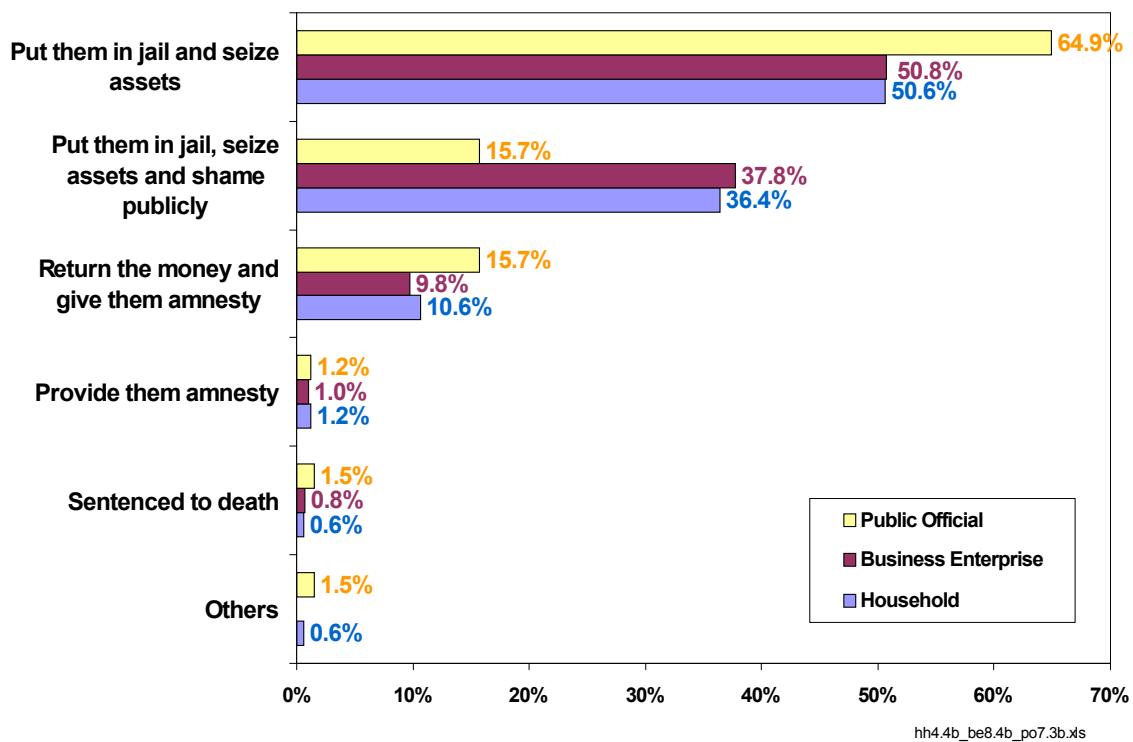
ENDNOTES TO SECTION F

1   Normal was defined as those who both accepted the situation as normal and felt relieved after paying up. Not normal was defined as those who felt angry at the situation.

2   Pay up was defined as those who paid up irrespective of whether they felt angry or accepted the situation as normal.
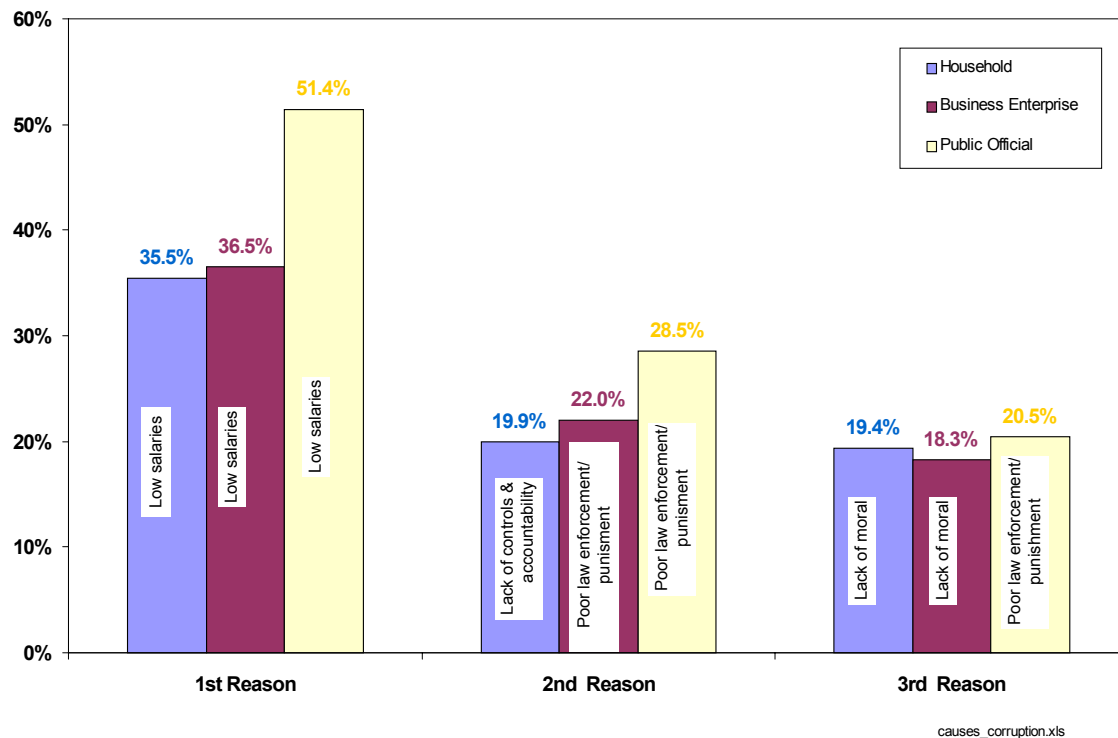
G.   CAUSES OF CORRUPTION

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

G1.0   Public opinions on the causes of corruption

G1.1   Respondents were asked to rank the main causes of corruption in society from amongst a list of possible reasons.[1]   The results showed a strong consensus among all three groups with more than one-third of households (36%) and business enterprises (37%) attributing the main cause of corruption to low civil servant salaries. Public officials were even more strongly of this view with over half of them (51%) putting this reason first.

G1.2   The public officials' response was also quite different from the other two groups of respondents who regarded the lack of controls and accountability of public officials as the second most important reason. Businesses and households ranked this reason twice as important as the 9% of public officials who rated this reason second.   But all three groups were evenly of the opinion that a lack of morality was related to corruption, linking an individual level of responsibility to the problem.

G1.3   Other reasons that were rated by between 5% to 10% of the respondents included poor enforcement and punishment of corruptors, cultural reasons, the lack of an independent and effective judiciary, and the lack of an effective corruption reporting system. Figure G1 shows the public opinions on the causes of corruption.

Figure G1   Public Opinion on the Causes of Corruption

causes_corruption.xls

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

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

G2.0   Low salary as a cause of corruption

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

corrupt and collusive practices.[4]   As reported in Section D2.2 (see Figure D3), almost half of the public officials reported receiving unofficial payments. The argument that low salaries are a cause of corruption assumes that wages are inadequate to meet daily needs, and thus income has to be supplemented with bribes. However, when the amount of unofficial payment was analyzed against the range of monthly base salaries of the public officials, the distribution did not show a concentration among the officials with low base salaries; rather the distribution was quite evenly spread over seven salary categories as seen in Figure G2 below.

Figure G2   **Percentage of Monthly Unofficial Payments by Monthly Salary of Public Official**
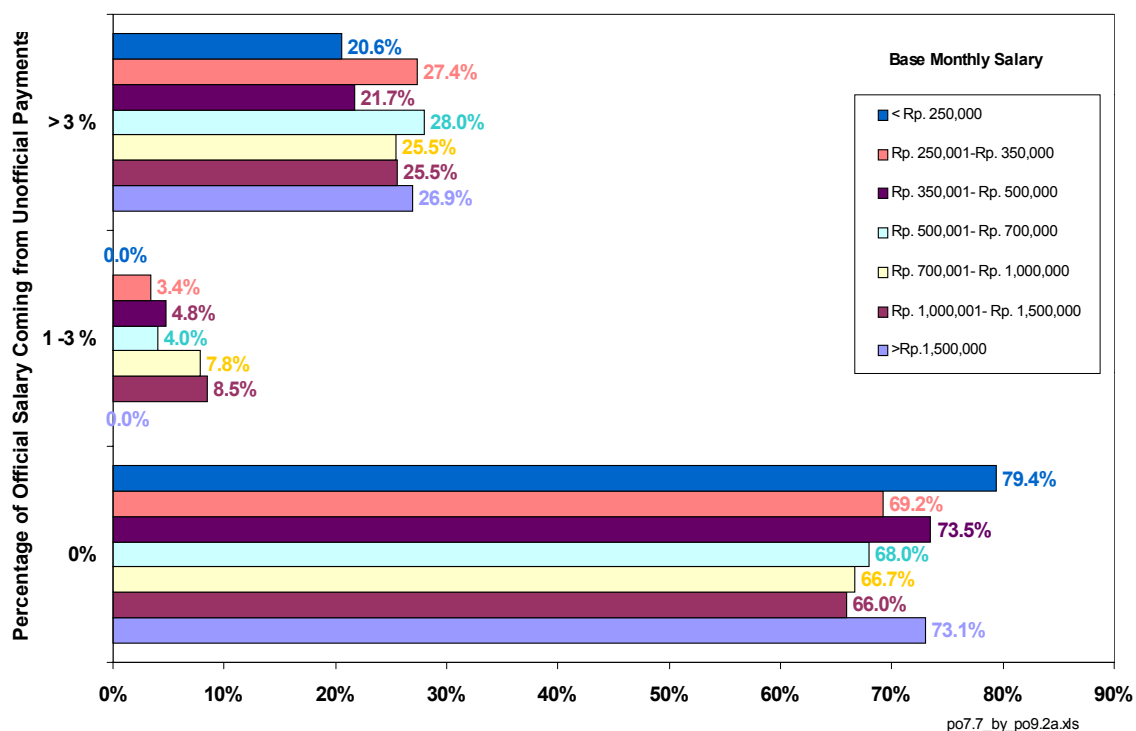
G2.2   Further analyses of the data were performed on each individual measure of compensation against the mean corruption index. No clear patterns were found in terms of the amount of corruption and base monthly salary, additional monthly income and annual benefits of public officials. However, by clustering the responses from the three measures of compensation from the survey into low, medium and high income levels[5], a weak but significant relationship was found showing higher corruption with lower income as in Figure G3.

**Figure G3   Relationship between Bribery and Income Level of Public Officials**
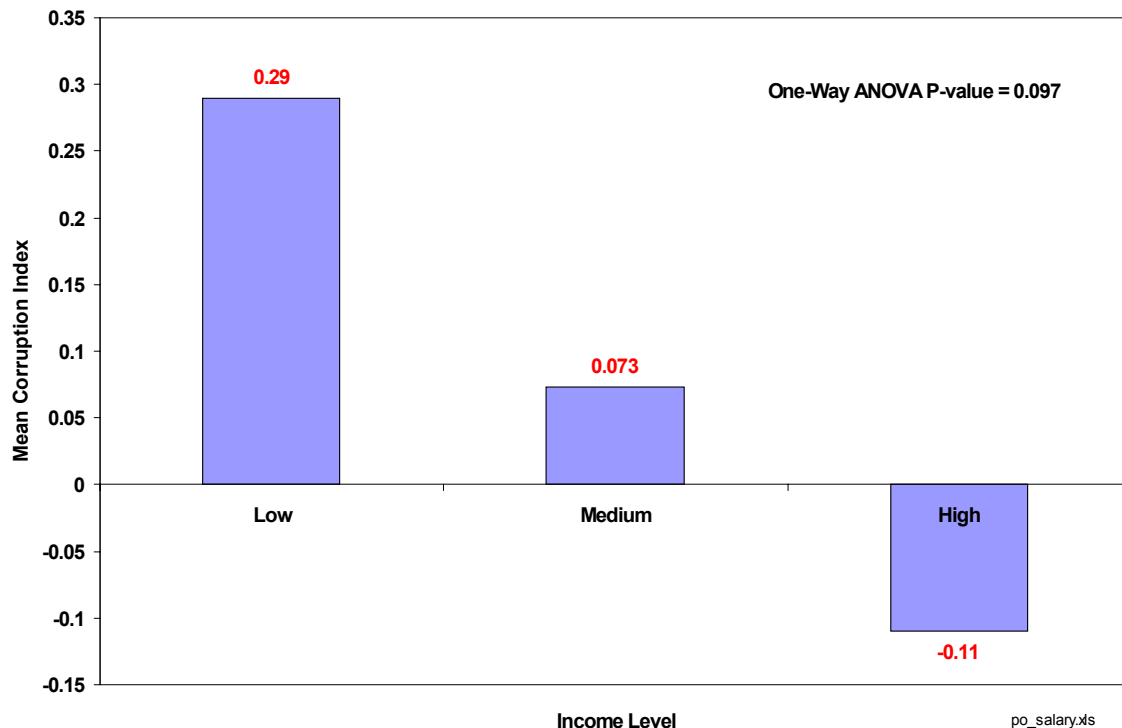
G3.0   Individual moral values as a cause of corruption

G3.1   Another common perception is that corruption is caused by the individual's lack of morality. Survey respondents were uniformly adamant in their rejection of corruption; but when asked about their behavior in a number of hypothetical corruption scenarios, most respondents said they would be willing to pay or considered the situations as "normal" (see Section F1.0). The national survey attempted to test the question of whether corrupt behavior can be explained by individual values underlying such attitudinal responses.

G3.2   The best measures from the survey questionnaire to gauge the individual's underlying value towards corruption also reflected organizational influences.[6] Public institutions that were perceived to be oriented towards serving citizens and committed to fighting corruption had lower levels of corruption; as were organizations that regarded even small scale corruption as a practice that should be eliminated. Thus while it may be convenient to view corruption as an individual failing, the survey results found a highly significant relationship between lower bribery levels and strong anti-corruption organizational values as seen in Figure G4. The horizontal axis "organizational values" represents public officials in the survey who ranked their departments as being strongly anti-corruption in orientation including petty corruption, and strongly of the view that citizens were "clients". (See Appendix B for details)

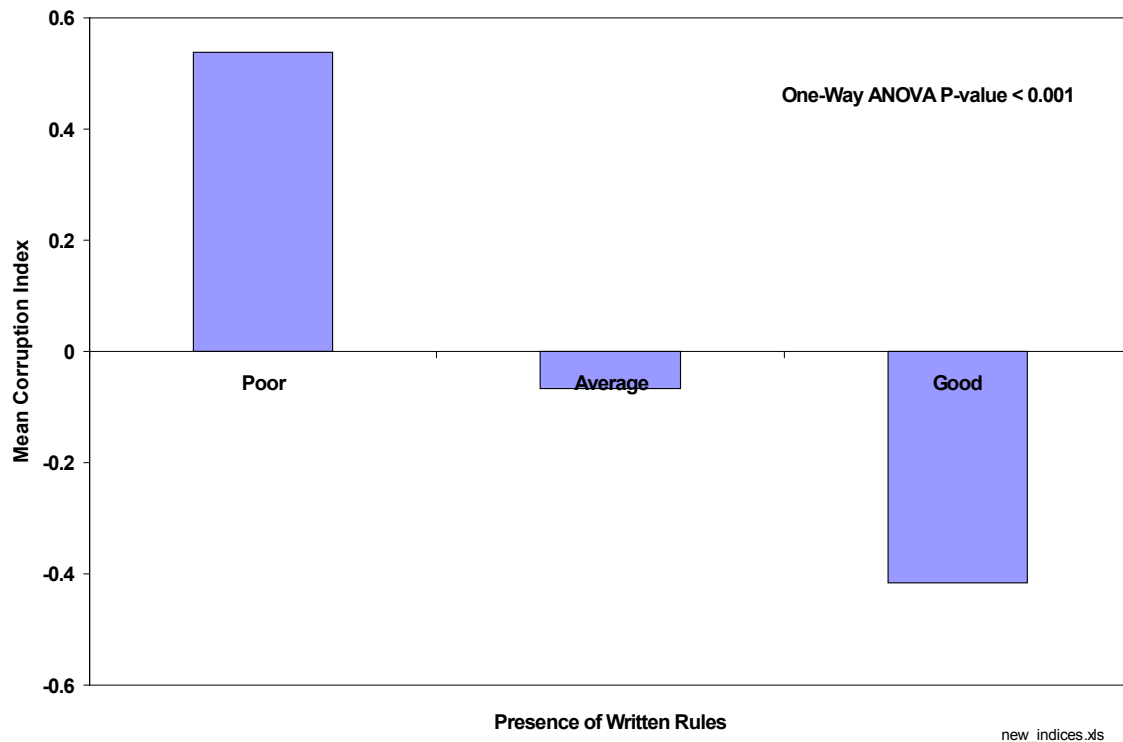**Figure G4   Relationship between Corruption and Organizational Value**
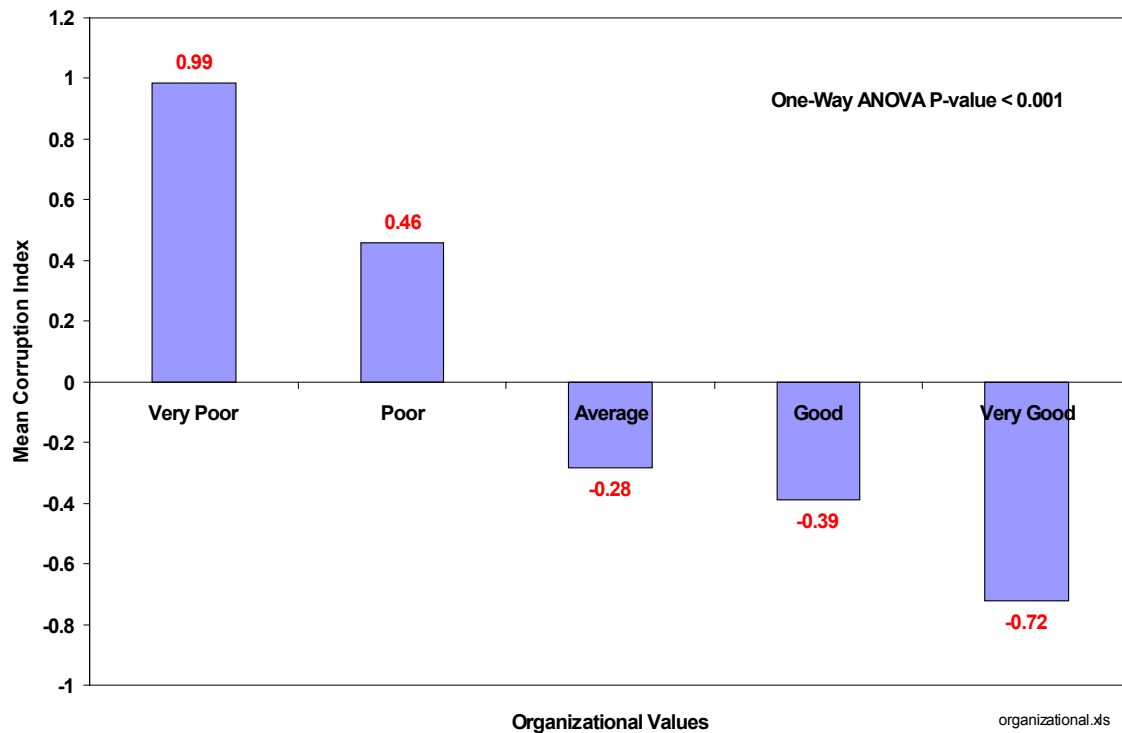
G4.0   Lack of controls and accountability of public officials as a cause of corruption

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

G4.2   The importance of both adequate rules and adequate enforcement is thus emphasized: *"Civil servants can be held accountable only in those areas where there are clear rules – whether formal or customary – and will be held accountable only when there are reasonable arrangements for enforcing* [7]

Figure G5a   Relationship between Corruption and Presence of Written Rules
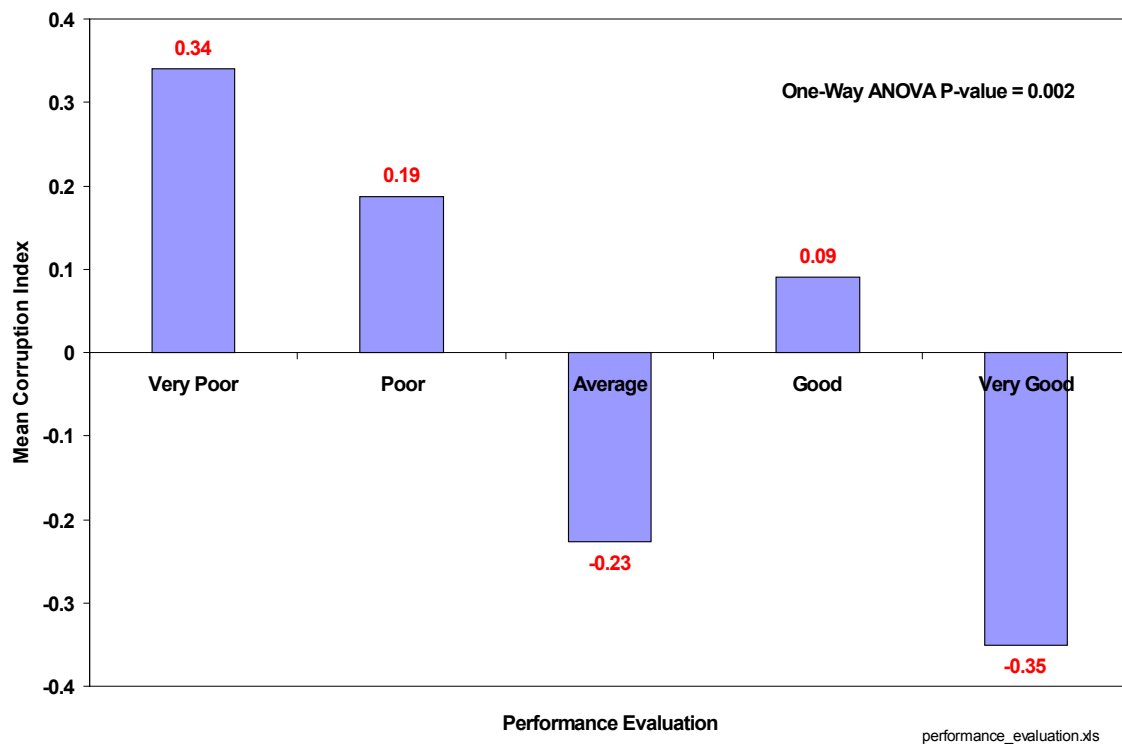

Figure G5b   Relationship between Corruption and Implementation of Written Rules
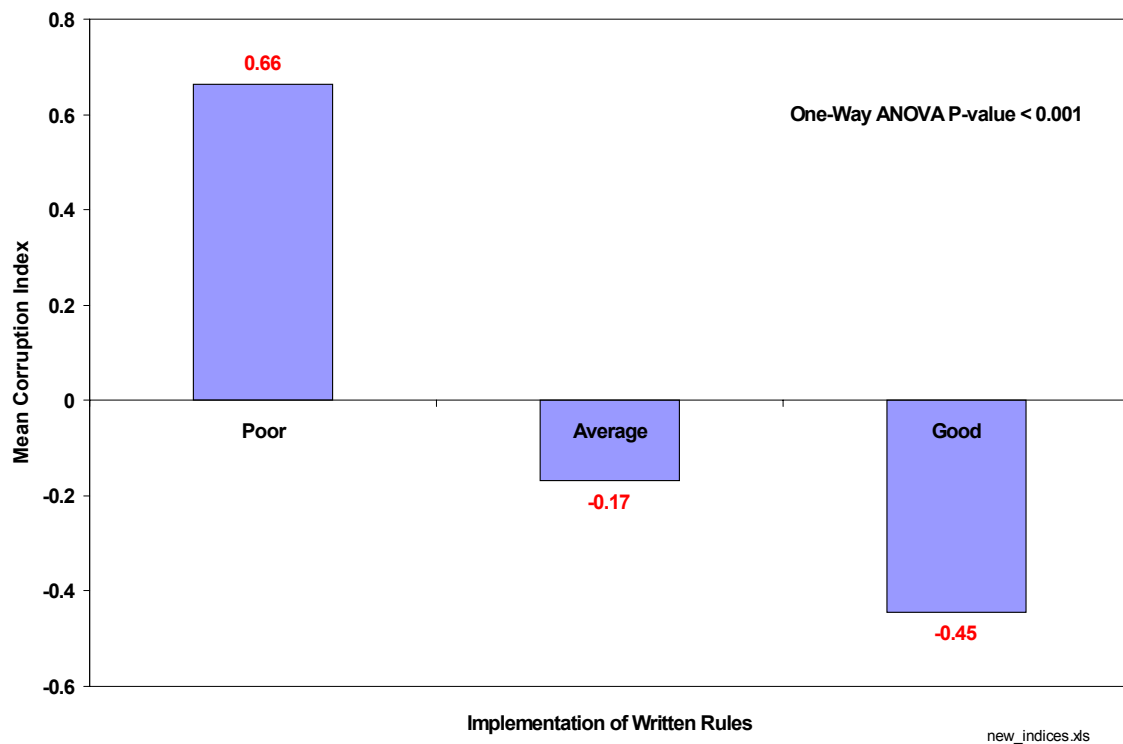
G5.0   Other institutional factors

G5.1   While the need for controls is recognized by the survey results, it was noted in Section G1.2 that public officials were less likely to view control and accountability as an explanation for corruption than households and businesses. Public officials were specifically asked to identify the three most effective measures to improve the performance of their organization. *A little over a half of them (51%) mentioned the need for better trained and competent staff as the most effective measure.*   Higher salary was selected as the second most important measure by 24% of the public officials. Other measures noted included better connection between performance and reward/punishment, better legal framework and better communication.

G5.2   The need for better trained and competent staff supports the argument for meritocracy in the civil service. A World Bank review of the Indonesian civil service found that the career structure of the service encouraged neither performance nor skill. Career promotions were largely "predetermined vertical progressions" and management skills were "not recognized as a distinct competence".[8] Results from the national survey support the argument for meritocracy as corruption levels were negatively related to the frequency of performance evaluations, the rewarding of professional excellence, and when competency was commensurate with rank. When combined into an index, the relationship between corruption levels and performance evaluation was found to be highly significant as seen in Figure G6.

Figure G6   Relationship between Corruption and Meritocracy

One-Way ANOVA P-value = 0.002

performance_evaluation.xls

G5.3   The need for better trained and competent staff also suggests that the educational level might have an impact on the level of corruption. Results from the national survey did not find clear patterns in the relationship between higher education and corruption. As Figure G7 shows, higher corruption levels could be found among public officials who had the lowest as well as the highest educational attainments. These results could be related to the level of the public officials' positions – with the higher the education, the higher the position, the greater the opportunity for corruption; or it could be salary related in that the lower the education and position, the lower the salary and the greater the need for alternative sources of income such as corruption. In this regard, the national survey findings were inconclusive.

Figure G7   Relationship between Corruption and Education Level
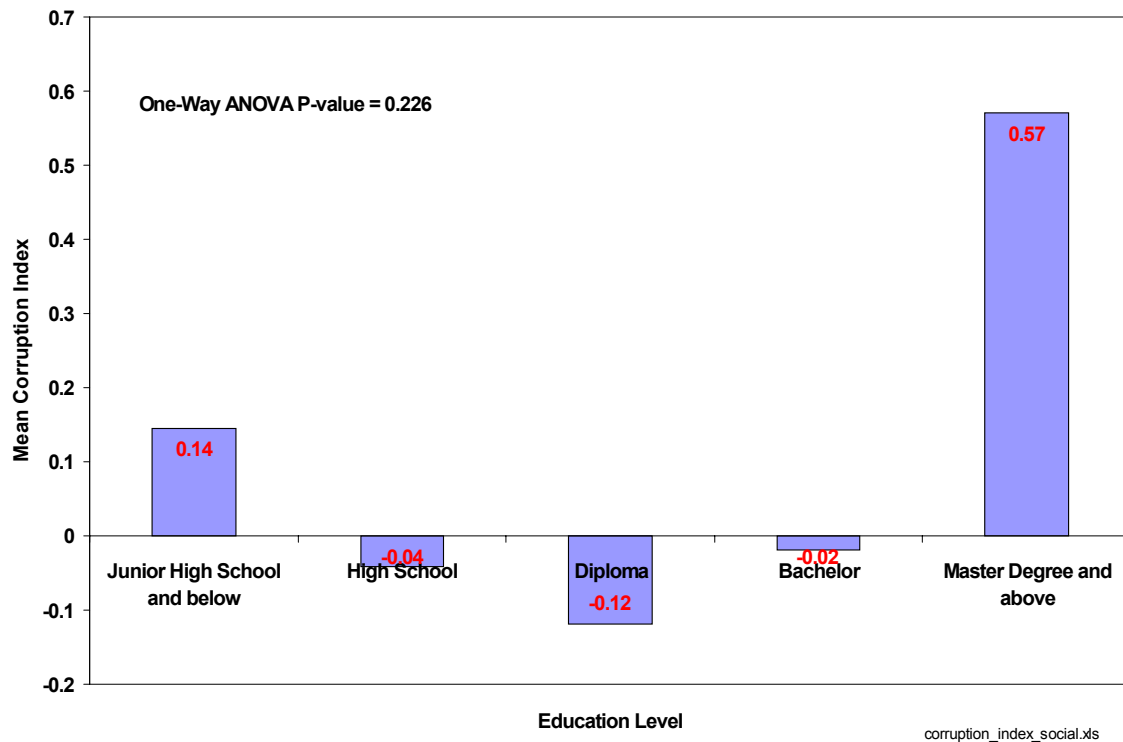
G5.4   The professionalism of the civil service and its performance are further related to the quality of the personnel management within the organization. A composite index of variables measuring the overall quality of personnel management including formal guidelines and management decision-making[9] was found to be significantly related to corruption as shown in Figure G8.

Figure G8   Relationship between Corruption and Overall Personnel Management
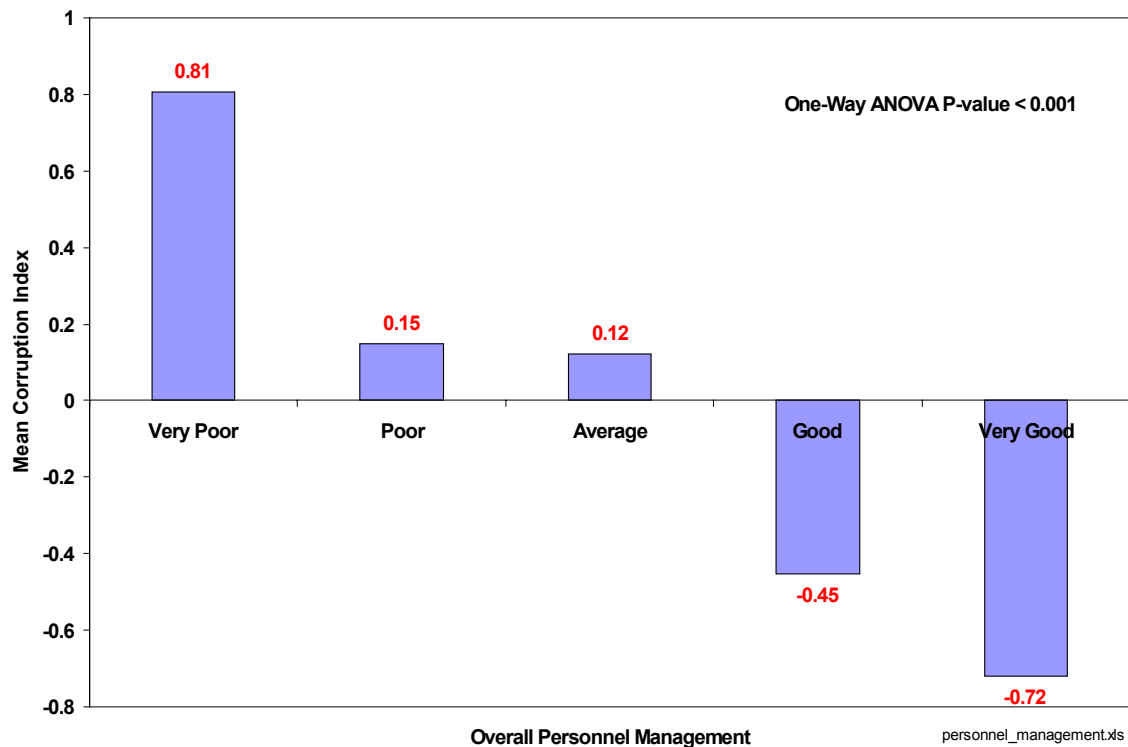
G6.0   Predictors of Corruption

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

G6.1.1 There appears to be a weak relationship between public official income levels and corruption. (See Section G2.2)

G6.1.2 An anti-corruption orientation within the organization is strongly related to lower corruption levels. (See Section G3.2)

G6.1.3 The presence and enforcement of rules in controlling corruption is supported by the national survey. (See Section G4.1)

G6.1.4 Results also support a civil service system of meritocracy in terms of regular performance evaluations, rewarding for professional excellence and assigning rank based on competencies and skills. (See Section 5.1)

G6.1.5 The quality of personnel management within the organization is significantly related to corruption levels. (See Section 5.4)

G6.2   In order to identify the most significant factors related to corruption among the many possible "causes", an empirical test of the various causes was conducted. This involved first constructing a corruption index using five variables to obtain a scale of corruption from high to

low. Then using a common technique called multiple regression, two models were generated to analyze the three popular beliefs together with other factors against the corruption index to determine which were statistically related to corruption. Other factors such as age, education, length of service, gender and civil service income were included in the models.[9]

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

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

G6.2.1 The standardized beta coefficients point to the direction of the relationship between the independent variables – budget management, organizational values, personnel management and procurement management with the dependent variable of the

corruption index. In Table G(i), all the independent variables are negatively related to the corruption index, suggesting that lower levels of corruption are associated with higher ratings for the independent variables. The corresponding T scores indicate the strength of the relationship with the larger the T score, the stronger the relationship. The P-values refer to the degree to which the results are statistically significant with the lower the figure, the stronger the significance.

G6.2.2 Results found only four indices to be strongly related and statistically significant. Quality management was the prevailing factor in determining the amount of corruption in the public institution. Public institutions that were strongly opposed to corruption also had significantly lower levels of corruption. Other significant factors in controlling corruption in public institutions were quality personnel and procurement management practices. Public official income, in it of itself, was not found to be statistically significant compared to the management and organizational factors.

G6.2.3 As the concepts of rules and enforcement were subsumed in the three quality management indices, a separate regression analysis was performed isolating the measures for rule enforcement from management practices and controlled by the same social variables as in the first regression analysis. The results of the second regression still found institutional management practices to be the most significant factor related to lower levels of corruption, though the effectiveness of management practices was supported by limited discretion in the implementation of rules.

G6.2.4 The results showed that quality management or sound management practices were more related to lower levels of corruption than enforcement and punishment. Punishment alone, (i.e. disciplinary actions) or rules alone, (i.e. presence of written rules) were not statistically related. Rather, it was the implementation of the rules that was significantly related to lower levels of corruption. From the 2nd regression model, it was having rules that were implemented together with quality management and limited discretion that controlled the level of corruption in public institutions.

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

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

G6.3   The above results lend to the following interpretations about controlling corruption in public institutions:

G6.31 Public institutions where (a) budgets were perceived to be developed in close consultation with managers, where (b) rules were perceived to be always formalized, well-specified and implemented, where (c) budget decisions were perceived to be clear, transparent and regularly audited, and where (d) budget expenditure was perceived to be effectively monitored and controlled had lower levels of corruption.

G6.32 Public institutions which were oriented towards (a) serving the public, (b) fighting corruption, and (c) eliminating even corruption involving small amounts of money had lower levels of corruption.

G6.3.3 Public institutions where (a) personnel polices were perceived to be always formalized, well-specified and implemented, where (b) personnel decisions were always perceived to be clear, transparent and completely fair, and where (c) merit was considered more important in the treatment of staff than other non-objective criteria (i.e. connections, relationships, gender, gifts, etc) had lower levels of corruption.

G6.3.4 Public institutions where (a) procurement guidelines are perceived to be always formalized and enforced, where (b) qualifications and competitiveness are considered more important than connections and making unofficial payments in winning contracts had lower levels of corruption.

G6.5 The above findings point to the organizational characteristics of public institutions as causes of corruption over individual employment aspects such as salary and performance. *In particular, quality management practices in procurement, budget, and personnel processes backed up by strong anti-corruption organizational orientation, limited discretion, and the implementation of rules were found to be significantly related to lower levels of corruption in public institutions.* Conversely, weak system controls for budget and contract procurement, and ambiguous organizational orientation and personnel management appear to allow for corruption to occur in public institutions.

G6.6 None of the other measures tested in the model, including income levels and performance evaluation were found to be significant. Individual social characteristics such as age, education and length of service were also not significant. This is not to say that these factors are not important in controlling corruption; but in terms of priority for action, it is the proper management of budgets, procurement processes and personnel that prevents the abuse of authority and controls the corrupt practices.

ENDNOTES TO SECTION G

1   The list of reasons given were: (i) Low salaries of public officials; (ii) Lack of controls and accountability of public officials; (iii) Lack of independent and effective judiciary; (iv) Lack of independent and effective media; (v) Lack of democracy; (vi) Lack of effective corruption reporting system; (vii) Poor law enforcement/punishment of corrupters; (viii) Cultural reasons, i.e. bribes have been a custom for a long time; (ix) Lack of effective civil society; (x) Legacy of New-order regime; (xi) Lack of moral; (xii) Too many, complex government regulations; and (xiii) Others

2   The five measures were (i) the commonness of bribes, (ii) the percentage of officials receiving bribes, (iii) the percentage reporting budgetary diversions, (iv) the percentage reporting job purchases, and (v) the percentage reporting amount of bribe as a portion of salary.

3   Indonesia Civil Service Review, The World Bank, July 1999, p. 18.

4   Pay and Patronage in the Core Civil Service in Indonesia, The World Bank, March 2000.

5   The use of absolute income levels can be misleading since the salary issue is relative to the public official's position. Data limitations restricted the analysis to absolute income levels.

6   An index of organization values was constructed with three measures – (i) the organizational belief that citizens were clients, (ii) the desire to combat corruption within the organization, and (iii) the government perception of small corruption.

7   Indonesia Civil Service Review, The World Bank, July 1999, p. 15.

8   Indonesia Civil Service Review, The World Bank, July 1999, p. 11.

9   The overall personnel management index was created with the following measures – (i) extent personnel management guidelines are formalized in writing, (ii) extent formal guidelines implemented, (iii) extent of discretion in formal guidelines, (iv) extent of transparency in personnel management practices, (v) extent of fairness of personnel management practices, (vi) the importance of merit, length of service, quality of relationship with supervisor, political and non-political connections, gender and the provision of gifts in staff treatment.

10   The social characteristics used as controls for the regression model included (i) income level (low, medium, high), (ii) age (35 and younger, 36 - 40, 41 - 45, 46 and older), (iii) gender (male and female), (iv) education level (high school and below, diploma, bachelor degree and above), and (v) years working in the organization.

H.   POLICY IMPLICATIONS

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

H1.0   The findings from the national survey raised numerous questions about social perceptions of corruption, as well as the extent, costs, and causes of corruption particularly in the public sector and the legal system. In order for the findings to have practical meaning and use, the next step was to develop priorities amongst the many issues that would be not only appropriate but also effective in reducing corruption.

   H1.1   First, the findings suggested that while corruption is widely known to be part of the Indonesian reality, it is not approved of and is considered a serious social problem. The survey respondents' overall pessimistic view on the state of corruption in society calls for an urgent anti-corruption action plan to address this major social problem.

   H1.2   This is further supported by the findings on the extent of corruption. Public sector corruption is particularly widespread, with approximately two-thirds of households reported having experienced corruption and half of all public officials estimated to be taking bribes. Almost a quarter of departmental budgets and procurement contracts are vulnerable to corruption according to the public officials, and more than three-quarters of businesses said they routinely paid bribes in the course of business.

   H1.3   The survey identified the public institutions most in need for urgent reform based on public perceptions of their integrity and performance. These included customs and tax, but also the entire legal system – the traffic police and regular police, judiciary, prosecution, and the Ministry of Justice. Corruption appears to have a clear impact on the public budget and the costs of doing business in Indonesia. Corruption reduces not only the quality of public service through loss of state funds and potential state revenue, but also the credibility of the public institution. More importantly, the high cost of corruption discourages business investment.

   H1.4   The legal system in particular was unfavorably perceived by the survey respondents, with the entire legal system ranking towards the bottom of the perceived integrity and performance scale. The lack of confidence in the legal system is reflected in the harsh and somewhat unrealistic view that all corruption cases should be investigated. There is a clear preference for retributive outcomes over reconciliatory outcomes, but the public institutions responsible for the pursuit of corruption cases are clearly not in the position to do so. Instead, survey respondents support and regard the anti-corruption commission, as well as the mass media and religious institutions as more useful in fighting corruption than the traditional institutions of justice. Although the legal system is not

perceived as being either accessible or credible, it deserves special attention as a properly functioning legal system underlies the entire anti-corruption effort.

H1.5   The survey findings also suggest a discrepancy between attitudes towards corruption and behavior in corruption situations, as well as an inconsistency between attitudes and actual reporting of corruption. Despite public attitudes against corruption, a substantial portion of the population could be considered "at risk" – i.e. vulnerable to corruption – based on the respondents' choices in hypothetical corruption scenarios. Households in particular appear powerless against corruption with more than 85% of households not knowing where to report cases of corruption. Even where channels exist, the perception is that they are lengthy and cumbersome and lacking in outcome.

H1.6   But the public does not appear to be well-informed about corruption as the popular beliefs on the causes of corruption were not borne out by the data. Higher pay, greater rule enforcement and individual moral values were not significantly related to lower levels of corruption compared to organizational characteristics of public institutions such as quality management practices in procurement, budget, and personnel processes. These were reinforced by strong anti-corruption organizational orientation, limited discretion, and the implementation of rules.

H2.0 Twenty-one separate issues were raised from the national survey results, and the Select Steering Committee (SSC) members chose 15 priorities from that list of 21 issues in a workshop session held in May 2000.[1] These were also classified into short, medium, and long-term time frames[2] to specify when the outcome of strategic action could be expected if action were to start immediately.

H2.1   The short term priorities centered on understanding the causes and modalities of corruption, identifying process methods to control corruption, developing accurate public information and education on corruption, and supporting and strengthening the anti-corruption commission and boosting prosecutorial and judicial institutional capacity to fight corruption.

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

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

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

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

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

H2.2 The medium term priorities focused on reconciling public attitudes and actual behavior in corrupt situations, reducing procurement fraud, increasing the certainty of delivery of public services, understanding the system and process differences between corrupt and non-corrupt public institutions, as well as continuing to support prosecutorial and judicial institutional capacity building.

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

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

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

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

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

H2.3 The long term priorities reiterated the short and medium term goals of developing accurate public information and education on corruption, improving the certainty of delivery of public services, and reconciling public attitudes and actual behavior. Added to the above were reducing the loss of public funds from budgetary diversions and involving the mass media and religious organizations in the fight against corruption.

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

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

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

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

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

ENDNOTES TO SECTION H

1 The list of 21 issues is contained in Appendix C.
2 The definitions of the time frames were: (i) short = 1 year to 18 months; (ii) medium = 3 to 5 years; (iii) long = 5 to 10 years.

I.   FRAMEWORK FOR AN ANTI-CORRUPTION STRATEGY

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

I1.0   An anti-corruption strategy for Indonesia takes a systemic view of the problem - from the mindset that tolerates corruption to the system inadequacies, rule violations and breakdown in controls that enable corruption to flourish. This approach is consistent with some of the conceptual framework found in the corruption research literature[1] but adds an individual personal dimension to the effort. Four core components of an anti-corruption program include:

Figure I1   Anti-Corruption Building Blocks

I2.0   Control & Enforcement

I2.1   As fighting corruption is obviously a process, there is a need to sequence actions according to the gains that can be achieved over short, medium and long term time frames. Thus, while people/human resources are considered to be the foundation of the strategy, the breakdown of law and order in this crisis period of Indonesia's development necessitate greater attention to be paid initially to the components of control and enforcement and laws and regulations.

I2.2   The control and enforcement component is the most immediate and urgently required element to an anti-corruption strategy as the weak and ineffective implementation of anti-corruption laws and supporting regulations have resulted in rampant abuses of the political and economic systems and numerous violators unaccounted for and unpunished.

I2.3   Anti-corruption reforms have to be underpinned by definite control and enforcement to deter further corruption. Specific control mechanisms are needed to clarify the roles of responsibility for these functions and establish accountability for outcomes. But accountability/oversight efforts as such could have limited effectiveness at this point in time given the weak rule of law, and may be more appropriate when there is a strong accounting infrastructure established to support such efforts.[2]

I3.0   Laws/ Regulations/ Rules & Ethics

I3.1   Indonesia's anti-corruption laws are contained in Laws No. 28 and 31
Year 1999. There are also various professional codes of conduct and
ethics as well as disciplinary procedures for different sectors of industry
and government.

I3.2   However, legal approaches would be of little relevance to tackling
corruption given the entrenched nature of corruption in Indonesia. In
this regard, it should be noted that the majority of survey respondents
considered the soon-to-be established anti-corruption commission as the
most useful institution in combating corruption. However, with endemic
corruption as in Indonesia, such agencies may actually become a source
of corruption by extorting rents. Other efforts, may be of limited
influence without good governance already in existence.[3]

I4.0   Process/Plan/System

I4.1   A weakness in the present system of government is the wide
discretionary control available to different departments which function
separately and distinctly from each other. With each unit controlling its
own inputs and outputs, the institutional structure fosters arbitrary
decision-making and opportunities for corruption.

I6.2   Findings from the national survey are compatible with programs from
the research literature that propose reducing public sector size, and
developing a client based and merit based civil service. First, the
national survey found that high amounts of bureaucratic red tape created
opportunities for corruption. By reducing the scope of government
activities, public officials can focus on the primary objectives of the
state. Second, there was strong support from the national survey that a
public service orientation was significantly related to lower corruption.

I5.0   People/Human Resources

I5.1   This is the most important but hardest and longest to achieve component
of the strategy as it involves value change and empowerment. In order
to reduce or eliminate corruption, Indonesian society not only needs to
internalize the beliefs and attitudes that reject corruption; but also be
equipped with the proper skills, competencies, and capabilities that can
be externalized into effective anti-corruption behavior.

I5.2   Public opinion surveys such as this national survey can serve as the
starting ground to channel public awareness and concern about
corruption into a coherent voice and force for change. Huther and Shah
noted that media and judicial independence and citizen participation
have high relevance in this regard.[4] The media was regarded as the
second most effective institution in fighting corruption according to the

national survey. A free press and a trained press corps in the ways of corruption would allow for detection of corruption and accountability.

I6.0 The national survey was a survey of public perceptions. It did not, and could not ask questions of a macro nature regarding the systemic nature of corruption or what is often described as "state capture".[5] This term is used to refer to situations where the underlying legal and institutional framework from the laws, decrees, rules, regulations and policies are set up in such a way to unfairly favor certain parties (usually private parties) over the larger common good. The elements of state capture include:

I6.1 The "parties" refer to the state institutions such as the executive, ministries, state agencies, the legislature and judiciary.

I6.2 The "private interests" cover not just particular businesses or industries, but also special interest groups such as politicians, the military, religious and ethic groups.

I6.3 The way the laws, decrees, rules, regulations and policies are "set up" is through informal, non-transparent exchanges (that usually involve payments), as well as unclear separation of roles that are conflicts of interests.

I9.0 The situation of state capture fosters the type of corruption that was the subject of the survey – which was mainly administrative corruption. Indonesia is a country where there is both high state capture and high administrative corruption, and the reforms corresponding to this condition are in accordance to the Partnership's four-tier framework:[6]

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

ENDNOTES TO SECTION I

1   Jeff Huther and Anwar Shah, "Anti-Corruption Policies and Programs: A Framework Policy Evaluation." Policy Research Working Paper 2501, World Bank, November 2000.
2   The scores ranged from a high of 75 as the highest score for Switzerland a low of 20 for Liberia and Sudan out of a total of 80 countries.
3   Jeff Huther and Anwar Shah, "Anti-Corruption Policies and Programs: A Framework Policy Evaluation." *Op. cit.*
4   Jeff Huther and Anwar Shah, "Anti-Corruption Policies and Programs: A Framework Policy Evaluation." *Op. cit.*
5   World Bank, "Anticorruption in Transition: A Contribution to the Policy Debate." Washington, D.C.: The World Bank, 2000.
6   World Bank, "Anticorruption in Transition: A Contribution to the Policy Debate." *Op. cit*.

PARTNERSHIP FOR
GOVERNANCE REFORM
in Indonesia

J. TOWARDS A NATIONAL ANTI-CORRUPTION ACTION PLAN

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

J1.0   With the key issues identified from the findings from the national survey, the Select Steering Committee formulated 24 policy recommendations in a second workshop held in June 2001. An expanded group of SSC members and their invitees reduced the policy recommendations to 17 and refined them by identifying corrective action and possible leaders for the reform efforts in a third workshop held in August 2001.

J2.0   The recommendations that emerged from the consultative process were clustered around three core reform areas, namely:

   J2.1   Civil service reform
   J2.2   Legal sector reform
   J2.3   Civic education and other sector reforms (banking, political, regional)

The objectives of the recommendations were expressed as desired outcomes to be achieved within specific time frames together with actions to achieve the outcomes, methods corresponding to the actions, and possible leaders for the reform efforts.[1]

J3.0   The 17 recommendations were the basis for discussion at a National Workshop that was held in Jakarta on 19 and 20 October 2001. These will be further discussed in six regional workshops scheduled for February and March 2002. The socialization of the recommendations around the region is necessary in order to build a national consensus for an anti-corruption action plan that will have the support of the Indonesian government, private sector, as well as the general public. The National Anti-Corruption Action Plan is targeted for June 2002.

ENDNOTES TO SECTION J

1   The 17 recommendations are contained in a separate document "Suggestions for an Anti-KKN Program" available from the Partnership.

K.   CONCLUSION

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

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

As with her predecessor, President Megawati Soekarnoputri has made the eradication of corruption a major platform of her new government. She has spoken of a new national vision – one that calls for reorganizing policies, readjusting strategies, and revamping state institutions.[1] The work of the Partnership through the Diagnostic Study has identified and developed a vision and strategy for Indonesia that is free of the corruption, collusion and nepotism (KKN)[2] that has impeded the country's development and oppressed the aspirations of the people.

In her speech delivered to commemorate Youth Pledge Day on 28 October 2001, the president said:

> *"..... one of the prime causes of the economic crisis we are in is the rampant corruption, collusion and nepotism (KKN) which have been occurring for decades. The condition has deteriorated to the point that some of us have come to accept this as part of our culture.*
> *We have to break the KKN cycle. In the simplest term, KKN is nothing but theft, and those who indulge in it are thieves, whatever rank or position they hold.*
> *We have to stop this looting of state assets, wherever it happens and whoever commits it. The corruptors must be brought before a court of law to account for their crimes."[3]*

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

END

ENDNOTES TO SECTION K

1   The Jakarta Post, 31 August 2001.
2   KKN is the Indonesian acronym for korupsi, kolusi and nepotisme.
3   Unofficial translation from The Jakarta Post, 30 October 2001.

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APPENDIX A: SAMPLING METHODOLOGY

Respondents were interviewed either at their homes or at a suitable private location through face-to-face interviews using a semi-structured questionnaire. Three broad categories of respondents were identified for the study:

1: General Public (Households)
2: Business Enterprises, and
3: Public Officials

1.0 General Public

   1.1 Target respondents were adults between the ages of 18 to 55 years old.

   1.2 A quota-sampling plan was used whereby eligible respondents were selected from the household and interviewed based on the sample quota.

   1.3 Households were selected from each of the cities with all the provinces represented. From within each province, a random selection of Kabupaten, Kecamatans, Kelurahans, RWs & RTs was made. The number varied with each city based on the sample size.

   1.4 The household of the head of the RT formed the starting point for the interviewer who visited every third house using the Right Hand Rule till the quota for the RT had been met.

   1.5 A sampling quota consisting of 50% male household heads and 50% spouses (females/housewives) was used.

   1.6 The geographical breakdown of the household sample was as follows:

No	City	Province	No. of Respondents Urban & Suburban	No. of Respondents Rural	Total No. of Respondents
1	Medan	North Sumatra	50	25	75
2	Riau	Riau	50	25	75
3	Lampung	Lampung	50	25	75
4	Jakarta	Jakarta	200	-	200
5	Bandung	West Java	100	-	100
6	Semarang	Central Java	100	-	100
7	Yogyakarta	Yogyakarta	75	-	75
8	Surabaya	East Java	100	-	100
9	Denpasar	Bali	50	25	75
10	Mataram	Nusa Tenggara Barat	50	25	75
11	Pontianak	West Kalimantan	50	25	75
12	Banjarmasin	South Kalimantan	50	25	75
13	Manado	North Sulawesi	50	25	75
14	Ujung Pandang	South Sulawesi	50	25	75
	Total		**1025**	**225**	**1250**

1.7 In rural areas, the main difficulty encountered during interview was the language used in the questionnaire. Interviewers sometimes had to repeat the questions in the local language or rephrase the question in much simpler words.   This could have affected some of the respondents understanding of the questions and subsequent responses.

2.0 Business Enterprises

2.1 Target respondents were the Chief Executive Officer wherever possible, or else the Executive Assistant or the Head of the Department who had the knowledge to answer the questions on the related topic.

2.2 The total number of businesses selected was 400 companies, taking into account the following variables:

2.2.1 Size of the company (based on World Bank definition)
- ❑ Small size companies employing between 5 to 50 people
- ❑ Medium size companies employing between 51 to 200 people
- ❑ Large size companies employing more than 200 people

2.2.2 The industrial classification criteria were based on available comprehensive databases including Standard Trade & Industry Directory of Indonesia, Business Intelligence Database Indonesia and the Yellow Pages. The criteria used were:

Industry Type 1: Agriculture, Farming, Forestry, Hunting & Fishing
- ❑ Food crop growing
- ❑ Plantations & other plants
- ❑ Farming
- ❑ Agricultural & farming services
- ❑ Forestry
- ❑ Hunting
- ❑ Marine Fishing
- ❑ Freshwater fishing

Industry Type 2: Mining & Quarrying:
- ❑ Coal & peat mining
- ❑ Oil & Gas mining
- ❑ Metal ore mining
- ❑ Rock, clay & sand quarrying
- ❑ Salt mining & quarrying
- ❑ Mining of minerals, chemical products and fertilizer
- ❑ Other mining & quarrying

Industry Type 3: Manufacturing:
- ❑ Food, beverage & Tobacco
- ❑ Textile product manufacturing
- ❑ Wood, bamboo, rattan, grass etc including household items
- ❑ Paper & paper product manufacturing, printing & publishing
- ❑ Chemicals

❑ Non-metallic mining products manufacturing
❑ Basic metal manufacturing
❑ Machinery & Equipment manufacturing

Industry Type 4: Construction

Industry Type 5: Trade, Restaurant & Accommodation
Services:
❑ Wholesale trade
❑ Retail trade
❑ Restaurants, cafes, bars & catering services
❑ Hotels

Industry Type 6: Transportation, Storage & Communication:
❑ Land, Water, Air transportation
❑ Communication

Industry Type 7: Financial Institutions, Real Estate & Business
services

2.2.3 Companies in the afore-mentioned list of industries were
concentrated in the following cities in decreasing numbers:
❑ Jabotabek (Greater Jakarta)
❑ Surabaya
❑ Bandung
❑ Semarang
❑ Medan
❑ Denpasar
❑ Batam
❑ Ujung Pandang

2.3 Based on the above criteria, the following sample was selected:

2.3.1 By Size:
❑ Small sized companies: 200 respondents (one per
company)
❑ Medium Size companies: 150 respondents
❑ Large Size companies: 50 respondents

2.3.2 By Industry Type:
❑ Industry Type 1- Agriculture etc: 30 respondents (1
respondent per company)
❑ Industry Type 2- Mining & Quarrying: 20 respondents
❑ Industry Type 3- Manufacturing: 150 respondents
❑ Industry Type 4- Construction: 30 respondents
❑ Industry Type 5- Trade, Restaurant etc: 75 respondents
❑ Industry Type 6- Transportation etc: 20 respondents
❑ Industry Type 7- Financial Institutions etc.: 75 respondents

2.3.3 By City:
❑ Jabotabek (Greater Jakarta): 110 respondents
❑ Surabaya: 50
❑ Bandung: 50
❑ Semarang: 50
❑ Medan: 50

❑ Denpasar: 30
❑ Batam: 30
❑ Ujung Pandang: 30

2.4 The main difficulty encountered with business respondents was in scheduling appointments. Some companies simply refused to be interviewed. Fortunately, similar replacement companies were able to be found as a large population of companies was used to draw the sample.

2.5 A common complaint made by the respondents was on the length of the interview. Only one questionnaire could be completed in an hour and the process took even longer if more than one respondent had to be interviewed in one company.

3.0 Public Officials

3.1 The total sample size was 650 that took into account the following variables:

3.1.1 Type of public institution
❑ Sub-category 1: Officials from regulatory agencies/ departments
❑ Sub-category 2: Officials from agencies/ departments providing infrastructure facilities
❑ Sub-category 3: Officials from agencies/ departments providing welfare services

3.1.2 Geographical and hierarchical distribution
❑ From Central/ head office
❑ From Provincial offices
❑ From the local government offices in each regency

3.1.3 Rank of the public official
❑ Senior rank
❑ Middle rank
❑ Junior rank

3.1.4 Geographical distribution within the country

3.2 A mix of the above criteria was used to arrive at the respective sampling plans. Owing to sample size restrictions, only a restricted province mix per cell was taken but this was compensated by varying the geographical distribution across the cells. Also, not all the departments were covered and only ones that were considered more relevant to the context of the study were included.

3.3 The actual sampling size for each sub-category was as follows:

3.3.1   Sampling Plan - Public Officials: Regulatory departments

Department	Central Office		Provincial Offices			Overall Total
	Distribution by Seniority	Total	Distribution by Seniority	Provinces	Total	
Dept for Industry & Trade	S=2, M=4, L=4	10	S=1, M=2, L=2	Jakarta, East Java, North Sumatra, North Sulawesi, West Kalimantan	25	35
Dept of Law & Regulation	S=2, M=4, L=4	10	S=1, M=2, L=2	Jakarta, East Java, North Sumatra, West Java, West Sumatra	25	35
Land Registration Body (BPN)			S=1, M=2, L=2	Jakarta, East Java, North Sumatra, North Sulawesi, Central Java	25	25
Dept of Finance ❑ IrJen Tax (Pajak) ❑ IrJen Custom (Bea Cukai) ❑ IrJen Budget (Anggaran)	S=1, M=2, L=2 S=1, M=2, L=2 S=1, M=2, L=2	5 5 5	S=1, M=2, L=2 S=1, M=2, L=2	Jakarta, East Java, North Sumatra, North Sulawesi, West Kalimantan	50	65
Dept of Internal Affairs (DEPDAGRI)	S=1, M=2, L=2	5	S=1, M=2, L=2	Jakarta, East Java, North Sumatra, West Java, West Sumatra	25	30
Dept of Mining & Energy	S=1, M=2, L=2	5	S=1, M=2, L=2	West Kalimantan, North Sulawesi, West Sumatra, Central Kalimantan, Nusa Tenggara Barat	25	30
Dept of Forestry & Plantations			S=1, M=2, L=2	North, West & South Kalimantan, Lampung and Jambi	25	25
Dept of Communications	S=1, M=2, L=2	5				
TOTAL		**50**			**200**	**250**

NB. S= Senior, M= Middle, L=Low

3.3.2 Sampling Plan - Public Officials: Infrastructure departments

Department	Provincial Offices		Overall Total
	Distribution by Seniority per regency	Provinces & Regency	
Ministry of Public Works (1)	S=1, M=2, L=2	Regency Semarang – Province Central Java Regency Gunung Kidul – Province Yogyakarta Regency Pemantang Siantar – Province North Sumatra Regency Palembang – Province South Sumatra Regency Kupang – Province Nusa Tenggara Timur	25
Ministry of Public Works (2)	S=1, M=2, L=2	Regency Pontianak – Province West Kalimantan Regency Palangkaraya – Province Central Kalimantan Regency Gorontalo – Province North Sulawesi Regency Pare-Pare – Province South Sulawesi Regency Denpasar - Province Bali	25
PLN (Electricity)	S=1, M=1, L=1	Head Office – Jakarta (Province Jakarta) Regency Pasuruan – Province East Java Regency Batam – Province Riau Regency Mataram – Nusa Tenggara Timur Regency Pontianak – Province West Kalimantan	25

Telkom	S=1, M=2, L=2	Head Office – Bandung (Province West Java) Regency Sampang – Province East Java Regency Banjarmasin – Province East Kalimantan Regency Bitung – Province North Sulawesi Regency Mataram – Nusa Tenggara Timur	25
PAM (Drinking water supply)	S=1, M=2, L=2	Head Office – Jakarta (Province Jakarta) Regency Bandung – Province West Java Regency Medan – Province North Sumatra Regency Palembang – Province South Sumatra Regency Banjarmasin – Province East Kalimantan	25
PTKAI (Railroad services)	S=1, M=2, L=2	Regency Bandung – Province West Java Regency Semarang – Province Central Java Regency Surabaya – Province East Java Regency Medan – Province North Sumatra Regency Palembang – South Sumatra	25
PELNI (Sea transport)	S=1, M=2, L=2	Head Office – Jakarta (Province Jakarta) Regency Surabaya – Province East	25

		Java Regency Medan – Province North Sumatra Regency Palembang – Province South Sumatra Regency Ujung Pandang – Province South Sulawesi	
Local Regency Government (Public transport div.)	S=1, M=2, L=2	Regency Bandung – Province West Java Regency Semarang – Province Central Java Regency Surabaya – Province East Java Regency Medan – Province North Sumatra Regency Ujung Pandang – Province South Sulawesi	25
TOTAL			**200**

NB. S= Senior, M= Middle, L=Low

3.3.3 Sampling Plan - Public Officials: Community Services & Others

Department	Provincial Offices		Overall Total
	Distribution by Seniority per regency	Provinces & Regency	
Local Government: Health unit Local Hospital/Puskesmas Administrator	S=1, M=2, L=2 S=1, M=2, L=2	Regency Central Jakarta – Province Jakarta Regency Surabaya – Province East Java Regency Medan – Province North Sumatra Regency Ujung Pandang – Province South Sulawesi Regency Banjarmasin – Province East Kalimantan	50
Local Government: Education unit Local School Administrator	S=1, M=2, L=2 S=1, M=2, L=2	Regency Central Jakarta – Province Jakarta Regency Surabaya – Province East Java Regency Medan – Province	50

			North Sumatra Regency Ujung Pandang – Province South Sulawesi Regency Banjarmasin – Province East Kalimantan	
Police: Traffic Police	S=1, M=1, L=1		Regency Central Jakarta – Province Jakarta Regency Surabaya – Province East Java Regency Medan – Province North Sumatra Regency Ujung Pandang – Province South Sulawesi Regency Banjarmasin – Province East Kalimantan	25
Police: Crime Branch	S=1, M=2, L=2		Regency Central Jakarta – Province Jakarta Regency Surabaya – Province East Java Regency Medan – Province North Sumatra Regency Ujung Pandang – Province South Sulawesi Regency Banjarmasin – Province East Kalimantan	25
Court ❑ Local Court Judge ❑ Panitera (Local Court Clerk) ❑ Local Prosecutor ❑ Local Lawyer	2 3 2 3		Regency Central Jakarta – Province Jakarta Regency Surabaya – Province East Java Regency Medan – Province North Sumatra Regency Ujung Pandang – Province South Sulawesi Regency Banjarmasin – Province East Kalimantan	50
TOTAL				**200**

NB: S= Senior, M= Middle, L=Low

3.4　For the interviews with public officials, supporting letters from the Director General of Social and Political Affairs (DIRJENSOSPOL), The World Bank, and the Partnership for Governance Reform were provided.

3.5　The interviewers made initial phone calls or visited the government departments directly to first supply the necessary documentation. In most cases, the interviewers had to schedule appointments with the respondents for the interview as respondents needed to request permission from their superiors. In some instances, the respondents could be interviewed immediately.

3.6　The official letters facilitated the interviews as well as the respondents understanding that all responses were confidential. However, a small proportion of the respondents were reluctant to answer the questions in their offices, so these interviews were conducted at respondents' residences.

3.7   In West Nusa Tenggara, the fieldwork was postponed until the third week of March 2001 because of civil unrest. This possibly influenced some respondents' willingness to participate in this survey, but all interviews were eventually completed on schedule.

APPENDIX B: INDEX CONSTRUCTION

1.0   The basic steps in creating the new index scores were as follows:

    1.1   Standardization of each of the attributes used in creating the score so that each attribute had mean zero and variance 1.

    1.2   With the exception of PO7.1b and PO7.5b used in creating the "Corruption Index", cases with *Don't Know* answers were treated as missing and excluded from the computation of the score.

    1.3   The new index score is the average of the standardized values.

2.0   Corruption Index

    2.1   The "Corruption Index" score was created based on the following five attributes:

        2.1.1   Commonness of corruption in the organization (PO7.1b)

        2.1.2   Public officials in the organization receiving unofficial payments (PO7.5b)

        2.1.3   Average percentage of total income represented by unofficial payments (PO7.7)

        2.1.4   Percentage of budget diverted as a result of fraud, irregular diversion of funds, or any other abuse of public office (PO2.6c)

        2.1.5   Percentage of public procurement contracts in the organization involving any additional unofficial payments (PO3.2c(i))

    2.2   Before PO7.1b and PO7.5b were standardized, the *Don't Know* answers were imputed. The imputation steps were as follows:

        2.2.1   Reordering the values of PO7.5b:

Answer	Values of PO7.5b	
	Original	**Revised**
Everyone	1	5
Most public officials	2	4
Some public officials	3	3
Few public officials	4	2
None	5	1
Don't know	6	6

        2.2.2   If PO7.1b was *Don't Know* but PO7.5b was not, then PO7.1b was imputed using the revised PO7.5b as follows:

Revised PO7.5b	Imputed PO7.1b
None (1)	Nonexistent (1)
Few public officials (2)	Rare (2)
Some public officials (3)	Sometimes (3)
Most public officials (4)	Common (4)
Everyone (5)	Extremely common (5)

2.2.3   If PO7.5b was *Don't Know* but PO7.1b was not, then PO7.5b was imputed using PO7.1b as follows:

PO7.1b	Imputed Revised PO7.5b
Nonexistent (1)	None (1)
Rare (2)	Few public officials (2)
Sometimes (3)	Some public officials (3)
Common (4)	Most public officials (4)
Extremely common (5)	Everyone (5)

2.2.4   If both PO7.1b and PO7.5b were *Don't Know*, then they were individually imputed using PO7.7 as follows:

PO7.7	PO7.1b	Imputed PO7.1b	Revised PO7.5b	Imputed Revised PO7.5b
0%	Don't know	Nonexistent (1)	Don't know	None (1)
1 – 5%	Don't know	Rare (2)	Don't know	Few public officials (2)
6 – 10%	Don't know	Sometimes (3)	Don't know	Some public officials (3)
> 10%	Don't know	Common (4)	Don't know	Most public officials (4)

3.0 Budget Management Index

The "Budget Management Index" was computed from the following seven attributes:

3.1   Opinion on how close the consultation between the budget managers and department division managers was in the process of formulating the organizational budgets (PO2.2a)

3.2   The extent that guidelines/policies/regulations of budget management were formalized in writing (PO2.2b)

3.3   The extent that the formal guidelines of budget management were implemented (PO2.2c)

3.4   Opinion on the formal guidelines of budget management (PO2.2d)

3.5   Opinion on budget management decision-making process (PO2.3a)

3.6   Opinion on budget management decisions (PO2.3b)

3.7   Effectiveness of budget expenditure monitoring and control (PO2.6a)

4.0 Organizational Values Index

The "Organizational Values Index" was computed from the following three attributes:

4.1   Opinion on the statement "Everyone believes that the citizens are our clients" [PO6.1a(i)]

4.2   Opinion on attitude towards combating corruption in the organization (PO7.2c)

4.3   Opinion about small corruption (PO7.6)

5.0 Personnel Management Index

The "Personnel Management Index" was computed from the following six attributes:

6.1   The extent that guidelines/policies/regulations of personnel management were formalized in writing (PO1.2a)

6.2   The extent that the formal personnel management guidelines were implemented (PO1.2b)

6.3   Opinion on the formal personnel management guidelines (PO1.2c)

6.4   Opinion on personnel management decision-making process (PO1.3a)

6.5   Opinion on personnel management decisions (PO1.3b)

6.6   The importance of several criteria in personnel management (PO1.4)

6.0 Procurement Management Index

The "Procurement Management Index" was computed from the following three attributes:

6.1   The extent that guidelines/policies/regulations of procurement management were formalized in writing (PO3.1a)

6.2   The extent that the formal guidelines of procurement management were enforced (PO3.1b)

6.3   The importance of several factors for business enterprises to win procurement contracts (PO3.2b)

7.0 Performance Evaluation Index

The "Performance Management Index" was computed from the following four attributes:

7.1   Frequency that performance was formally evaluated in writing (PO1.5a)

7.2   Opinion on the impartial application of disciplinary actions to necessary cases (PO1.6a)

7.3   Opinion on the effectiveness of disciplinary actions as tools for motivating public officials to perform well (PO1.6b)

7.4   The extent that the organization rewarded excellent professional achievement (PO1.7)

8.0 Presence of Written Rules Index

The "Presence of Written Rules Index" was computed from the following three attributes:

8.1   The extent that guidelines/policies/regulations of personnel management were formalized in writing (PO1.2a)

8.2   The extent that guidelines/policies/regulations of budget management were formalized in writing (PO2.2b)

8.3   The extent that guidelines/policies/regulations of procurement management were formalized in writing (PO3.1a)

9.0 Implementation of Written Rules Index

The "Implementation of Written Rules Index" was computed from the following three attributes:

9.1 The extent that the formal personnel management guidelines were implemented (PO1.2b)
9.2 The extent that the formal budget management guidelines were implemented (PO2.2c)
9.3 The extent that the formal procurement management guidelines were enforced (PO3.1b)

10.0 Discretion Index

The "Discretion Index" was computed from the following two attributes:

10.1 Opinion on the formal personnel management guidelines (PO1.2c)
10.2 Opinion on the formal guidelines of budget management (PO2.2d)

11.0 Management Practices Index

The "Management Practices Index" was computed from the following four attributes:

11.1 Opinion on personnel management decision-making process (PO1.3a)
11.2 Opinion on personnel management decisions (PO1.3b)
11.3 Opinion on budget management decision-making process (PO2.3a)
11.4 Opinion on budget management decisions (PO2.3b)

12.0 Disciplinary Actions Index

The "Disciplinary Actions Index" was computed from the following two attributes:

12.1 Opinion on the impartial application of disciplinary actions in necessary cases (PO1.6a)
12.2 Opinion on the effectiveness of disciplinary actions as a tool for motivating public officials to perform well (PO1.6b)

APPENDIX C: LIST OF 21 ISSUES

The following list of 21 issues was identified from the preliminary results of the National Survey. This list formed the basis for further data analysis, as well as the starting point from which the Policy Recommendations were developed by the Select Steering Committee (SSC).

1. How to make anti-corruption a priority in the political agenda?
2. How to reconcile the discrepancy between public attitudes towards corruption and actual behavior in corrupt situations?
3. How to reduce the susceptibility of budgets from diversion? What institutional factors discourage/prevent/contain such forms of corruption?
4. How to reduce the susceptibility of contracts from markups and kickbacks? What institutional factors discourage/prevent/contain such forms of corruption?
5. What factors other than bribery are more important in winning procurement contracts and how can such factors be strengthened in order to reduce the incidence of bribery?
6. What aspects of the worst ranked public institutions (i.e. traffic police, customs, judiciary, prosecutors and tax) are most in need of reform? How do they differ from the better-ranked public institutions?
7. How to reduce the loss of public funds from corruption? How to reduce the opportunity for budgetary diversions?
8. How to increase the certainty for the delivery of public services?
9. What are the characteristics of the public institutions that are rated high on integrity and performance? How do they differ from those ranked low?
10. How to improve the contract procurement system to reduce the opportunity for markups and increase the transparency and efficiency of the process?
11. What are the factors that are significantly related to high corruption levels in public institutions?
12. How to accurately inform and educate the public on corruption?
13. How to increase and improve channels for reporting corruption?
14. How to bring more corruption cases to the attention of the authorities?
15. How to boost institutional capacity in courts and prosecutors to address public demands for justice?
16. How to support and strengthen the anti-corruption commission?
17. How to involve mass media and religious institutions in the fight against corruption?
18. How are the 20% of the survey respondents who do not participate in corruption different from those who do engage in corrupt behavior? What are the social characteristics of this group of respondents that distinguish them from the others?
19. How do attitudes and actions differ to different types of corruption?
20. How does Indonesia compare with other countries along the various corruption indicators?
21. How do regions differ in corruption attitudes, level, amount, causes and public action against corruption?

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LIST OF FIGURES