

STRENGTHENING THE LOCAL GOVERNMENT IN PROMOTING REGIONAL DEVELOPMENT (A CASE OF REDUCING CORRUPTION IN DECENTRALIZING ERA)

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Abstract

Corruption ranks together with **effective democratic** representation as the most important problems facing local governments. By virtue of being close to the people, local government has a better chance of providing services to civil society with **transparency, fiscal discipline and openness**, in order to control corruption. The expected result of the study is to obtain the kind of corruption occurred during the implementation of decentralization policy, especially taking place at the local government level. Besides, another objective is to get a picture how local government delivers their public service.

In depth interviews were selected to get information from some kind of sources such as businessmen, public officials, households, journalists and corruption watch organizations. Due to time and other limitations, the number of each sample is considered 2 businessmen, 2 households, 2 journalists and 2 corruption watch organizations.

From the lessons, we can say that corruption is just not **an economic problem**, but it is also **intertwined with politics**. Theoretically, corruption has certain pattern. In the research area was found out that in the delivery of public services such as ID card, driving license, new telephone connection, customers have to pay more than the standard price. Consequently, the price of delivery service became more expensive and deteriorates the business environment at the local economy. The World Bank has introduced a multi-pronged strategy for combating corruption. This strategy is developed through empirical research findings in some Central and Eastern European countries. To implement this strategy in Indonesia, it still needs some significant changes, since corruption has a close relation with **culture and norm**.

This strategy has five important factors that should be supported by considerable changes in the country. These five factors are described as follows **political accountability, institutional restraint, civil society participation, competitive private sector, and public sector management**. Though the methods may differ across the countries, the goals are the same: enhancing state capacity and public sector management, strengthening political accountability, enabling civil society and increasing economic competition.

Keywords: **Effective democracy, transparency, fiscal discipline, competitiveness, public sector management**

Introduction

Corruption ranks together with effective democratic representation as the most important problems facing local governments.¹ The challenge facing local governments is to develop innovative ways of building effective, accountable, and transparent systems that are able to deliver service efficiently. By virtue of being close to the people, local government has a better

¹ Citizens often believe that bribery is the most effective way to request and receive services, and they view the public sector as an institution for personal enrichment. Moreover, citizens are not motivated to participate in the public sector.

chance of providing services to civil society with transparency, fiscal discipline and openness, in order to control corruption.

Basically, Indonesia, a popular country with high corruption, has decentralized the function and jurisdiction to local government under the objectives achieving public service delivery more efficient. However, quality and costs of **public services are getting worse** and this encourages local people (more university people) to share in the development process actively.

There is no recipe on how to have a transparent government that function in all municipalities in the same way. However there are several instruments that can help to establish a framework for policy formulation and implementation at the municipal level, anchored in modern management thinking. This framework ought to promote further **innovative thinking** and **action** by public reformers and citizen groups alike.

This paper will serve to underscore and guide local reformers and citizen groups who are intent on changing corrupt systems by introducing practical strategies to **combat corruption** and **reform local institutions**. In other words, it will describe how clean government can be realized through reducing corruption. Practical analysis is presented and used during the case study. The expected result of the study is to obtain the kind of corruption occurred during the decentralization policy, especially in the local government level and a clear suggestion will be provided how local government can increase their service delivery to the public.

Some different diagnostic tools are used to identify priorities of reform. These include information to track public revenue and expenditure, simplified rules to improve the procurement process, diagnostics, and participatory techniques. In this context, **strong political will, citizen voice**, appropriate technical support, and a realistic long-term implementation strategy are central to success. Where there is integration among various factors, significant results expected. These factors include informed knowledge (with action program formulation based on in-depth empirical evidence in each setting), coalition building leading to collective action, and transparent political leadership at the local level.

Methodology

In depth interviews were selected to get information from some kind of sources such as businessmen, public officials, households, journalists and corruption watch organizations. Due to time and other limitations, the number of each sample is considered 2 businessmen, 2 households, 2 journalists and 2 corruption watch organizations. Interviews were conducted in the workplace and home, especially to provide a comfortable situation in gathering information.

Businessmen were selected due to their biggest opportunity in providing corruption empirically. The corruption often occurs in bidding process, licensing, etc. In fact, in the last two years, since the economic crisis began, more than 90 percents of local development projects are financed by local government budget. So, private investment plays an insignificant role in the regional development projects. Therefore, the relationship between businessman and public officials leads to collusion and nepotism in the local government.

Public officials and *civil servants* principally must serve society in providing information, service delivery, business access, and subsidies. Law enforcement and rules of the game are created to regulate business and public sector in harmony and reduced overhead costs of public good projects that should be borne by society. Unfortunately, it tends to contrary result and even increase the overhead and decrease service delivery especially to the poor. From other sides, *households* were also selected to show the quality of service delivery such as in obtaining ID-card, driving license, telephone connection, electricity, public transportation, etc.

Journalists provided information on which sectors in public services are easy to be corrupted. To strengthen the reliability of data, *social organization* such as corruption watch was interviewed.

By exploring information of these mentioned samples, it is expected that aim of the study can be obtained and clean government might be realized.

Objectives of the study

Since the decentralization policy started, some aspects of decentralization should be explored. Therefore, this study is aimed to show:

- What kind of corruption occurred in the region?
- What are the causes of it?
- How can it be reduced and what should be done in the future to prevent it?

Kind of corruption

Based on the conducted interviews, it is found out some evidences of kinds of corruption occurred in Malang area. This corruption is divided by sectors, namely:

Public services

- Public service delivery is main obligation of government officials to the citizens. Since the number of poor has increased, this task has to become more important. Unfortunately, **no standard** has been set for service delivery. This standardization of service delivery is important to prevent corruption and other forms of inefficiency. Following, some examples will be described:

- ***Driving license***

Every one who drives a vehicle must have a driving license. Therefore, one will do everything to obtain it. According to the government rule, the costs of driving license for medium vehicle (2,000 cc) are Rp 135,000.00 and can be finished in two days maximum. Due to the importance of having driving license, people will do anything to obtain it. In fact, people should provide additional costs (bribe, typing) to the policemen (about Rp 200,000.00).

- ***Personal ID***

Personal ID is a basic requirement of most activities such as becoming a student, obtaining job or work, banking transaction, obtaining driving license, obtaining passport, housing certification, having a car, etc. The personal ID will expire after five years and must be renewed. Moreover, due to the numerous number of population rural government² is responsible to handle it.³ According to the government rule, the costs are Rp 10,000.00 and for other costs (photo and other administrative requirements) should be borne by applicant. However, unfortunately, there is no information on how long the process and people paid more to obtain the personal ID (Rp. 50,000). If they make extra payments, moreover, public officials of rural government will take care of all administrative requirements. Usually, applicants paid for their personal ID Rp 20,000 to Rp 30.000 as tip.⁴

² The lowest structure of government of Indonesia is rural government

³ In 2000 Indonesia has ± 210 million people, which ranked as the world's fourth most populous nation after China, India and United States. The biggest cities such Jakarta and Surabaya have 9.4 million and 3.8 million. Each rural government in Java Island has more or less 20.000 people on the average.

⁴ In the big cities like Jakarta, Surabaya the administrative costs are more expensive. In Jakarta, one should pay more about one hundred thousand to obtain the personal ID.

- **Passport**

Since the economic crisis started mid of 1997, the real sectors in Indonesia shrank. This affects the level of unemployment and poverty. This leads to higher migration from Indonesia to the above countries. It is showed that the demand for passport increased rigidly and most of the demander is coming from unemployed people who are living in rural areas. According to the government rule, the costs of a passport are Rp. 110,000.00. However, in the reality they should pay Rp 300,000.00 for each passport.

- **New telephone connection**

Telephone connection is still needed in Indonesia and so importance like road building. Since many people prefer live in suburban areas,⁵ these increase the demand for telephone connections. There price is fixed, namely Rp 400,000.00. In fact, people should pay more than it (Rp 500,000.00 to 700,000.00) to have a telephone connection.⁶

- **New electricity**

The case of electricity is similar with telephone connection. According to government rule, the price for electricity depends on the demanded electricity power. The price of new electricity is about Rp 600,000.00 for 2.000 watt, though according to the rule, the price should be Rp 300,000.00.

Business behavior

- Kota Malang produced more than five regulations for increasing regional own revenue. However, this trend belongs not only to Kota Malang, other local governments have behaved similarly. According to businessmen, the more government regulations (PERDA), the bigger opportunities of public officials to corrupt or getting or kickback or bribe.⁷ It will consequently deteriorate the existing business environment. This situation discourages them to place investment in other sectors

Government projects

- Since decentralization policy, the government expenditures decrease more significantly. Development projects especially physical projects such as building primary school, roads, bridges are unfortunately often marked up.⁸ The mark-up is more or less 40% of the real budget. Finally, it will effect efficiency of regional expenses or expenditures and lastly public will be disadvantaged.

The role of NGO in watching the process is very important. In fact, during the social safety net program, some new NGO's have been created in Kota Malang or even in East Java province or in Indonesia. Some public officials of local government have founded NGO's to accomplish an activity.⁹ They have this managed to subvert donor intentions and divert donor's funds for themselves. They have reasons for that, namely for anticipating the aid programs that should be executed by NGO's. So, this kind of activity

⁵ They have also another reason, namely land price has been increasing rapidly during the economic crisis. Therefore, they prefer live in the suburban due to better transportation connections.

⁶ Public officials said that the telephone connection is limited, so people should wait for that. However, people (who have money) will pay more to obtain this telephone connection.

⁷ From the businessmen sides, as long as the costs are still be managed (it means that the business is still profitable), they will bribe or pay public officials additional costs to get license, permit or others required administration.

⁸ During the decentralization policy, theoretically the markup should shrink. However, in the reality it remains and even increases.

⁹ This kind of NGO is known as a governmental NGO. They have more opportunities to win a bidding process due to their easy and fluent accessibility. What the governmental NGO did can be classified as money laundering.

will increase inefficiency in the program implementation and finally, the target group (*the poor*) will be sacrificed.¹⁰

Official trip

- In Indonesia, public officials and legislature members have opportunity to take some official trips (domestic and international) and these are financed by the budgets of local governments. It is common that trip duration will be longer than it should be administratively. This kind of abuse of power has been done not only by regional officers, but also by legislature members. Media often publishes this kind of cases particularly and even in other local governments has been already in court.¹¹

Controlling or inspection

- Since controlling and inspection are the functions of legislative institutions, they often receive special services in form of gifts, money or even facilities (tickets for holiday) from the executive during their control or inspection (*fieldwork*). This is a form of nepotism and collusion in the policy implementation. It is expected, especially during the initiation process of budget for the next fiscal year, the legislative will give their agreement easily. Usually, the costs to bribe legislative members were borne by businessmen as a kickback for their business.

From the explanation above, we can see that corruption has existed in all economic sectors, either in public or even private or business sector. Therefore, we should know why this corruption occurs and some sensitive areas should be paid attention. Following, it will be described the should pay attention to causes of corruption generally:

- There is **no standard formulation** of regularly expenditure of regional budget. This formulation is very important to judge or measure the efficiency of expenditure.
- **Fluently Information** is a bridge between local governments and their citizens. The most important information especially on everything that related to public utility such as new tax rate, new government regulation, **standardization of services, procedures** or even executive and legislative activities.¹²
- **A regulation** on relationship between politician and businessman should be provided. This idea should be followed by pressure that could come from **independent institutions** such as university, NGO or non-formal leader. So, finally local government and legislative issue a regulation to prevent this collusion.
- Increasing **role** and **awareness** of people to participate and share in development process in their area.

A Strategy Combating Corruption

World Bank has introduced a multi-pronged strategy for combating corruption. This strategy is developed through empirical research findings in some Central and Eastern European countries.

¹⁰ In 1998 –1999, government has issued social safety program (SSP) and some of the donor's funds should be distributed by NGO's. However, this regulation inspires the local government (through their public officials) to establish a NGO and undertake the program. In 2000, it has been found that from 18 Billion SSP's funds, only 9 Billion were distributed to the target groups.

¹¹ As reported DPRD-members of East Java province would make an official trip to Batam Island for comparative study, however, but they did trip to Singapore, Malaysia, and Thailand. They won in the court, when NGO and local government sued them.

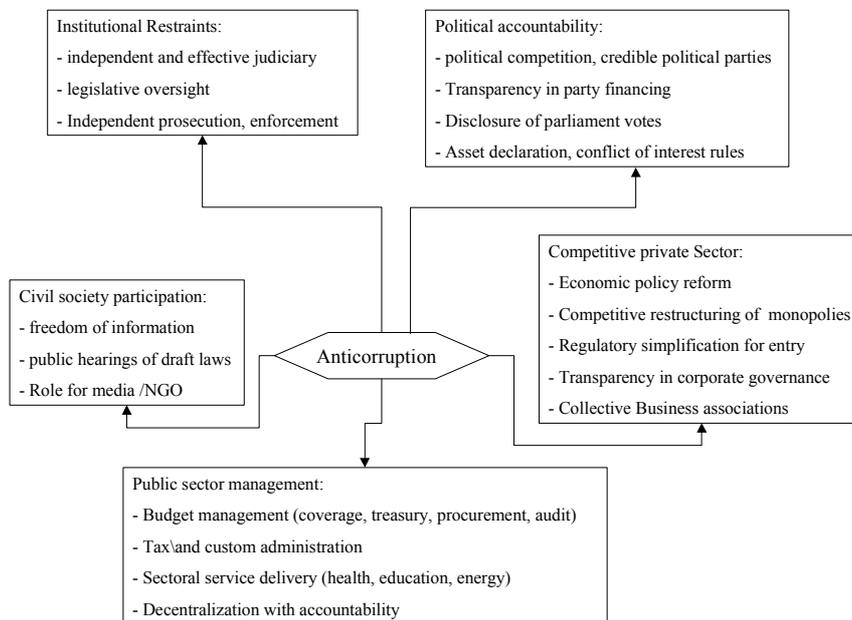
¹² Newspapers more concern on national political issues than local political issues. News on local economic development, local political issues are often published as marginal news.

To implement this strategy in Indonesia, it still needs some changes, since corruption has a close relation with culture and norm.

The strategy has five important factors that should be reformed and developed in the country. These five factors are described below:

- Political accountability: increasing people participation in the policy making process
- Competitive private sector: increasing efficiency through reducing monopoly market
- Institutional restraint: Independent institution as partner and watch dog
- Public sector management: Implementing Public-Private partnership concept in public sector
- Civil society participation: Involving non-formal leader in the process

Diagram 1: A Multi-pronged Strategy for Combating Corruption



Source: World Bank (2000), *Anti Corruption in Transition-A contribution to the Policy Debate*

The above five factors should be designed and arranged by priority in the locality or country. So, there is no fixed formula and no single model how these relationships should be structured to minimize the risk of corruption. Indeed, a wide range of diverse models is available from contemporary practice and historical experiences. Though the methods may differ across countries, the goals are the same: **enhancing state capacity and public sector management, strengthening political accountability, enabling civil society and increasing economic competition.**

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