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Causes of corruption in Indonesia

Query

What are the main causes of corruption in Indonesia?

Purpose

Our agency is supporting the KPK (Indonesian Corruption Eradication Commission) on a new strategic corruption prevention programme for Indonesia.

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Summary

Cross-country studies investigating the causes of corruption have identified several factors which may have an impact on corruption, ranging from structural factors, to institutional, historical, and economic factors. However, there are not many country level studies exploring causes of corruption in specific contexts.

In the case of Indonesia, corruption in the country is likely to be facilitated by a number of factors, such as large amounts of public resources derived from natural resources, vested interests and politically connected networks, poorly paid civil servants, low regulatory quality, and weak judicial independence. In addition, local officials are given wide discretionary power and resources without proper accountability and enforcement mechanisms.

Based on the above, anti-corruption reforms in the country could focus on enhancing institutional capacity and reduce clientelistic practices in order to ensure that the rules are followed and applied equally among all citizens. Moreover, strengthening accountability at the local level is key for the success of decentralisation reforms and to prevent corruption at the local level.

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1 Corruption in Indonesia

Overview

After 32 years of an authoritarian regime which ended in 1998 with the fall of General Suharto, Indonesia has undergone a successful transition from authoritarian rule to become one of the largest democracies in Asia and in the world. Since 1998, the government has introduced a range of economic and political reforms aimed at erasing the legacies of the old regime. Local governments have been empowered, the judiciary has been granted greater independence, and a national campaign against corruption has been initiated after corruption was acknowledged as a major problem affecting the Indonesian economy, politics, and foreign investments (Freedom House, 2011). Nevertheless, the country continues to face several challenges with a deeply embedded patronage system and widespread corruption at all levels of government.

Extent of corruption

Corruption continues to undermine the economy, distribution of resources, and the public administration in Indonesia. All available data and country reports indicate that corruption remains widespread, permeating all levels of society. Recent anti-corruption efforts such as the establishment of a strong anti-corruption agency have led to the conviction of several high-ranking public officials, but a lack of institutional capacity and weak rule of law combine with poor regulatory quality still create fertile grounds for corruption.

This situation is reflected in the major worldwide governance indicators. In 2011, the country ranked 100 out of the 183 countries assessed by Transparency International's **Corruption Perceptions Index** (CPI), scoring 3 on a scale of 0 (highly corrupt) to 10 (highly clean). These findings are consistent with the World Bank 2010 **Worldwide Governance Indicators** that confirm Indonesia's poor performance on all the six dimensions of governance assessed. The country's improvement in control of corruption from 2000 to 2010 (20 to 27.3, on 0 to 100 scale, with higher values corresponding to better outcomes) is statistically insignificant, meaning that corruption levels have remained pretty much the same across the years.

Indonesia also does not perform so well on the 2012 **Heritage Foundation's Index of Economic Freedom**.

The country ranks 115th out of 179 countries assessed (and 23rd out of 41 countries in the Asia-Pacific region) in terms of economic freedom. In particular, the country performed poorly in terms of freedom from corruption, with a score of 28 on a 0 to 100 scale.

Corruption also seems to be pervasive at the local level according to the **Indonesia Corruption Perception Index[1]** (Transparency International Indonesia, 2008). A majority of cities in the country score below the average of 4,42 (on a 0, meaning more corrupt to 10, clean, scale).

The persistence of corruption is also reflected on the views of Indonesians' citizens on corruption. According to the **Global Corruption Barometer** (Transparency International, 2011), 43% of the households surveyed believe that corruption has increased in the three years preceding the survey. The view on the effectiveness of the government's efforts to fight corruption is divided. 33% assessed it as effective and 35% as ineffective.

On a more positive note, the **Integrity Survey** conducted by the Indonesian Corruption Eradication Commission (KPK) shows an improvement of the average score on public sector integrity from 5.53 in 2007 to 6.31 in 2011 (on a scale from 0, low integrity, to 10, high integrity) (KPK, 2011).

Forms of corruption

Both bureaucratic and grand corruption are present in Indonesia. Bureaucratic corruption is exacerbated by the country's weak administrative capacity, low salaries, and the lack of oversight (Global Integrity Report, 2011). In this context, **bureaucratic and administrative forms of corruption** are widespread across all public services and agencies. For example, 15,4% of all companies interviewed in the 2012 Global Competitiveness Report consider corruption as the most severe problem affecting the business environment in Indonesia. Moreover, according to the World Bank & IFC Enterprise survey, nearly 15% of the companies reported being expected to pay bribes to public officials to 'get things done'.

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[1] The survey measures the perceived level of corruption in local government of 50 cities in Indonesia, considering the likelihood of a public official to engage in corruption and the local government efforts in curbing it.

The political legacy of previous regimes in which public resources were used to gain support of patronage networks continues to play a role in the political landscape of the country after democratisation. Various forms of **patronage and clientelism** exist across the political system, as reflected by concessions and procurement processes being often awarded based on personal relations (US Commercial Service, 2011).

In addition, the increasing reliance on money for political campaigns has offered opportunities for **political corruption** and state capture, in particular at the local level (Sijabat; Saragih, 2011). According to Transparency International Indonesia the high costs of political campaigns leave no option for legislators and councilors at provincial and district legislatures but '*to abuse their power to seek funds to pay for their campaigns to win their legislative seats and to help finance their parties' activities'* (Sijabat; Saragih, 2011).

Sectors/institutions most affected by corruption

The **police** sector is assessed by both citizens and business as one of the most corrupt sectors in the country. According to the Global Corruption Barometer (2010-2011), 52% of Indonesians perceive the police as extremely corrupt, and 11% of those who have had contact with the police in 2009 have reported paying bribes. The number is significantly higher in considering businesses' actual experiences with police corruption. According to the Indonesia Corruption Perception and Bribery Index, 48% of the respondents who have had contact with the police in 2007 had to pay bribes (Transparency International Indonesia, 2008).

The **judiciary** is also regarded as one of the most corrupt sectors and it is still perceived as highly influenced by government officials and local elites (Bertelsmann Transformation Index, 2012). Similarly to the police, 52% of Indonesians surveyed in the Global Corruption Barometer perceive the judiciary as corrupt. Actual experience of corruption accounts for 14% of those who have had contact with the institution in the year preceding the survey.

The fact that the police and the judiciary are perceived as one of the most corrupt institutions offers great challenges to control of corruption as they are instrumental to ensure enforcement of the law and the existence of rule of law in the country.

Parliament and **political parties** are also perceived as highly corrupt. According to the latest Global Corruption Barometer, 52% of Indonesians surveyed considered both Parliament and political parties as extremely corrupt (Transparency International, 2011). The culture of the secrecy within the national Parliament (i.e. close-door meetings) also offers opportunities for corruption, and limits the ability of the press and public to monitor its proceedings (Freedom House, 2010).

Other sectors perceived as corrupt by both citizens and businesses include land management, licenses, infrastructure and public utilities, as well as extractive industries and natural resources.

2 Causes of corruption

Overview: what does the literature say about causes of corruption?

Causes of corruption vary across countries and will depend on national policies, history, bureaucratic traditions, and political development. Studies have shown a correlation between corruption and low GDP, inequality of income, inflation, and lack of competition. But the direction of the correlation between corruption and these various factors is not clear and it is difficult to distinguish between the causes and consequences of corruption.

There is a broad consensus that corruption is also correlated to a series of structural and institutional factors such as government size, levels and forms of decentralisation, regulatory quality, public service administration, civil and political rights.

A few scholars have developed theoretical models in an attempt to explain the determinants of corruption. For instance, Nye (1967) and Rose-Ackerman (1999) have focused on a rational choice approach, highlighting that corruption is the result of the equilibrium between resources and costs. Corrupt officials decide whether or not to engage in corruption by balancing potential benefits against costs and consequences.

Klitgaard (1998) have also focused on analysing the opportunities for corruption based on the equation that corruption equals rents plus discretion minus accountability (C=R+D-A). This means that corruption will occur where economic rents exist (e.g. government regulation, natural resources, aid, state assets, public jobs), public officials/politicians have discretion in

allocating them, and oversight (internal and external) and law enforcement are lacking. Klitgaards' model may be helpful to understand the causes of corruption in an individual case and, besides that, it may also help to comprehend why certain policy combinations work and others don't (Mungiu-Pippidi et. al, 2011).

Main causes of corruption in Indonesia

In the case of Indonesia, a more in-depth analysis of the main causes of corruption might be required to understand why corruption remains such a large problem in spite of several reforms (e.g. decentralisation, establishment of an anti-corruption agency, etc) and recent efforts to curb it. Several factors, ranging from structural factors, such as income levels, and inequality, to a weak judiciary seem to have a strong correlation with corruption. Nevertheless, correlation does not necessarily prove causality and a closer examination of the country's history, institutions, and political actors is necessary to understand what drives corruption.

This answer analyses how some of the factors identified in the literature as causes of corruption are likely to play a role in the Indonesian context.

Structural factors

Cross-country studies which have attempted to identify common causes of corruption have focused on **structural factors** which often relate to lower levels of perceived corruption such as income levels, income inequality, openness to trade, and long exposure to democracy (Treisman, 2000). Within this framework, it is expected that countries with high income levels (e.g. high GDP) will have lower levels of perceived corruption, or that, for example, countries which have been exposed to democracy for longer periods of time are also perceived as less corrupt.

Indonesia, for instance, is a low middle level income country (GDP per capita US$ 4,666, 2011), with medium levels of income inequality (GINI coefficient 36,8) and with approximately 13% of the population living below poverty line (World Bank, 2010). These structural factors play a role in identifying the main determinants of corruption in the country. But those alone cannot be considered as single causes of corruption.

Moreover, these indicators offer limited policy reform options, and further investigation is necessary in order to adopt the right strategy to prevent/combat corruption in a given country.

Historical factors

Indonesia passed through many years of authoritarian regime ('new order' regime) when Suharto ruled the country surrounded by networks of patrons and clients. In exchange for support, Suharto ensured that his relatives, friends from the business community, and senior officials in the military were granted benefits such as monopolies, exclusive supply contracts, as well as tax breaks (Barter, no year).

Suharto's highly concentrated and particularistic regime has left weak institutions and clientelist social structures throughout the country (Barter, no year). For instance, the UNODC considers that one of the reasons for the moderate pace of reform on corruption issues is the deeply entrenched institutional culture of patronage. Acts of bribery and corruption, for example, are frequently not seen by Indonesian authorities as corrupt practices (UNODC, website).

The Bertelsmann Stiftung also considers that anti-corruption, bureaucracy, and market liberalization reforms are being conducted at a slow pace because they pose severe threats to the oligarchic structures of old elites within the economic sector, and these old elites still play a significant role on national and local politics (Bertelsmann Stiftung, 2012).

Decentralisation

Overview
Decentralisation is considered by many scholars/development practitioners as an effective remedy in the reform of governance systems. However, to be effective, decentralisation processes must not only empower local governments with increased resources and responsibilities, but also ensure that local governments are held accountable for the delivery of public services and use of public money. In this regard, if accountability is lacking or not existent decentralisation may in fact create powerful incentives for local elites to capture resources and influence policy in their own interests rather than of the society as a whole, offering more opportunities for corruption to flourish (Eckardt, 2008).

Scholars have also found that the form of decentralisation may also affect levels of corruption in decentralised countries. For example, Fisman and Gatti (2002) suggest that corruption may be larger when

spending is decentralised while revenue collection remains under the responsibility of the central government.

Decentralisation in Indonesia: More discretionary powers and resources to local officials

In Indonesia, the decentralisation process, which started being implemented in 2001, aimed among other things to end corruption, collusion and nepotism (KKN: *korupsi, kolusi dan nepotism*) by empowering local governments across the country. However, decentralisation reforms have not brought about the expected results. While the first objective was quickly achieved – villages and cities now enjoy greater responsibilities – transparency, accountability, and strong institutions are still lacking, imposing several challenges to the success of the decentralisation process and hampering the fight against corruption.

Decentralisation has introduced new actors and changed the *modus operandi* of corruption at the local level, increasing the opportunities/incentives for officials to behave corruptly. Local governments now enjoy wide discretionary powers and control over the application of more than 50% of the government budget (Bertelsmann Stiftung, 2012), including over resources from mineral and timber, without having proper internal and/or external accountability mechanisms in place. These resources are transferred to local governments under a revenue sharing scheme, and they represent up to 80% of the total revenue collected by these jurisdictions.

Local governments have also become responsible for basic infrastructure and the delivery of public services such as health, education, transportation, and agriculture, among others, which offers numerous opportunities for manipulation in the allocation of funds designated to such services. In addition, more than 2.5 million civil servants were reassigned to the district level government which have weak organisational structures and resources (Rinaldi, 2007).

The introduction of local elections for mayors and city councillors brings another challenge to the control of corruption in the country. Reports have shown that the last local elections in 2009 were not free of frauds, with the manipulation of votes, mobilization of bureaucrats, intimidation of voters, and 'money-politics'. In addition, current political finance rules are inappropriate. The high costs of election campaigns have also encouraged candidates to seek support from the private sector or misuse public funds and resources. At the same time,

regional election commissions which are responsible for overseeing the process were still ill-prepared to enforce the laws (Freedom House, 2011).

…but weak accountability mechanisms

Lack of enforcement at the local level is one of the main problems which could have a negative impact on decentralisation. Law enforcement institutions suffer from limited financial and human resources, political interference, and vulnerability to bribery, among others. Even institutions which at the national level have improved their performance in the fight against corruption, such as the Audit Institution (BPK) and the Corruption Eradication Commission (KPK), still have restricted activities at the local level (Freedom House, 2011)

Accountability is instrumental for the success of any decentralisation process. In the specific case of Indonesia, a study conducted by Eckardt (2008) shows that the performance of local governments, for instance, is to a great extent determined by the effectiveness of the accountability mechanisms in place to ensure public control of government actions.

In spite of recent improvements, public accountability at the local level remains problematic. While in more developed districts civil society organisations and the media have played an important role in demanding more accountability, in some remote villages and rural areas external accountability mechanisms are extremely weak. Local press is frequently subject to undue influence by local politicians limiting media's role as anti-corruption watchdog (Green, 2005).

Challenges

Besides the challenges imposed by limited bottom-up accountability mechanisms and weak law enforcement discussed above, decentralisation still needs to overcome the fact that the 325 districts and 91 cities in Indonesia have significantly different development levels. For instance, many remote districts suffer from lack of expertise, sources of revenue, and are captured by the local elites and former allies and beneficiaries of Suharto's regime.

In addition, a significant problem faced by the decentralisation process in Indonesia, which has already been identified in the literature as one of the causes of corruption, relates to the fact that administrative decentralisation was not accompanied by fiscal decentralisation, meaning that the central government is still responsible for transfers, but local public service responsibilities are inadequately matched

to local revenues (Rinaldi, 2007). The lack of revenues transferred to local levels encourages local governments to collect money from locally owned sources. Within this framework, local governments often attempt to collect revenues from additional local charges, fees, levies and even bribes (Rinaldi, 2007). According to experts, local government departments and agencies end up creating additional bureaucratic procedures to extort even more bribes.

Furthermore, while the legal framework related to anti-corruption and good governance seems, to a great extent, in line with international best practices, the country still faces challenges regarding legal loopholes, implementation, and enforcement of the law, in particular at the local level.

More information on the corruption challenges at the sub-national level in Indonesia is available at: http://www.u4.no/publications/corruption-challenges-at-sub-national-level-in-indonesia/

Quality of business regulations

Authors have also found a strong correlation between regulatory quality and corruption. For instance, Gerring and Thacker (2004) found that higher regulatory quality leads to lower levels of corruption. In Indonesia, excessive and tedious administrative procedures offer several opportunities and incentives for firms to behave corruptly. Companies have consistently reported paying bribes in order to 'speed up' administrative processes, 'getting things done', or getting licenses and permits (World Economic Forum, 2011; World Bank & IFC, 2009).

In spite of recent reforms aimed at simplifying regulatory procedures and licensing requirements at both national and local levels (World Economic Forum, 2011), launching a business still takes more than the world average of seven days and 30 procedures. The overall regulatory quality and efficiency is assessed as weak by the Heritage Foundation (2012), offering opportunities for corruption.

Decentralisation has also given the opportunity for local governments to legislate/enact business regulations. Studies have shown that in several districts, local officials make use of such discretion to create red tape and compensate for low salaries and/or for the lack of funds received by their jurisdictions. In this context, the extent of corruption and the amount of illegal payments varies greatly across districts and provinces. Moreover, inconsistencies between national and local regulations

and lack of enforcement also have a negative impact on regulatory quality (Anti-Corruption Business Portal, 2011).

Public sector wages

Several studies have analysed the issue of public sector wages and how they impact corruption. While the direct causality between low salaries and corruption have not been proved, it is known that low government wages result in a decline of public sector efficiency and productivity and creates incentives and opportunities for corruption. However, most studies also agree that increasing salaries without having effective monitoring systems as well as law enforcement of sanctions in place is unlikely to have an impact on corruption (The World Bank, 2003).

Against this backdrop, increasing public wages alone will not solve the corruption problem. Besides having a system of accountability and enforcement of the law, it is also necessary to ensure that the rules regulating civil servants (e.g. rules on outside employment; bonuses; hours worked; application of the budget, etc) are clear and implemented with little discretion (The World Bank, 2003).

Judiciary

Overview

The independence and quality of the **judiciary** is also correlated with lower levels of corruption according to studies conducted by the World Bank (1997) and by Ades and Di Tella (1996). **Prosecutorial independence** was also found to have a positive impact on corruption (Voigt, Feld, Assken, 2004).

In fact, an ineffective legal and judicial system may hamper all efforts to make the government more transparent and accountable to its citizens, while a well-functioning judiciary is an important deterrent to corrupt behaviour.

The judiciary is perceived as one of the most corrupt institutions in Indonesia (Transparency International, 2011), and according to the 2008 Public Sector Integrity Survey conducted by the Indonesian Corruption Eradication Commission, the Supreme Court's integrity value has ranked among the lowest among other public services in Indonesia (Fawzia, 2011).

Lack of independence

The judicial system i in Indonesia has a history of manipulation and control by the Executive. During

Suharto's regime, appointments to the Supreme Court were manipulated by the Executive that also had control over the appointment and future career of lower court judges. Within this framework promotions and transfers were based on whether judges have served the interest of the regime rather than on qualifications and other professional criteria (Fawzia, 2011).

After the regime change in 1998 the judiciary was established as a distinct power. Since then, numerous efforts have been undertaken to reform the legal and judicial system in the country, including ensuring organisational, administrative, and financial autonomy to the Supreme Court. Nevertheless, in spite of the Constitutional Court recent rulings against the government, overall, the judiciary still needs to prove its autonomy and independence (Bertelsmann Stiftung, 2012).

Most of the personnel working at the judiciary remain the same of the old autocratic regime and they may be influenced by local elites, business interests, military and politicians outside of the legal system (Freedom House, 2010). Bribes are often paid to influence prosecutions, convictions, and sentencing in civil and criminal cases. Several judges, especially at the sub-national level, have failed to sanction power abuse and patronage (Bertelsmann Stiftung, 2012). The problem is perpetuated by low salaries and lack of qualification of the judiciary personnel (Freedom House, 2010).

According to experts, the judiciary's independence is also hampered by the persisting intervention from actors from outside the legal system (e.g. powerful businesses, politicians, etc) who attempt to influence decisions or force the dismissal of cases.

The Constitutional Court's reputation is also threatened by the nomination process currently in place which does not help to ensure the autonomy and independence of the court. Currently, some of the judges are selected by the parliament, what has encouraged potential judges to seek parliamentary support in a 'quasi-campaign' environment, creating a sense of reciprocity between future judges and parliamentarians, who will later expect special treatment in exchange for support.

A recent study conducted by the UNODC (2012) shows that judges, prosecutors, lawyers, and court staff have different views on corruption within the judiciary. Nevertheless, these groups agreed that the 'most serious' problem identified in the judicial system is the disappearance of court records and the preferential treatment towards government and parliament members and/or their family members. Other problems identified include delay in particular judicial processes, high acquittal rates, and conflict of interest.

Corruption opportunities in the broader judicial system

Considering the judicial system as a whole, challenges to fight corruption are also faced by prosecutors who are usually confronted by suspects who have both political power and influence at the local level. Prosecutors are thus often offered bribes or pressured/threatened to delay or simply close cases. In addition, bureaucratic and complicated procedures may also act as impediments for further prosecutions. For instance, the process of preparing the evidence involves numerous players and requires a good understanding of financial procedures and budgetary drafting in different districts (Rinaldi, 2007).

Natural Resources

Overview

Studies have also found that abundance of natural resources, particularly in developing countries, may be a cause of corruption as it creates further opportunities for rent-seeking where law enforcement mechanisms are inadequate (Ades; Di Tella, 1999; Leite; Wandemann, 1999).

Forestry sector: Resources and discretion with limited accountability

Indonesia is endowed with one of the most extensive tropical forests in the world and several key minerals such as nickel, copper, and iron sand, among others. The forest-related wealth in Indonesia and the lack of transparency and accountability related to the exploitation of such natural resources has made the sector highly susceptible to corruption.

During Suharto's regime Indonesia's natural resources were frequently used for political patronage. Logging and plantation concessions were issued to his relatives, business partners, key members of the military and political elite in exchange for their support (Human Rights Watch, 2009). After democratisation, the process of decentralisation was expected to put an end on the misuse of the country's natural resources. New regulations have altered the forest control, giving more authority to local governments. This means that under new decentralisation laws, a significant portion from the revenue collected from resource extraction should return to local governments and districts where the

revenues were produced, as well as to other districts in the form of 'revenue sharing' (Human Rights Watch, 2009)

Local public officials have also been empowered to issue permits and concessions without applying to the national permit process, skipping processes such as environmental impact assessments and local consultations. But the change in the system has not been accompanied by transparency and accountability measures, allowing local officials to seek for rents and opening more opportunities for corruption and mismanagement at the local level. Acknowledging the problem, the Ministry of Forestry reviewed the legislation, removing such power from local authorities. Nevertheless, due to low enforcement capacity, several local governments continue to issue such permits and concessions in their districts (Human Rights Watch, 2009).

The risk of corruption was also enhanced by wide discretionary powers given to the district forestry offices to examine fee documents and compare them against the actual wood production in order to ensure proper fees were paid. Such examination does not have to be submitted to national or provincial offices and can actually be withheld by local officials without any sanction.

In addition to that, the extensive number of requirements (be it at the national, provincial or local level) required to operate a forest concession offers numerous opportunities for corruption, and businesses have reported paying bribes in several occasion either to speed up the procedures or to get things done.

At the national level, the opaqueness and slowness in the collection and redistribution of forest revenues by the Ministry of Finance also offers several corruption opportunities, particularly in order to increase the amount of funds distributed and the speed with which the funds reach local administrations (Human Rights Watch, 2009).

Corruption opportunities in implementing REDD

Reducing emissions from deforestation and forest degradation (REDD) is a mechanism designed under the United Nations Framework Convention on Climate Change (UNFCCC) to enhance the role of forests in curbing climate change[2]. It is an effort to create a financial value for the carbon stored in forests, offering incentives for developing countries to reduce emissions from forested lands and invest in low-carbon paths to sustainable development.

Deforestation in Indonesia is the largest contribution to green gas emissions in the country. Therefore, REDD + offer great opportunities not only for mitigating climate change but also as a new source of resources. The implementation of the REDD + in the country is taking place in three different phases, and due to the discretion and amount of resources involved, each of these phases is likely to facilitate corruption (Dermawan, 2011).

The initial phase ('readiness') involves a series of reforms and decisions which will have long-term impact on forest related stakeholders. Therefore, control of corruption and its prevention from the beginning will be instrumental for the successful implementation of REDD in Indonesia. In this phase, special attention should be given to special interest groups who may try to influence policy-making for their own benefit (Dermawan, 2011).

At a later stage, corruption may also affect the distribution of revenues. The current proposal as it stands allocates revenue shares to communities for some types of REDD+ activities, but it does not foresee measures to make effective participation possible as to enhance accountability (Dermawan, 2011).

Overall, as REDD is associated with increasing funds and resources, the likelihood that officials and vested interest will seek to extract rents and profit through corruption is extremely high.

Challenges

The challenges of preventing and combating corruption in the forestry sector and REDD in Indonesia are several. For instance, regulatory loopholes and inconsistencies; discretionary decision making allowing undue influence; powerful, connected networks of vested interests; lack of transparency and accountability mechanism; absence of data and

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[2] "REDD+" goes beyond deforestation and forest degradation, and includes the role of conservation, sustainable management of forests and enhancement of forest carbon stocks. Please see: http://www.un-redd.org/

information to support decisions; and insufficient coordination among government institutions are most likely to facilitate corruption (Dermawan, 2011).

In particular, transparency and accountability, including independent oversight, and monitoring and verification of reports and financial transactions are instrumental to curb corruption in the sector.

3 Lessons learned

Preliminary analyses show that reforms in the country were not accompanied by a change in power structure (previous oligarchic network have survived the regime change and captured local governments), in culture (most public officials remain influenced by Suharto's clientelistic system), and neither by the promotion of accountability of local and national governments.

Moreover, existing institutions seem incapable/unwilling – due to lack of political will, qualified personnel/resources, and/or influence of local elites – to enforce the rules in place at all levels of the government. At the same time, years of economic growth and development combined with the wealth from natural resources, have increased state resources and the possibility of extracting rents. This combination, weak constraints and state resources offer great opportunities/incentives for corruption (Klitgaard, 1998).

Therefore, in order to prevent and combat corruption accountability and transparency should be enhanced (Rinaldi, 2007). Particularly at the local level, it is instrumental that local communities and other stakeholders such as media and civil society organisations are involved in policy formulation, decision making, as well as in monitoring how public money is being spent.

Similarly important, it is to reform the political system as to strengthen the country's democracy, ensuring, for instance, that the role money has been playing in politics does not distort the political process and/or provide incentives for politicians and members of the government to abuse state resources.

In addition, a well functioning judiciary is a pre-requisite for ending the culture of impunity that reigns in the country. Without an independent and active judicial system, the anti-corruption work conducted by other institutions such as the KPK and the audit institution may also be hindered. It is also likely to have a negative

impact on citizen's trust and beliefs on the government's anti-corruption efforts.

Finally, a culture shift - from clientelism to universalism – is instrumental in allowing such reforms to be implemented fully and rapidly.

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