DECENTRALIZATION, CORRUPTION AND DEMOCRACY
ACCOUNTABILITY

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ABSTRACT
At glance it looks that decentralization has expanded and shifted the heavy corruption from the central government to the regions. This argument is also supported by the results of the seminar organized by LIPI that described eight year of regional autonomy and decentralization and stated four important findings, they are: firstly that the regional distribution tends to create opportunities for corruption, second, a number of regions has upset the State budget; third that the unitary state Indonesia should not be interpreted as a desire to unite Indonesia but also needs to be understood as a desire both to preserve the dominance of the central government; fourth, the moratorium any local government tend to be inconsistent and to be "politics as usual", and the fifth is the idea behind decentralization and policy regional autonomy is to improve the public service and democracy at the local level. Unfortunately, most local governments stay away from this policy objective, which is to improve public services and democracy at the local level. It shows that on its eleven years celebration, Indonesia decentralization has raised some major problems such as corruption practices, unscrutinized local public policy, unidentified kind of taxes and a more distances between the poor and the have. Eventhough some regions have success to increase its Human Development Index through health care and education merit system, however their success are not infectious well enough to other regions. Corruption is mainly the source of problems where the public need is igonored by both bad policy and untransparancy budget implementation. This article argues that corruption exist when the system is not tранспарант enough to the public. Decentralization and corruption are now interrelated which is endanger the quality of democracy and public accountability.

Key Words: Decentralization, Local Corruption and Democracy, Public Services

INTRODUCTION
Research has been done by LIPI and the World Bank shows that Decentralization mostly unsucces in bringing the better society development. Direct local election seems tobe one factor making away from this policy objective, which is to improve public services and democracy at the local level.²

¹ Nurliah Nurdin, can be contacted by email address: nmurliah@yahoo.com
² Septi Satriani National Seminar: “8th Year Decentralization and Regional Autonomy”. PDII LIPI Jakarta 29th April 2010The seminar was participated by representatives from different agencies including delegates from Committee Monitoring the Implementation of Regional
Decentralization and corruption in the region are now running side by side. Public welfares should be provided by public services to the local community, somehow it shows more difficult to achieve. Direct local elections has empowered the head of region to do better for public services. However, the authority given to the head of local government to build its society has been misplaced as an opportunity to establish himself as a local king that open corruption and inconsistency of regulation practices. Is the region's ability to establish itself needs to be revitalized? What can be done by central and local government to prevent the practice of distorting the use of power?

**Decentralization and Corruption**

The theoretical perspectives points the impact of decentralization on corruption is still rather vague. Another statement of decentralization could lead to a split in the decision-making of government as proposed by Shleifer and Vishny stated:

> From the theoretical standpoint, how decentralization affects corruption is ambiguous. The first view suggests that decentralization leads to greater fragmentation of government decision making power. The breakdown of coordination among bureaucrats may lead to excess rent extraction.\(^1\)

In line with this argument, Treisman found "Federalist country that have higher rates of corruption due to the problem of 'overgrazing' among different levels of government entities over the same targets" (the federal states that have higher levels of corruption due to overgrazing problems in between the government that have the same target. Moreover Prud'home (1995) and Tanzi (1996) suggest the low capacity of local bureaucrats in providing public services will do away with the realization and the benefits of decentralization. While different views expressed decentralization is expected to change the impact of

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Autonomy (KPPOD), SMERU, The Ministry for Internal Affair, University of Indonesia, donor organizations, press, etc.

corruption by enhancing the role of local government and emphasizes the power of jurisdictional and political competition\(^4\). Jin in et. al (1999) stated:

….. that competition among localities will discourage governments from adopting interventionist policies – fearing that mobile factors of productions may run away to less interventionist jurisdictions.\(^5\)

However, moderate views expressed decentralization can reduce or increase bureaucratic rent-seeking that depend on expenditure decentralization along with tax devolution to the regions or not. As a consequence of dissatisfaction with centralized economic planning, decentralization of the central government has opened borders and offering a wider democratic participation to local governments. By being closer to the people, the local government can identify the needs of its citizens and provide necessary public services for citizens. Further positive side is easier for citizens to pay taxes because they believe that tax revenues for purposes related to the services received.

Decentralization is tinged with corrupt government makes vague ethical and worsens the functions of government as a provider of services to the public and not the financial providers and facilities to individual persons in government circles. Public involvement is needed to ensure that administrators always pay attention to the public interest. Research conducted by Dragoljub Kavran and Sherman M. Wyman found that the countries that are at the transition to democracy, decentralization need to get serious attention, especially in setting standards of behavior so that administrators maintain the values of servant and public servant in actions and decisions. They stated:

Unethical behavior, such as corruption, destroys public confidence and trust in government. This is especially important for nations as they transition to democratic institutions. The effort to strengthen the connection between government and its citizen must transition through the ecology of public administration. The key challenge to these emerging governments will be to adapt their missions to the needs of their citizens and ensure core values and standards meet public expectations. To translate these values into action, countries need to

\(^5\) ibid
legislate standards of conduct and create environments where core and
traditional values guide the public servants decision-making and actions.6

In recent years, the observation of empirical support for decentralization
implementation shows a systematic decline. According to the Center for Research
on Anti-Corruption Utchen German states, "... these observations have led
Reformers and Researchers to question how sensible the Decentralization
strategies are for the real situations they are applied in developing countries"7
Developing countries such as Indonesia have triggered for implementing
decentralization of the centralized New Order government. Ryaas Rasyid in 1999
declared regional autonomy is the answer to the demands of the people are asking
for independence or form a federal state. According to Rasyid, if decentralization
fails, then Indonesia will not become a federal state but rather a so-called
"disintegrated state"

Corruption and Accountability Democracy

Political Corruption in developing countries such as Indonesia has
become one of the main themes of research in the last past ten years. The low
quality of bureaucracy, the income level of the people who are still below the
standard, the low and uneven education, and unaccountable governance regime
are merged to be fertile ground for corruption. Mark Philip in his article titled
Political Corruption, Democratization and Reform stated:

Core cases of corruption involve four keys component: a).public
officials, who acting for personal gain;b).violate the norms of public
office and c)harms the interests of public; d) to benefit a third party,
who rewards a for access to goods or service which would not otherwise
obtain.8

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6 Ethics or Corruption? Building a Landscape for Ethics Training in Southeastern Europe
By Dragoljub Kavran, Professor and President, Civil Service Council Government of Serbia
and Sherman M. Wyman, Professor School of Urban and Public Affairs, University of Texas at
Arlington
7 Decentralisation and corruption. A review of the literature Utstein Anti Corruption Resourch
Center
Odd-Helge Fjeldstad
Andra’s Sajo. CEU Press (Central European University) 2002.NY. hal.57
Political corruption has made the de legitimation of democracy as expressed by Yudi Latif. Paradox occurs between the demands of good governance from corruption, collusion and nepotism and the cost of expensive elections. For example, the governor's nomination, it needs around Rp 100 billion fund while the governor's salary is only Rp.8.7 million per month. Commission of Anti Corruption noted at least 150 heads of the regions indicated committed to corruption. Some areas also have budget deficits because of depleted election financing.

Report of Indonesia Corruption Watch (ICW), which is written in the Kompas daily news mention the increasing corruption occurs where the first half of 2010 as many as 176 cases, 441 people named as suspects and losses of around Rp.2.1 trillion while in the same period in 2009, there were only 86 cases of corruption were investigated, 217 suspects and losses of approximately 1,17 trillion. This increase was presumably not due to the improved performance of law enforcement, but an indication of the amount of corruption increased. The finance area (budget) be the sectors most prone to corruption, while corruption is the highest executive agency 63.49%, 19:27% private and legislative 11.79%.

Meanwhile, emerging dynasty of power built by the incumbent head of the region in the elections of 2010 make things going worsens. Nepotism is establishing supremacy as the circle group of families that occurs both in the executive and legislative branches in the area. Some of the head regions are already accomplished a period or two periods or did not run for election. Unfortunately, power is to sweet to let go, therefore, they are making dynasty to support his wife, son, uncle or his relatives for running elections. Among the area include Banten, Lampung, South Sulawesi, Kediri, Indramayu, aquatic mammal,
South Sumatra, North Sulawesi, Bantul, Bontang, Tabanan, Central Lombok, Central Kalimantan, East Kalimantan, Tulang Bawang.\textsuperscript{13}

Ministry of Home Affairs in 2007 has evaluated the performance of autonomous local governance outcomes. The result showed that of 148 autonomous regions from 1999 to 2007, only 49 well-performing regions. The rest, 28 low-performing regions and 71 districts can not be judged for not giving statements. In fact there are areas that are returned to the parent for not developing.\textsuperscript{14}

Meanwhile, since 1999 there have been 205 new autonomous regions established consisting of seven provinces, 164 regencies and 34 cities. Thus, the numbers of existing autonomous regions have been numbered 524, consisting of 33 provinces, 398 regencies and 93 cities. New autonomous regions are periodically evaluated. Evaluation of new autonomous regions conducted to determine which areas are to develop and organize regional autonomy well, and that did not work. Regions that do not successfully implement autonomy until the deadline specified should be considered for reunited its main region. The Minister of Home Affairs stated that performance evaluation shows 34 areas that actually get poorer after the become autonomous region separated from the main region. It seems the source of corruption are the arrangement of the autonomous region, direct election of regional heads. As an impact, it is the state funds, local governments, human resources, local government officials become victims of misleading decentralization\textsuperscript{15}

**Corruption in Government**

Decentralization has brought changes not only the relations of power between the central and local governments but also between the branches of government at the local level. Some of these changes have increased the rise of 'money politics' - by regional heads for profit and to maintain the support of the

\textsuperscript{13} Data daerah ini diperoleh dari kompilasi draft disertasi saudara Kiki, Pascasarjana Universitas Indonesia.

\textsuperscript{14} http://gatra.icom/2009-12-28/majalah/artikel.php?pid=14&id=133489&crc=-190199426

\textsuperscript{15} http://koranindonesia.com/2009/10/31/otonomi-daerah-akan-diatur-lebih-baik/
legislature. As return, the new legislators exploit their powers to the local budget to fund their political parties. Generally, in almost all lines, they have available space for their own gain funding. The opportunity for corruption has been opened wider by the inconsistency of financial regulations by local governments as well as central government. Further, there is existence of the cooperation between legislative members and executive branches to make regulation based on their needs accordingly. These kind of corruption acts emerge deeply because of the low public participation and control over local government.

The modus operandi of corruption happens because of the frequent changes that often occur. Some research finding\(^\text{16}\) showed that the practice of corruption occurs in both executive and legislative, central and local government in various ways. In the legislative branch, the member commit to corruption mostly by doing:

- mark-up of budget lines;
- channeling government budget to fictitious institutions;
- manipulating official trips for personal gain. Meanwhile the executive branch, the modus operandi of corruption are:
  - utilizing unspent budget inconsistently with procedures;
  - breaching regulations governing the submission and channeling of local budget; and
  - manipulation of procurement

Third modus operandi of corruption in both the legislative and the executive is not much changing in the financial drain of local government. Steps can be taken to minimize the level of corruption in this area is to identify the various factors and relate to one another, such as\(^\text{17}\):

- Improving the legal framework to ensure public participation in local governance

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\(^{16}\) Among of the research have funded by The World Bank Cooperated with the Ministry of Home Affair for Grand Desing of Regional Autonomy in November 2010-May 2011, where the writer become the consultant as well as the research expert. It showed that corruption occurs both in executive and legislative, in local government and central government.

\(^{17}\) ibid
b. Improve the relationship of state and civil society in an effort to undermine corruption

c. Continuing efforts to strengthen civil society in view of the legal process.

Mark Philip in his writings on Political Corruption in Transition also added the results of his research on how the method can take place and corruption is difficult to prevent because it is like an octopus, tangled and protect each other. The following table shows a pattern or method of corruption and a public office or agency which is involved in this corruption ring.

### Table 1. Method and Corruption in Government Agencies

<table>
<thead>
<tr>
<th>Agent of Subversion</th>
<th>Method of Subversion</th>
<th>Controlling policy</th>
<th>Blocking implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individuals</td>
<td>Electoral subversion</td>
<td>Bribery, campaign funding, buying votes</td>
<td>Inducement and threats</td>
</tr>
<tr>
<td>Faction/classes</td>
<td>Electoral malpractice</td>
<td>Patronage/clas rule</td>
<td>Non cooperation/class war</td>
</tr>
<tr>
<td>Bureaucrats/Elite</td>
<td>Raising entry cost, exploiting acces to TV, Media, etc</td>
<td>Autocracy</td>
<td>Elusion or formal controls</td>
</tr>
<tr>
<td>Foreign Powers</td>
<td>Funding of Status Quo or subversion</td>
<td>Exploiting dependency or venality</td>
<td>Covert support for one or more the above</td>
</tr>
</tbody>
</table>

Source: Political Corruption in Transition\(^{18}\)

In the table 1, Mark Philip use to replace the word subversion perpetrators of corruption. Actor subversion classified into four sections, namely: individual, faction, bureaucrats or elites and foreign powers. Individuals with corruption in three ways, namely subversion to launch an election with bribery, campaign funds and buy votes; further by controlling the policy either through pressure or threats and the last to be made by an individual is by blocking the implementation of non-compliance and free riding. Subversion can be done by both factions and classes by performing electoral mal practices, patronage and cooperation. Subversion bureaucrats or elites through basic expose valorization and exploitation of access to TV, Media; autocracy and elution or formal controls.

\(^{18}\) Mark Philip, *op.cit.* hal 72
Last power can be diverted by the status quo; exploitation dependency and diversion support.

**Political Corruption**

Corruption basically is an illegal exchange of interests among the actors namely the agent who abuse the public office power to the other party as a receiver or advantages giver as a trade of power misconduct. The government and its employees should have a public trust, not for personal profit seekers. However, sometimes the actors who in power act as economic agents that understand their responsibility but committed to abuse of powers by leveraged into personal interests and forget their function to serve the public. This problem is not only present on the executive as head of the region, regents or mayors, governors and presidents who receive rewards for his position. Legislature also often sells their voting rights to certain interests as barter campaign contributions or other interests. All this practice is morally unacceptable, illegal and lowered public confidence in political institutions.

Steven P. Lanza\(^{19}\) quotes Samuel P. Huntington wrote, "... in terms of economic growth, the only thing worse than a society with a rigid, over-centralized, dishonest bureaucracy is one with a rigid, over-centralized and honest bureaucracy .." In this view, political bribes (political bribery) disobey bureaucratic red yarn and government efficiency. Moreover, if the number of bribery reflects the value of "favor" (choose) to the briber, the government is usually more focused to projects attention that provide greater benefits. Course, the advantage is more enjoyed by the few and not the public interest.

Thus, the price of a corruption may have implications in many things, first: political corruption raises the cost of doing business (business) for a number of expenses that must be paid to get special treatment. Institutionalized bribery also made a set of transaction costs, such as the costs of negotiation, monitoring

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\(^{19}\) Steven P. Lanza, 2004. The Economics of Ethics: *The Cost of Political Corruption*. Executive Editor
Connecticut Center for Economic Analysis
and encouraging an agreement, and does not prevent the parties enter into an agreement to engage. Because corruption is using the power exchange (the arbitrary use of discretionary power), uncertainty is the main enemy in increased business and the business environment becomes less secure. Second, political corruption stops free competition and efficiency. An effort associated with political connections can reduce the cost conscious because they have been protected from competition. Third, corruption distorts the allocation of resources to a project that can provide benefits for a moment. Besides the undesirable efficiency consequences of this increase due to the distortion, the other is a result of growing imbalances in society because of increasingly powerless people (the poor); they must bear the loss because of the special safeguard against the interests of the briber. 20

Malpractice Government

As mentioned earlier, the government actors who committed to corruption acts usually occurs in the procurement of goods and services including contracts made by the government, the tax administration and property loss prevention industry and government, including non-investment trading unit, the administrative state loans by financial institutions, the use of state funds without calculation as well as all kinds of spending at the root of government malpractice.21 There is no doubt that corruption hurt the stability of the country's political economy. The consequences of corruption in addition to those mentioned above, are the transfer of a number of public sources that should be able to be more productive elsewhere; the decline of productivity; the minimum of effectiveness and efficiency of government, reduce urban sources products efficiently and development activities; gains through corruption will increase investment and industrial sectors, but rather the consumption and delivery of money to foreign banks; corruption increases inefficiency by allowing contractors to inefficient or expensive supplier with their ability to bribe government.

20 ibid
contracting; bribes and pay-offs, government employees tend to made long before there was a document of payment, when bribery is a long standing, the income from bribes is no longer regarded as a distraction but part of the expected revenue from the signing of contracts with suppliers, construction and design by the public sector; corruption also occurs in trade abroad, where the investment policy of export and import distorted by bribery.

Then, what is the role of democracy to reduce this corruption acts? Democracy and government openness can be a way out of the most effective way to prevent corruption. Democracy creates conditions ensuring executive accountability exist because people can exercise control, directly or indirectly, to the administration. Open government can open the bonds of law and constitutional government documents. Accountability is the birthmark of the democratic system. Steps that can be taken is to make the state employees have the accountability of politicians, second, to make the politicians accountable through the system have a wider representation to the people. Accountability provides a great opportunity for the public to be able to access relevant information.

**Decentralization and Local Democracy**

Another mechanism for measuring the pressure of government accountability is through democratic elections. It is related to the programs proposed during the campaign such as the adequacy of materials, clothing, social services and anti-poverty programs. The local government closer to the people than the central government, this fact makes them more accountable in the eyes of the people. Therefore, Pranab Bardhan and Dilip Mookherjee cited Seabright (1996) which stated:

.... that local citizens are often able to make accurate inferences concerning the accountability of local government officials, owing to their knowledge and observation of local conditions and behavior of these officials. But most of this knowledge is not hard evidence that can be used in a court of law or submitted to other watchdog agencies. As a result, central politicians monitor lower-level bureaucrats more poorly than do local citizens. Local elections form an ‘incomplete contract’
which permits citizens to express their displeasure with corrupt and incompetent officials by refusing to re-elect them.\textsuperscript{22}

Direct election of regional heads is expected in line with this theory, but in Indonesia, money politics is wide open. With the low level of education and the economy, but democracy does not become fertile instead blurred. The low education Indonesian society who seventy percent living in rural areas become unfortunately a place for politics manipulation. Obscure promising campaign can swallow them rawly, for example a regional head candidate promising free education, free healthcare, or funding boots for unemployment without any consideration of local financial capacity. People who are less educated will easily believe the tempted campaign promises, people who are educated would criticize the empty campaign program. The low level of people’s income economy is also a good place to do a vote buying because poor people need money much more than the value of their votes.

Model of corruption in election of governors or district heads (Majors, Head of Regency) that they received campaign contributions from companies and uses it to attract people’s voice. As a barter of financial support from the companies are that the elected regional head give protection efforts, ranging from the responsibility to pay taxes, entering new territory, protection against corruption and subsidies in various forms. The balance of businesses in the area blocked by the increasing concentration and inefficient local industries, the lack of local political competition, the proportion of voters who are not netted cause local unemployment and parameters that describe the costs incurred by the governor to provide protection against the central government. The central government ultimately may choose certain measures to punish head area.

If the central government is weak, the cost to sanction the governor or the head of the region to be very expensive, the balance of the system occurs with protection against provincial / district is rampant. The balance can also be

\textsuperscript{22} Pranab Bardhan and Dilip Mookherjee “Decentralization, Corruption And Government Accountability: An Overview”\textsuperscript{**}For ‘Handbook of Economic Corruption’ edited by Susan Rose-Ackerman,Edward Elgar, Revised, June 20 2005
presented between the central and local governments where there is protection at all. If a strong central government, non-cooperative equilibrium can be minimized. The model proposed by Blanchard and Shleifer stating:

... that economic decentralization must be accompanied by political centralization in order to succeed (i.e., where regional governors cooperate with the federal government, owing to sanctions that the latter could potentially impose on the former). Nevertheless, the model does not address the potential for capture of the federal government itself within a centralized regime.23

Issues of decentralization and local democracy further illustrated by Sonin (2003) which stated:

... wealthy interest groups can contribute to the campaign finances of competing electoral candidates, which are used to mobilize the votes of ‘unaware’ voters. Aware voters, in contrast, vote based on more accurate perceptions of how chosen policies would affect their interests. Both types of voters also vote partly on the basis of loyalties determined exogenously, partly by historical circumstances and other non-economic dimensions that differentiate competing parties.24

In this model, the equilibrium level of government depends on the patterns of political participation, political awareness among the contestants that eventually led to the distribution of voter loyalty. The pattern of political participation depends on the distribution of literacy and socio-economic status in the community that are not revealed by the media hype. Irregularities can occur at higher levels of government than the national government because of the high media coverage in the central government, greater difficulty for interest groups to tackle the problem of free-riding at the national government level or a high level of separation of powers at this level. Conversely, deviation may also be greater in the central government who has greater financial campaign, an imbalance of political competition, or at least the information gained from assessment to evaluate the candidate’s national issues.25

Conclusion

Decentralization has given two contrasting sides of the local government is meeting the needs of the local governments that are closer to the local

23 ibid
24 ibid
25 Ibid.
government, and the opening of opportunities for corruption in government in both the executive and legislative branches. The modus operandi of corruption in this area such as a widespread or transfer of corruption acts from central government to local government. Somehow, it is even worsen because there is unavailable media coverage to watch the illegal practice can take place without the control of people who are preoccupied with economic problems.

Increased corruption in the local government would increasingly alienate ideals autonomy itself as a process of bribery extortion even been considered a part of the revenue to be gained in local government circles. Democracy through direct elections instead fosters corruption cases are characterized by the high cost of elections that must be borne by the candidates. As a result, the financial support obtained during the campaign into a debt in exchange for a variety of regional policies that harm the public interests.

Therefore, it needs a serious effort to minimize and prevent corruption in the region through several steps: 1) open to public participation and public access to government policy that will eventually become a tool for government control, 2) enhance the ability of civil society to monitor the government and identify corruption, 3) continue efforts to strengthen the monitoring process of law, politics and economics. Freedom of Information Law (Public Information) may be one way that the government and the public jointly oversee the running of the government. Implementation of Freedom of Information Law will help the people to know all state expenditures, central and local government and what they can gain from a government program.

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